



KORONGO LIMITED

**APPLICATION TO TANZANIA INVESTMENT CENTRE
FOR A NEW CERTIFICATE OF INCENTIVES
for the
RAS DEGE SERVICED APARTMENTS
A BUSINESS PLAN FOR INVESTMENT
2023 to 2030**



1st August 2023

1. INTRODUCTION AND BACKGROUND

Korongo Ltd is seeking a new Certificate of Incentives from the Tanzania Investment Centre to underpin additional investment in future development and operation of self-catering hospitality operations in serviced apartments at Plots 1 and 2 Ras Dege, Kigamboni.

Incorporated in August 2000, Korongo initially focused on consulting services in agriculture and natural resource management. A TIC Certificate of Incentives No 080078 was issued in November 2000. The extensive consulting work undertaken by Korongo under this Certificate is summarised in Table 3.

In 2001 and 2003, Korongo purchased and registered two adjacent, previously undeveloped plots at Ras Dege¹. Two sets of buildings were constructed as offices, directors' residence and visitors' accommodation. Associated infrastructure, including stores, a solar power system, back-up generator, rain-water tanks, a salt-water swimming pool, paths, tracks and firebreaks was also built, as shown below.



In 2017, due to advancing age, the Founding Directors of Korongo retired from consulting work. The Ras Dege buildings are now being transformed into two sets of serviced apartments, benefiting from the magnificent setting of the Ras Dege peninsular and a location close to a pool of potential clients.

These changes are in line with Government policies to promote tourism and private sector investment. In addition, the post-covid resurgence of travel is resulting in increased national and international tourism to Tanzania. Close to Dar es Salaam, and with the new Kigamboni Bridge in place, Korongo's Ras Dege site is well placed to support coastal tourism and contribute to the development of Tanzania's Blue Economy.

Korongo Ltd now seeks a new Certificate of Incentives from TIC to support the company's investments in the development of self-catering serviced apartments at the two Ras Dege houses.

¹ Plot 1 CoO 53882 of 24th March 2003, Plot 2 CoO 54099 of 26th May 2003.

2. OBJECTIVES AND STRATEGY FOR INVESTMENT - 2023 to 2030

The Objective is to develop Korongo's eco-friendly self-catering serviced apartments at the two Ras Dege houses.

The Strategy is to maximise benefits to the company, its employees and local tourism through a combination of quality care for the guests, the staff and the environment.

3. RAS DEGE HOUSES - SERVICED APARTMENT DEVELOPMENT

The buildings constructed for Korongo Ltd in 2003 by Caspian Ltd. are being converted to self-catering serviced apartments with a total 10 bedroom, 18-bed capacity. Only 28 kms by road from Dar es Salaam, Korongo's location and the 30 acres offer huge potential for further careful development. This development will continue to apply Korongo's key principles of respect for the area's environment, which includes significant areas of coastal bush that is increasingly under pressure throughout Tanzania.

The coastal bush of the Ras Dege area, and Korongo's access to its property, have recently been severely damaged by industrial scale limestone mining. If Korongo is to make new investments, satisfactory means for co-existence with the mining operation must be established which protect Korongo's access and ability to conduct its business at Ras Dege. This will require the cooperation of the Kigamboni Municipal Council and key national authorities such as TIC, NEMC and MNRT.

Korongo has successfully tested of the viability of a self-catering hospitality operation at Ras Dege. The new investment is ready to start and will be rolled out in two Phases.

Phase 1, running from 2023 to 2025, is a period of transition and transformation of existing facilities to ensure comfort, quality of service to guests, while continuing with Korongo's strategy of wise, sustainable use of the area's natural resources. Specifically, it will:

- Work with national and local authorities to protect investments from the impact of mining.
- Rethatch Tower House and Korongo House,
- Install new fridges, cookers and other equipment in both houses,
- Overhaul the solar energy system, including special inverters to improve performance,
- Improve the water reticulation system,
- Plan and implement a revised Publicity and Marketing Strategy for the Ras Dege Houses,
- Contribute to collaborative plans for partnerships to rehabilitate adjacent limestone quarry sites,
- Prepare detailed plans and costed proposals for Phase 2 investment,
- Identify suitable local and national investors willing to participate in Phase 2.

