

**TANZANIA AGRIC-TECH DEVELOPMENT
COMPANY LIMITED**

PROPOSED FEASIBILITY STUDY

FOR

**THE ESTABLISHMENT ASSEMBLING OF
AGRICULTURAL MACHINERY AND EQUIPMENTS
FACTORY AT MKUNDI WARD, IN MOROGORO CBD,
MOROGORO REGION,
TANZANIA.**



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List of Abbreviations

4WD - Four Wheel Driver
CAPEX - Capital Expenditure
CIF- Central in Flight
EU - European Union
GDP - Growth Domestic Products
IRR - Internal rate of return
Kg - kilo gram
LTD - Limited
MIS - Management Information System
MT - Metric Ton
MW - Mega Watts
MOUWASA- Morogoro Urban Water Supply Authority
NBS - National Bureau of standard
NEMC - National Environment Management Council
OPEX - Operating Expenditure
SIDO- Small Development Organization
SWOC - Strength Weakness Opportunity Challenge
TANESCO - Tanzania Electric Supply Company
TIC- Tanzania Investment Centre
TZS - Tanzania Shilling
UK - United Kingdom
US\$ - United State Dollar
USA - United states of America
VAT - Value Added tax
VETA - Vocation Education Training Authority

1.0. BUSINESS OVERVIEW AND BACK GROUND INFORMATION.

1.1. Overview - Agricultural Machineries manufacturing sector industry in Tanzania.

Manufacturing has been a cornerstone of economic development for most wealthy countries and can play a key role in sustained economic growth, job creation, and poverty reduction in Africa and Tanzania inclusively. Manufacturing will be needed to create jobs for the 220 million youth who will be entering the labor market by 2035 and to reduce extreme poverty, which affects 40% of the population (World Bank, 2022). So far, manufacturing plays only a limited role in Africa contributing 12% of the GDP and 11% of the employment in Sub-Saharan Africa (World Bank, 2022). Signé (2018) describes this as a “missed opportunity for economic transformation” There are now high hopes to harness this “missed opportunity “and signs of a “manufacturing renaissance”. The African Union envisions a central role for manufacturing in its Agenda 2063 and the African Development Bank has chosen “Industrialize Africa” as one of its five priority area whereas Tanzania inclusive.

The contribution of the manufacturing sector to the overall GDP of the country has averaged 8% over the last decade, however activities within the sector have been registering an annual growth of over 4% and the sector is currently the third most important to the Tanzania economy behind agriculture and tourism. In 1986, the Tanzania government made the decision to liberalize trade and investment policies within the country. As a result of this decision and because they could not stand up to competition from import manufacturers, many firms began to fail. Therefore, with this in mind, a number of measures were taken to increase both the competitiveness of the local industries and their ability to penetrate the export markets.

Agriculture in Tanzania transcends its role as a means of sustenance and is a driving force propelling the country’s economic progress. Endowed with abundant arable land and favorable climatic conditions, Tanzania has tremendous agricultural expansion potential. Agriculture significantly influences industrialization through various interconnected mechanisms. Mechanization of the agricultural and farming industry in Tanzania may immediately lead to increased productivity, as well as an overall shift from human-powered crop cultivation. **Mechanization policies** of the government have changed. There has been a new Agricultural Sector Development Program introduced by Tanzania (ASDP1). Tanzania’s industrial and export needs may be met with more ease if automation techniques and harvesters are used.

As such there is a residual manufacturing capacity present that could be assisted to survive and over time compete with imports. It will, however, require heavy capital investments and new technology. A much encouraged mean in this direction is the establishment of joint ventures with foreign partners, who can supply capital and technology, or outright privatization through direct private investment.

1.2. Sub-Sector overview - Establishment of Tanzania Agric-Tech Development Co. Ltd industry.

Tanzania Agric-Tech Development Co. Ltd industry is a major **supplier of Agricultural machinery and equipments for sales to Tanzanian Farmers, provide training for technical and operational training to the show room that will be located in Morogoro CBD.** the company as one has a long-time experience in the field of engineering design. The company offer contains the modernization, design and redesign of complete Agri-machineries systems for the industrial engineering products. The main focus of the company is to supplier of Agricultural machinery and equipments, and machineries..

