

KORONGO LIMITED

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



2ND September 2023

1. INTRODUCTION AND BACKGROUND

Korongo Ltd is seeking a new Certificate of Incentives from the Tanzania Investment Centre to underpin additional investment in the Ras Dege Villas Project - a future development and operation of self-catering hospitality operations in villas 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 Annex 1.

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 self-catering villas, benefiting from the magnificent setting of the Ras Dege peninsular and a location close to a source of potential clients. Further investment will be made in three additional units bringing the total to five operational units.

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 a series of self-catering villas at Ras Dege.

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 five eco-friendly self-catering villas at Ras Dege.
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 VILLAS PROJECT DEVELOPMENT

The two initial buildings constructed for Korongo Ltd by Caspian Ltd in 2003 are being converted to self-catering villas with a total 10 bedroom, 18-bed capacity as Phase 1. A further three more units will be built and operated in Phase 2. 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 Ras Dege area has recently been extensively and severely damaged by industrial scale limestone mining. If Korongo is to make new investments, satisfactory means for co-existence with the mining operation and its impact 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 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. It will increase investment and long-term employment opportunities in an area significantly lacking in both.

The speed of investment 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 local and national 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 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 total investments is shown in Table 1, and they amount to just over US\$1 million.

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.

TABLE 1: RAS DEGE VILLAS PROJECT - CAPITAL INVESTMENT SUMMARY – US\$

	US\$	Source of Investment
Land Purchase and Survey	140,000	Korongo Ltd
Korongo House Construction by Caspian Ltd	220,000	Korongo Ltd
Tower House Construction by Caspian Ltd	240,000	Korongo Ltd
Wilson Generator	15,000	Korongo Ltd
Swimming Pool	15,000	Korongo Ltd
3 Containers and Stores	10,000	Korongo Ltd
Solar Energy – Panels, Inverters, Batteries	20,000	Korongo Ltd
Managers’ House and equipment	35,000	Korongo & Partners
Monsoon House and equipment	103,000	Korongo & Partners
Corner House and equipment	103,000	Korongo & Partners
South House and equipment	103,000	Korongo & Partners
	1,004,000	

Table 2 presents expenditure estimates for the development of the Ras Dege Villas Project up to 2023. Table 3 summarises the anticipated income stream and Table 4 presents estimates of Cash Flow from 2023 to 2030.

As long as (i) a form of cohabitation with the mining and its impact can be achieved, (ii) a recognised reliable all-weather access established, and (iii) the previously interested investors return, Korongo’s Ras Dege Villa Project will experience a positive cash flow as soon as 2027. The project will then start to generate significant profit and be able to make significant contributions to both national and local economies through Berd Levy and taxation.

Local employment will significantly increase, as will improved protection of the local environment.

TABLE 2: RAS DEGE VILLAS PROJECT – EXPENDITURE ESTIMATES US\$⁴

YEAR	CAPITAL COSTS			RECURRENT COSTS						TOTAL VILLAS PROJECT COSTS	
	BUILDING	EQUIPMENT	CAPITAL COSTS	PERMANENT STAFF ⁵	CASUAL LABOUR	INSURANCE, ACCOUNTS, AUDIT	LAND RENT AND BED LEVY	TRANSPORT ⁶ , REPAIRS AND RENEWALS	RECURRENT COSTS		
Pre-2023 Capital Investment			660,000							-	-
2023	-	2,500 ⁷	2,500	14,500	50	15,000	2,800	12,000 ⁸	44,350	46,850	
2024	120,000 ⁹	5,000 ¹⁰	125,000	17,000	50	16,000	11,800	2,000	46,850	171,850	
2025	100,000	3,000	103,000 ¹¹	20,000	60	17,000	11,800	3,000	51,860	154,860	
2026	100,000	3,000	103,000 ¹²	21,000	70	18,000	14,200	3,000	56,270	159,270	
2027	=	3,000	3,000	22,000	80	19,000	14,200	4,000	59,280	62,280	
2028	-	2,500	2,500 ¹³	23,000	80	19,000	19,200	4,000	65,280	67,780	
2029	-	-	-	25,000	90	19,000	22,000	5,000	71,090	71,090	
2030	-	2,000	2,000 ¹⁴	27,000	100	19,000	25,000	5,000	76,100	78,100	
2031	-	-	-	27,000	100	19,000	31,000	5,000	82,100	82,100	
2032	-	-	2,000 ¹⁵	28,000	100	20,000	31,000	6,000	85,100	87,100	
2023-2030			343,000							638,280	981,280
TOTAL CAPITAL INVESTMENT AT RAS DEGE			1,004,000								