Phase 2 will run for five years from 2025 to 2030; the minimum time required to generate reasonable returns from investment of this sort. Phase 2 will bring increased investment in Korongo's hospitality capacity at Ras Dege. The Ras Dege site has sufficient space for at least three additional buildings and associated facilities and support staff. This will be achieved without over-crowding or significant detriment to the natural environment.

The speed of investment progress will depend on establishing a viable system for co-existence with the ongoing mining operation and the construction of reliable, safe all-weather access. Similarly, funding flows from new partners will depend on a stable, investor--friendly business environment.

Korongo's long-standing investment in Ras Dege's land and infrastructure would be used as equity to leverage additional finance for Phase 2. The details of new partners and additional construction remain to be determined and will be dependent on risk-reduction at the Ras Dege.

4. MANAGEMENT AND STAFF

Korongo currently employs nine permanent staff at Ras Dege: five men and four women. Many have been with the company for over 20 years and have received on-the-job training. Recruited from nearby villages, they return home at the end of each day's work. This team can handle all day-to-day activities and operations. Short-term casual labour is recruited locally when needed, and specialist contractors brought in for technical work and maintenance. The Ras Dege Team is supported by a part-time Administrator and part-time Administrative Assistant, both based in Dar es Salaam. Korongo also has Dar es Salaam-based accountants, auditors and lawyer.

This core group would be expanded as needed during Phase 2. Additional staff would be recruited and trained for Phase 2. Local employment would significantly increase as the investment advances. It is anticipated that at full development up to 20 people could be employed. There is currently very little other, sustainable employment available for local people in the area.

5 INVESTMENT AND CASH FLOW

Since 2003, Korongo Ltd has invested approximately US\$1.5 million in development, operations and maintenance at Ras Dege under the initial TIC Certificate, where in investment of US\$507,000 was anticipated². Using this development as the basis for future progress, and including the value of the property as equity, Korongo will use additional private share-holder resources and operational income to fund Phase 1. Phase 2, on the other hand, will require the injection of significant additional capital from new partners. An outline of investments is shown in Table 1.

Phase 2 investment will depend on: (i) evidence of a positive and stable investment climate in the Kigamboni area, (ii) development of an effective co-existence plan with the mining operation, (iii) construction of a new, safe, all-weather access road to the property, (iv) the development of environmentally-friendly rehabilitation plans for the mining-modified landscape surrounding Ras Dege³, and (v) guarantees of land use security for Korongo Ltd at Ras Dege.

² Certificate of Incentives 080078 of 6th November 2000.

³ For instance, if the quarries are turned into commercial land-fill areas, hospitality operations could not continue.

6. KORONGO AND THE ENVIRONMENT⁴

Albert Einstein famously wrote '*The environment is everything that is not me*'. Korongo Ltd shares that sentiment and integrates respect for the natural environment into all its activities. This is a crucial element in the company's approach to development at Ras Dege.

The great majority of the energy use at Ras Dege is solar, rainwater is captured and stored, grey water is fully utilised, and most waste is recycled or composted. The company's carbon footprint and direct environmental impact is minimum. This will continue with the new project.

For many years Ras Dege has been a focal point for the international Synchronised Whale Watching Day, where observer teams stretching from northern Kenya, through Tanzania south to Mozambique record the passage of Humpback Whales moving to Antarctica. Ras Dege is also an important resting spot for many Palaeartic migrant birds that pass through the peninsular, as well as a robust population of resident and local migrant birds. It remains an important habitat for reptile and mammal species. This habit and its inhabitants are becoming increasingly rare along Dar es Salaam's South Beach. In addition to fulfilling a fundamental responsibility to protect the environment, this natural resource, along with access to extensive unspoilt beaches, provides a huge attraction for clients seeking to connect with nature.

Korongo has played an active role in discouraging and reporting the ecologically destructive practice of blast fishing around the coast – especially land-based blast-fishing. This had become a plague along the Tanzanian coastline. Determined action by the Government of Tanzania and its partners had put a stop to this. However, it has returned and land-based blast-fishing presents a threat to guests at Ras Dege.