Currently in Tanzania there is a dichotomy between the large multinational manufacture companies and the artisanal mobile and stationed machineries'. Tanzania Agric-Tech Development Company Limited will seek to exploit this dichotomy in manufacturers of agro-mechanics opportunities in Morogoro, Tanzania; it will operate in a way that will add value to users of machineries' and equipment's while not troubling the larger companies.

The company will provide various services including extension training to customers, extension officer, and technicians on servicing machineries and equipments, which are known for their high performance, high efficiency and durability. These Agri-Machineries for Steel Plant are provided to customers in standard and customized specifications.

1.3. Project concept in Morogoro Region

The proposed company aimed to expand her business volume from importing, supply and selling of machineries equipments for efficiently agricultural production. The plant will make assembling of Agricultural machineries and equipments for different uses; this includes, Tractors,, Planters & Seeders; Harvesters; Irrigation Systems; Sprayers; Tillage Equipment; Fertilizer Spreaders; Drones; Livestock Management Tools; Farm Management Software; Precision Agriculture Tools; Accounting & Finance Software; Supply Chain Management Software; Customer Relationship Management (CRM) Software; Agricultural Forecasting Software; Livestock Management Software; and Soil & Crop Health Monitoring Tools and etc.

However the company is already involve in purchasing of working tools and equipment's as will result of the significant investment in Tanzanian operations, the company is looking to register at the Tanzania investment Center. For that purpose, this business plan is prepared to outline the required information about the company and the operations being conducted for the Tanzania Investment Centre only. It is to be considered private and confidential.

The company main office is located in at Maili 18 Street, Mkundi ward, in Morogoro CBD, in Morogoro Region, Tanzania. The company will be established Agricultural Machineries and equipment assembling. Whereas the yard is already secured with necessary building requirement for plant facilities. Other major capital expenditure will involve procurement of machineries' and equipment's for industrial productions.

1.4. The company objectives include the followings;

- i. Agricultural machinery import, manufacturing and sale.
- ii. Pesticide and pesticide raw material import, manufacturing, formulation, packing and sale,
- iii. Fertilizer and raw material import, manufacturing, formulation and packing and sale.
- iv. Seeds import, breeding, and packing and sale,
- v. Agricultural products planting , processing, packing and sale.,
- vi. Agricultural products processing machinery import and sale,
- vii. Import, installation and training of green house,
- viii. Import, installation and training of agricultural irrigation system
- ix. Animal meals production line import and sale.
- x. Animal meals manufacturing, packing and sale and lastly,
- xi. Livestock farming

1.5. Project setup at Maili 18 Street, Mkundi ward, in Morogoro CBD, in Morogoro Region, Tanzania.

The first phase of this project proposal entails setting up yard for Agricultural machinery import, manufacturing and sale for assembling purpose while the second and third phase involve additional business of Pesticide and pesticide raw material import, manufacturing, formulation, packing and sale, and the last one involves Fertilizer and raw material import, manufacturing, formulation and packing and sale.

For Agricultural Machineries and Equipment assembling will involves; manufacture facilities, providing testing facilities so that customers may equipped of all laboratories facilities from using modern technology. The project will be created in the said site above. The proposed project will therefore involve the following activities:

- ❖ Additional Acquisition of adequate processing facilities to ensure maximum production of finished products
- ❖ Development of processing camps and infrastructure
- ❖ Construction of laboratories building, storage warehouses, workshops and offices
- ❖ Importation and installation of working tools and equipments to a processing plants, laboratory for noble metal testing
- ❖ Procurement and installation of environmental protection plant equipment
- ❖ Importation and installation of equipment, machinery and plants for Agricultural machines and equipments,
- ❖ Procurement of trucks fleet for transportation of raw materials and other utility vehicles will also be procured for the project. This will include pickups, 4-WD station wagons to facilitate movement. Armored vehicles will also be procured for transportation.
- ❖ Purchase of furniture, equipment, fittings and administration motor vehicles, fencing of the factory compound and storage yard.