⁴ At constant 2023 values⁵ Increasing from 9 in 2023 to 15 in 2028⁶ Transport will be hired locally according to need. No permanent vehicles.⁷ Replace fridges and ovens in Tower House and Korongo House⁸ Replace makuti on Tower House and Korongo House and repair woodwork⁹ First new banda and staff house¹⁰ Furniture, oven and fridge and other equipment for new buildings¹¹ For second new banda¹² For third new banda¹³ New equipment for Tower House and Korongo House¹⁴ As required¹⁵ New equipment for three additional bandas

TABLE 3 : RAS DEGE VILLAS PROJECT– INCOME ESTIMATES US\$

YEAR	NUMBER OF BEDS	POSSIBLE ANNUAL BED NIGHTS	% CAPACITY	ANNUAL BED NIGHT ESTIMATE	COST PER BED NIGHT[1]	ESTIMATED GROSS INCOME[2]
2023	18	3,600	10	360	50	18,000
2024	18	3,600	60	2,160	50	108,000
2025	18	3,600	60	2,160	60	129,600
2026	22	4,400	60	2,640	60	158,400
2027	26	5,200	70	3,640	70	254,800
2028	30	6,000	70	4,200	70	294,000
2029	30	6,000	80	4,800	80	384,000
2030	30	6,000	100	6,000	80	480,000
2031	30	6,000	100	6,000	80	480,000
2032	30	6,000	100	6,000	80	480,000
TOTAL 10 YEAR ESTIMATED INCOME						2,786,800

[\[1\] Children <12 years free](#)

[\[2\] Before tax and Bed Levy](#)

TABLE 4 : RAS DEGE VILLAS PROJECT – ESTIMATED CASH FLOW SUMMARY - US\$

YEAR	ESTIMATED INCOME	ESTIMATED EXPENDITURE	ANNUAL INCOME AND EXPENDITURE	TAXATION CHARGE	NET INCOME AFTER TAX
2023	18,000	46,850	- 28,850		- 28,850
2024	108,000	171,850	- 63,850		- 92,700
2025	129,600	154,860	- 25,260		- 117,960
2026	158,400	159,270	- 870		- 118,830
2027	254,800	62,280	192,520	22,107	51,583
2028	294,000	67,780	226,220	67,866	209,937
2029	384,000	71,090	312,910	93,873	428,974
2030	480,000	78,100	401,900	120,570	710,304
2031	480,000	82,100	397,900	119,370	988,834
2032	480,000	87,100	392,900	117,870	1,263,864
TOTAL	2,786,800	981,280	1,805,520		

All these figures are estimates and will be subject to change as local, national and other conditions determine.

6. KORONGO AND THE ENVIRONMENT

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 Palearctic 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, this practice has now returned and land-based blast-fishing presents a potential threat to guests and the operation 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. This would be a key part of Korongo's future Corporate Social Responsibility activities.

7. STRENGTHS AND WEAKNESSES

The strengths, weaknesses opportunities and threats (SWOT) related to this investment are shown in Table 5. 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 the area.

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.

TABLE 5 : SWOT ANALYSIS

<p>STRENGTHS</p>	<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
<p>WEAKNESSES</p>	<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.
<p>OPPORTUNITY</p>	<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.
<p>THREATS</p>	<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

9. CONCLUSION

Korongo Ltd. plans the development of economically and financially viable, low-impact, high-quality self-catering villas at Ras Dege. An initial step in this process is the reregistration of the new investment with the Tanzania Investment Centre.

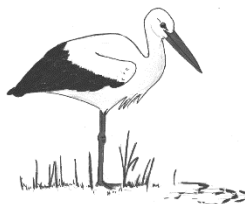
Korongo Ltd looks forward to continued discussions and guidance from TIC and other key institutions on the appropriate way forward.



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Mrs Jennifer J Lewis, Director and Company Secretary
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ANNEX : 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.