While Korongo's property remains in a relatively pristine state, the company intends to work with partnerships to restore the mining-degraded environment in the surrounding areas, which comes right up to the property's boundaries.

7. STRENGTHS AND WEAKNESSES

The strengths, weaknesses opportunities and threats (SWOT) related to this investment are shown in Table 2. Some are specific to Korongo Ltd and its Ras Dege site. Others are of wider significance, such as the recovery of the surrounding landscape, the future development of Tanzania's tourism to focus on coastal opportunities, and the overall investment climate in Kigamboni.

⁴ More details on the environment and ecological characteristics of Ras Dege are available in the Background Document for the Environmental Audit.

8. THE ROLE OF A TIC CERTIFICATE OF INCENTIVES

Korongo and its future investment partners will not be able to progress without the support of key local and national institutions. As the focal point one-stop-shop for such activity, the Tanzania Investment Centre will have an essential role to play. Korongo needs to obtain a new TIC Certificate of Incentives for:

- a. Protection of Korongo's rights to the Ras Dege property,
- b. Clarity on the Government's long-term plans for the use of the overall Ras Dege area. It will be difficult to justify future investment in Korongo's property if there is uncertainty,
- c. Guidance on, and support for, co-existence with mining operations, while protecting Korongo's legitimate business interests,
- d. Facilitating the identification of suitable investors for partnership in Phase 2,
- e. Participation in approaches for rehabilitating the environment and surrounding landscape at Ras Dege.
- f. Assistance in ensuring permanent all-weather access to Korongo's Ras Dege property.

9. CONCLUSION

Korongo Ltd. plans the future development of the Ras Dege for a low-impact, high-quality self-catering serviced apartments. An initial step in this process is the reregistration of the new investment with the Tanzania Investment Centre.

Korongo looks forward to discussions and guidance from TIC and other key institutions on the appropriate way forward.



**Dr Jeffrey G Lewis,
Director and Chairman**

**Mrs Jennifer J Lewis,
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TABLE 1: KORONGO SERVICED APARTMENTS AT RAS DEGE - INVESTMENT SUMMARY

	ESTIMATED EXPENDITURE US\$	SOURCE OF FUNDS – US\$		
		RETURNS	KORONGO DIRECTORS' INVESTMENT AND LOANS	NEW INVESTORS
PRE-INVESTMENT 2003 TO 2023	1,500,000			
PHASE 1 - 2023 to end 2024				
Reroofing	14,000	The ratios to be determined, depending on income flow		NIL
Kitchen Equipment	15,000			
Solar Power Equipment	6,000			
Painting	5,000			
Garden make-over	4,000			
Publicity and Marketing	5,000			
Recurrent Staff Costs	36,000			
Management and Accounts	15,000			
Phase 1 Sub-Total	100,000	100,000		NIL
PHASE 2 - 2025 to 2030				
Estimate for three new independent Hospitality Units at US\$200,000 each and operation and maintenance costs	900,000	To be determined		TBD Expected to be a mixture of local and foreign
TOTAL NEW INVESTMENT ESTIMATE 2023 TO 2030	1,000,000	1,000,000		
TOTAL INVESTMENT 2003 TO 2030	2,500,000			