2.0. PROJECT OVERVIEW

2.1. The Industry

TANZANIA AGRIC-TECH DEVELOPMENT COMPANY LIMITED is a Tanzanian company registered in Tanzania with certificate of incorporation number 176942126 of 07th August, 2024. Issued by Business registrations and Licensing Agency for assembling Agricultural machineries and equipments project in Morogoro Tanzania.

The main office of the company is located at Maili 18 Street, Mkundi ward, in Morogoro CBD, in Morogoro Region, Tanzania. The permanent address is P O Box 1189 Morogoro Region in Tanzania.

The initial Authorized Share Capital of the company is TZS 500,000,000/= divided into 1,000 ordinary shares of TZS 500,000/= each and the company have the power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights privileges, restrictions or conditions. Unless the conditions of issues shall otherwise expressly declare, every issue of shares, whether preference or otherwise, or any such rights, privileges or conditions shall not be altered or modified except in accordance with the registered Articles or Association. The liability of the members is limited and the following names compromise the company ownership and principal shareholding as illustrated on Table 1 below.

Table 2.1. Company Ownership and Principal Shareholders

S/No.	Shareholder's Name	Address	Occupation of Subscriber	Number of Shares
1.	HAO YANG,	P O Box 1189, MOROGORO, TANZANIA	Private Company By Share, Domicile In Tanzania- Incorporate Number 176942126	550
2.	GANG CHEN	P O Box 1189, MOROGORO TANZANIA	Private Company By Share, Domicile In Tanzania- Incorporate Number 176942126	250
3.	CHAO JIN	P O Box 1189, MOROGORO TANZANIA	Private Company By Share, Domicile In Tanzania- Incorporate Number 176942126	50
4.	BINGPING AI	P O Box 1189, MOROGORO TANZANIA	Private Company By Share, Domicile In Tanzania- Incorporate Number 176942126	50
5.	LINA CAO	P O Box 1189,	Private Company By	50

		MOROGORO TANZANIA	Share, Domicile In Tanzania- Incorporate Number 176942126	
6.	GUOQLANG LIN	P O Box 1189, MOROGORO TANZANIA	Private Company By Share, Domicile In Tanzania- Incorporate Number 176942126	50

2.2. Business Plan Objectives

The objectives of this study are three-fold. First is to determine the viability of the proposed project and serve as a business plan for the company's development program. Secondly, the business plan will act as a supporting document in the company's application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997).

Thirdly, it will be presented to Banks/Financial Institutions for application of Term Loan 966,548.54US\$ to support smooth implementation and running of the proposed projects. The project promoters have commissioned a reputable engineering and project planning consulting firm to advice on detailed technical and economic evaluation of the project and in determining its viability. As the report will be used to raise debt financing for the project, it is tailored to meet standard requirements of financial institutions in the region.

2.3. Project Technical aspect - Agricultural machinery assembling manufacturing:

2.3.1. Explanatory note: and factory establishment.

Agricultural mechanization involves the use of powered machinery and tools that substitute human labor and improve production efficiency. It increases productivity and reduces the cost of production and optimizes product quality, provides timely inputs, and improves farmers' livelihoods. However, not all farmers can afford to purchase high-end agricultural machines and equipment. Even those who can afford to purchase might not utilize machinery efficiently if they use it only on their land, given the small land sizes in Tanzania.

Hence, establishment of Tanzania Agric-Tech Development Company Limited as a manufacturing/assembling entities for such agricultural machinery could be an

alternative and beneficial practice to increase farm mechanization. Renting some of the more popular machinery types (e.g., tractors, power tiller, reaper, and thresher) is being practiced in the Teri region but is not run as a full-fledged business. 'Custom hiring services' established with support from the Minister Agriculture and Modernization Project will provide such agricultural machinery services as a complete business, but this is not sufficient to meet the needs of farmers in all areas. Most of these custom hiring services are being operated through cooperatives.

Agricultural machinery service provision businesses at the individual level, providing services for crop production, **harvesting**, **post-harvest** operations, processing, and transportation, is a somewhat new concept in the context of Nepal. Most of these service provision businesses are owned and managed by the same person. Managing a service provision business means overseeing a hire service with a primary business orientation, unlike, for example, a farmer with a machine who additionally provides services to neighbors. This orientation helps to ensure that activities and tasks are completed effectively and efficiently.

Without proper training, farmers cannot exploit the full potential of the latest generation of agricultural machinery. Like in any industry, mechanization of agriculture is changing rapidly including the integration of new technologies into old generation equipment. Some changes require carrying out in factory training for setup and commissioning of the upgraded and new technologies being implemented. This is why the company will conduct regularly training to technicians and engineers before they intervene in turn farms. In addition, factory training of your teams may also be offered as part of major agricultural investments or for large private farms.

2.4. Project objective and Description

The company aimed at expanding her Business volume by establish Agricultural machinery assembling factory and the factory will be located at Mkundi ward, in Morogoro Region as an agricultural and industrial hub, asserting that this initiative is poised to significantly boost the trade of value-added agro-goods. The experts noted that Morogoro is strategically located with a tropical climate and vast fertile land ideal for the extensive cultivation of both cash and food crops, such as sisal and rice. These crops require processing and manufacturing industries, which are essential for value addition.

The company will assemble and manufacture Agricultural machinery and equipment to meet higher demand agricultural inputs on other hand the factory will produce Pesticide and pesticide raw material manufacturing, formulation, packing in future.

The company will import un-assembled items as follows; Tractors; Planters & Seeders; Harvesters; Irrigation Systems; Sprayers; Tillage Equipment; Fertilizer Spreaders; Drones; Livestock Management Tools; Farm Management Software; Precision Agriculture Tools; Accounting & Finance Software; Supply Chain Management; Software; Customer Relationship Management (CRM) Software; Agricultural Forecasting Software; Livestock Management Software; Soil & Crop Health Monitoring Tools. All these items, will be imported according to customer demand and prevailing need to country.

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
Anticipated revenue gain 50% profit for the invested capital per year of 1,000,000USD	1,500,000	1,575,000	1,653,750	1,736,438	1,823,259	8,288,447
Total Operating Revenue	1,500,000	1,575,000	1,653,750	1,736,438	1,823,259	8,288,447

2.5. Technical Characteristic of the project.

2.5.1. Project Location and site analysis

The project is located in Morogoro CBD in Morogoro Region. Based on physical inspection of the proposed site at Maili street, Morogoro CBD, Morogoro, the availability of basic and essential industrial infrastructure such transport, water supply, effluent disposal, electric power supply, telecommunication system and security were all checked out and are ok for factory establishment. The realization of the project development requires successful completion of a number of necessary activities and facilities to enable a successful development of the project. The project location is already installed necessary utilities such as reliable supplies of energy, water, transportation, telecommunications services, waste disposal and other services are in place.

2.5.2. Buildings and related fixed cost

The floor plan and elevation of buildings and other related structures will be rehabilitating to Tanzania Agric-Tech Development Company Limited as rented at Maili street new industrial area by the owner. However, the total major rehabilitation of the yard and buildings, Storage of raw materials and finished processing a structure, the estimated cost of buildings 313,056.52\$\$\$, the cost includes Renting, rehabilitation of administration building and offices, Laboratories, storages of chemicals and spare parts, workshop, and camp. Project land and buildings cost have been estimated at US\$ 65,217.39 (see investment summary), which includes purchasing of machines, motor vehicles and structure rehabilitation.

The industry also set budget as working capital which involves purchase of raw materials and factory overhead cost of 350,000US\$. The minor rehabilitations costs are inclusive of contingency and reflect prevailing cost of building materials and other cost.