TABLE 2: SWOT ANALYSIS

STRENGTHS	<ul style="list-style-type: none"> a. Korongo Ltd has been investing in Ras Dege for over 20 years. Infrastructure that will be used in Phase 1 of the new investment is already mostly developed, b. The company has substantial experience in the area and model for this operation, c. The Ras Dege Team know the area very well. They are well-experienced in maintaining the property in good condition and effective problem-solvers. d. Korongo Ltd has a well-established system of management, accounting and auditing to provide competent administrative support and reporting. e. The site is on a spectacular peninsular with unrivalled ocean views, access to wonderful beaches, and local wildlife on land, sea and air, f. Currently there is no other similar operation close by in the area in terms of location, quality and price
WEAKNESSES	<ul style="list-style-type: none"> g. The main weakness in Korongo’s investment plans is uncertainty about future Ras Dege land use. Unplanned mining has taken over much of the peninsular and destroyed both the natural environment and local access. h. Korongo’s client base of guests cannot be guaranteed, i. Korongo Ltd is not able to control the use of the surrounding landscape and immediate access. This will impact Korongo’s reputation, even with some form of co-existence with the mining and the severely degraded landscape. j. Phase 2 depends on new investors becoming involved. And for this to happen there will need to be some guarantees of future land use, a positive Kigamboni business environment and local security.
OPPORTUNITY	<ul style="list-style-type: none"> k. Dar es Salaam is one the fastest growing cities in the world. l. The Ras Dege location is well suited to benefit from this growth. m. The Kigamboni Bridge has improved access to Ras Dege from Dar es Salaam. n. Post-covid tourism is picking up in Tanzania, providing opportunities to identify new national and international clients. This can be further strengthened by more active publicity and marketing by Korongo Ltd. o. The Tanzanian Government is encouraging private sector investment which provides Korongo with opportunities further to develop the Ras Dege area. p. Increasing interest in developing the Blue Economy in Tanzania should significantly aid the project’s progress.
THREATS	<ul style="list-style-type: none"> m. Failure by authorities to restore access to Korongo’s property as agreed n. Inadequate investor-friendly environment in Kigamboni o. Ras Dege’s reputation is threatened by uncontrolled current land use practices p. Continued limestone mining in the area. q. Constraints to developing co-existence plans with the miners r. The return of blast-fishing, especially land-based last-fishing s. Climate change and rising sea levels

TABLE 3: Korongo Ltd's consulting work under initial TIC Certificate of Incentives

- Agribusiness Platform Assessment for UK's Dfid,
- Concept Note for Kigamboni Coastal Platform development,
- Green Growth and Climate Change component of SAGCOT and advisor to SAGCOT Centre
- Support to AgrilInsight on natural resource aspects of the system development
- Support to ProRustica for development of World Food Programme P4P planning
- Advice to FAO's Southern Highlands Food Systems Project on Farming as a Business,
- Review of Climate Smart Agriculture project proposal for Royal Norwegian Embassy
- Consultant to N2Africa on plans for expansion of their programme in Tanzania
- Support to the Agricultural Council of Tanzania's Tanzania Agricultural Partnership
- Mapping Private Sector activity in Tanzanian Agriculture, for ASDP
- Support to Irish Aid's Livelihood and Growth Strategy for Tanzania
- Facilitation of the Tanzania Fertiliser Partnership; a Public-Private Partnership
- Preparation of Advocacy Programme for the Agricultural Council of Tanzania
- Appraisal of Rural Small and Medium Enterprise Development in six Regions of Tanzania
- Review of Smallholder Empowerment and Economic Growth through Agribusiness and Association Development - Programme in Tanga Districts
- Institutional development and capacity building plans for Agricultural Council of Tanzania
- Private Sector Development Component for the District Agricultural Development Plans Guidelines
- Implementation Review of Tanga Coastal Zone Management Programme,
- Programme Document for WWF Rufiji, Mafia and Kilwa Districts Seascape Programme
- Preparation of Tanzania's Medium Term Investment Programme for presentation to NEPAD
- Surveys of seven irrigation areas for FAO Special Programme in Food Security
- Study of Lessons Learnt in Tanzania in Participatory Forest Management, for MNRT
- Study on Environment and Poverty Linkages for the World Bank, Dar es Salaam
- Review of Lessons Learnt by MEMA, Iringa District, Tanzania
- Preparation team for the First ASDP for Ministry of Agriculture and Food Security, Dar es Salaam
- Review of Sustainable and Integrated Management of Malagarasi-Muyovosi Ramsar Project,
- National Participatory Forest Management Plan, Danida and MNRT
- Mainstreaming Environment and Gender in District Planning. Ngara and Kahama Districts,
- Second MEMA Project Review, Iringa District, Tanzania. DANIDA forestry project
- Livestock Research Review, Ministry of Agriculture and Food Security, Tanzania
- Soil Fertility Action Plan, Tanzania
- Institutional Framework for the Tanga Coastal Zone Management Project
- First Review and technical support to MNRT and Iringa District for the MEMA forestry projects:
- Sustainable Cities Programme Environment and Institutions Study, Tanga.