2.5.3. Machinery and Equipment.

Proper machinery selection is one of the key problems in the development of an industry. The machinery must suit the two-fold requirements of the developing countries, i.e. it should be up-to-date to allow for competitive production. In view of the foregoing, an effort has been made to choose from modern technological alternatives, a level that strikes a balance between fixed costs based on depreciation and variable costs based essentially on wages.

The requirements of various items of equipment have been worked out taking into consideration the production programs, average equipment utilization and normal productivity level of an average worker etc. While working out details of equipment required, it has been assumed that the plant will be working in a double shift of 16 hours a day, 25 days a month or a total of 300 days a year.

The projects un-assembled machinery and equipment will be sourced from China; including, Tractors; Planters & Seeders; Harvesters; Irrigation Systems; Sprayers; Tillage Equipment; Fertilizer Spreaders; Drones; Livestock Management Tools; Farm Management Software; Precision Agriculture Tools; Accounting & Finance Software; Supply Chain Management; Software; Customer Relationship Management (CRM) Software; Agricultural Forecasting Software; Livestock Management Software; Soil & Crop Health Monitoring Tools.

The total cost of machineries and equipments is estimated to 937,913.04US\$, these cost assumptions are C.I.F Dar es Salaam and include installation, commissioning, consultancy, port charges and transport to the project site. Calculated depreciation of machines and other working facilities is estimated to cost 83,441US\$ and increases tremendously.

2.5.4.. Motor Vehicles

2 heavy trucks worth 304,347.83US\$, Lighting plants 5 worth 108.695.65US\$ and 2 Light Vehicle worth 21,739.13US\$ will purchased for this project totaling to 434,792.61US\$

2.5.5. Furniture & Fittings and computers

This cost item includes the purchase of various office furniture: tables, chairs cabinets, safes, telecommunication gadgets, firefighting equipment, air conditioners etc. A budget of 1,304.35US\$ will be allocated from general administration budget for furniture fittings and computer accessories. The total budget for furniture and fittings is small due to nature of industry as few or minor requirement of furniture and fittings.

2.5.6. Pre-Operational Expenses

Under pre-operational expenses are considered costs like company formation, preliminary project studies, business plan preparation costs, licenses, permits and authorization, including processing of TIC Certificate of Incentives, and legal fees, travelling expenses, initial recruitment and training expenses, and interest accrued during project construction period. Budget allocated for this is 13,043.48US\$

2.5.7. Initial Working Capital

This item will mainly cover initial imports of raw materials estimated to last for the first three months of operations. Otherwise, raw materials will generally be maintained at one month's stock and debtors at one month's sales volume constitute the biggest portion of current assets. Trade credits will be 15 days for the items listed. The initial working capital allocated budget is 350,000US\$.

2.5.8. Project Financing

The project costs, including fixed costs (machinery, equipment, building renovations, motor vehicles, office furniture and equipment and pre-operation expenses will be financed by a combination of bank term loan and shareholders own resources. Working capital requirements will be financed by short term bank financing in form of overdraft facility. The project promoters are planning to finance project cost in the following pattern:

2.5.9. Project Implementation

Full implementation of the project is planned to take place by end of 2024. Machineries and motor vehicles will be imported immediately while construction/renovation works are in process.

2.5.10. Auxiliary Materials/ services

Falling under this category is packing bags, paper for bags for bran, lubricants, grease and other miscellaneous items.

Utilities and service facilities that will need to be provided in this plant are as follows:

- (i) Workshop
- (ii) Electric power
- (iii) Water supply
- (iv) Miscellaneous facilities {Canteen; First Aid Kit, Storage and transport and Office Facilities}

(i) Workshop

It is necessary to make provision for a small workshop in the plant premises so that certain maintenance operations could be carried out following sudden breakdowns and major routine matters. The facility will comprise of necessary machines like small centre lathe, drilling machine, welding set, soldering and gas-cutting equipment including complete electrical kit to take care of necessary electrical maintenance as well as to replace worn-out parts and periodic oil and greases needs for the plant. Equipment provision has been restricted to the minimum.

(ii) Electric Power and Generator

The proposed site will be supplied with industrial production 3-phase standard power supply from Tanzania Electric Supply Company (TANESCO), the electricity is available through the National Grid Line Kidatu to Morogoro Region. As part of an alternative power supply, the company is already installing a heavy duty 100KVA power generator automated generator in place to a premises for standby power supply.

(iii) Water Supply

Apart from the needs of electric power, water is also required for the actual process and other social needs. The proposed site has close to Morogoro Urban water supply and Authority "MORUWASA" water network, the agency is major supplier of water to urban and peri urban area in the region. The main line from this source will be tapped and let to the land site and water collected in an overhead reservoir provided at the top of the building of the plant. Adequate provision has been made in the project cost for the overhead tank and supply and laying of pipelines etc.

(iv) Miscellaneous Facilities e.g. First Aid Kit, Storage and Transport, Office Facilities etc

- Provision has been made in the project costs for necessary facilities for external telephones and fire alarm system;
- Sickness and ill-health are recognized to be among the cause of absenteeism and low morale leading to decreased production, increased waste and bad employee-management relations. Therefore, necessary provision has been made for the canteen and first aid facilities in case of accidents, sudden sickness etc.
- Necessary provision for furniture and office equipment has been made in the Capital Cost estimates.
- Provision has also been made for the various types of weighing equipment in various sections for material-handling equipment etc.

2.5.12. Warehousing and distribution

The Tanzania Agric-Tech Development Company Limited's warehousing service is ready to meet 24/7/365 in provision of drilling services and necessary material and chemicals imported. The efficiency of on-site combined with focal lift is already accommodated all needs and reduce supply chain costs. The industry uses electronics inventory management system means will ready for the efficiently movements of goods to next level.

The industry will use quick dispatch for fast distribution of final products and packed by manual means or by semi-automatic machines. The industry will take Extra care is therefore taken to make it hygienic so that the products do not get

spoiled during storage.

2.5.13. Waste management for industry

In order to create a sustainable society, it is necessary to develop effective utilization of all sorts of wastes. One of the major wastes from our living is fiber wastes. Fiber wastes are generally divided to nonindustrial (organic chemicals) and industrial wastes (inorganic Chemicals)

In his strategic management for a Tanzania Agric-Tech Development Company Limited's; the industry has to move from an understanding of improvement at all costs to an understanding of continuous and balanced improvement once established. In modern times, environmental protection is being implemented not because it is enforced law, but as an administrative philosophy.

Rapid degradation in environmental conditions has changed at attitude of industrial managers toward ecological environment and had them consider ecology a significant factor while taking decisions related to industrial management. Parameters responsible for environmental pollution include chemicals discharged into air, water and soil as well as energy pollution all these will be taken into consideration of the proposed project.

Noise pollution caused by poorly planned settlement programs is also included in this plan. Furthermore, safety and health of those working in production will be also taken into account by installing modern machines free from noise pollution.

3.0. MANPOWER AND SALARY BUDGET

3.1. Employment

The whole process of production lines is looking at providing direct employment to at least 20 permanent jobs on full implementation and operation of the project. The industry is divided into 5 Departments; Administration and finance (3), Management (4), maintenance (5) Store and logistic (2) and Operation (6).

3.2. Recruitment

Recruitment of the 16 persons will be carried out by giving first preference to ex-technician from our local technical institutes such as Vocation Education Training Authority “VETA” and employees of Tanzania Agric-Tech Development Company Limited in Tanzania, based on demonstration of skills and aptitude basis and their willingness to work for the company. Careful methodology is being worked out by a competent management consultant who will set the job descriptions. To ensure that the right calibre is recruited. Recruitment of expatriate personnel will be carried out in consultation with the relevant authorities in Government and the collaborating agencies.

3.3. Training and the use of Consultants

The Company plans to initially carry out on the job training for most of the technical staff to be dispatched to the project site by the suppliers of the plant which will be specified under sales agreement. In general the company will ensure that employees acquire new skills and procedures to increase their productivity fourfold. Educational materials will be subsidized or paid for to motivate the workers to develop themselves.

Whereas the company will endeavor to obtain the best talents to fill the permanent posts in the organization, it is intended where necessary, to continue with the policy of hiring out some specialized skills by way of consultants. Alternatively, those skills not required throughout the year will be left to consultants. These include legal counsels, systems and management consultants. To ensure efficient and scientific management, operational manuals will be prepared for the core functions of the company.

3.4. Organization and Management

The project will be managed by qualified professionals given the vast experience that the promoters have acquired over years in running and managing similar businesses. The Board of Directors formulates policy and offer strategic business guidance to management and regularly monitor and evaluate performance of the company.

All the production line will be under the administrator under which the day to day leader/management of production line will be vested in the management team headed by a Administrator. The Administrator is to be assisted by qualified and experienced personnel.

Table 3.1. Proposed organization and manpower requirement for the plant is as follows:

<i>S/No.</i>	<i>DEPARTMENT</i>	<i>STRENGTH /NUMBERS</i>	<i>MONTHLY SALARY US\$</i>	<i>ANNUAL BUDGET US\$</i>
A	ADMINISTRATION AND FINANCE			
	Administrator	1	695.65	8,347.83
	Drivers	1	195.65	2,347.83
	Marketing officer	1	391.30	4,695.65
	SUB TOTAL	3	1,282.61	15,391.30
B	MANAGEMENT			
	Project Manager	1	913.04	10,956.52
	Accountant	2	521.74	12,521.74
	Drivers	1	330.43	3,965.22
	SUB TOTAL	4	1,765.22	27,443.48
C	MAINTAINANCE			
	Mechanics	1	339.13	4,069.57
	Laboratory Technician	1	334.78	4,017.39
	Maintenance Planners	1	347.83	4,173.91
	Drivers	1	326.09	3,913.04
	ICT	1	391.30	4,695.65
D	SUB TOTAL	5	1,739.13	20,869.57
	OPERATION			
	Agro-Mechanics Technician	1	521.74	6,260.87
	Training Coordinator	1	783.00	9,396.00
	Quality controller	1	430.43	5,165.22
	Utility worker	3	217.39	7,826.09
	SUB TOTAL	6	1,952.57	28,648.17
E	STORE AND LOGISTIC			
	Store person	1	326.09	3,913.04
	Drivers	1	330.43	3,965.22
	SUB TOTAL	2	326.09	3,913.04
	GRAND TOTAL	20	7,065.61	96,265.57

4.0. PROJECT FINANCING AND CAPITAL INVESTMENT SUMMARY

4.1. Project Cost & Financing Pattern

The proposed integrated project is estimated to cost a total of US\$ 2,065,317.39 this including, own equity of US\$ 1,098,748.85 as proceeds from capital contribution of the project ,total loan debt of 966,568.54US\$ with 8% interest rate. The Current asset of US\$ 506,559 during the first year of operation and it increase as the project will be in full operation (see income statement), fixed assets 1,702,274US\$ and total liabilities of 1,510,435US\$. The project will be implemented within 5 years.

4.2. Project Capital Investment Summary

<i>Investment Summary</i>	
land and Buildings	
1 land and Buildings	65,217.39
2 Buildings (administration block and warehousing)	130,434.78
3 Laboratory	21,752.17
4 Store for chemical, spare parts, etc	52,173.91
5 Workshop	43,478.26
Subtotal Fixed Assets	313,056.52
6 Un-Assembled Machineries and Equipments	
7 Tractors; Planters & Seeders; Harvesters; Irrigation Systems; Sprayers; Tillage Equipment; Fertilizer Spreaders; Drones; Livestock Management Tools; Farm Management Software; Precision Agriculture Tools; Accounting & Finance Software; Supply Chain Management; Software; Customer Relationship Management (CRM) Software; Agricultural Forecasting Software; Livestock Management Software; Soil & Crop Health Monitoring Tools.	
Subtotal Fixed Assets	937,913.04
Motor vehicles	
8 Heavy Truck 2	304,347.83
9 Light Truck for Distribution 5	108,695.65
09 Light Vehicles 2	21,739.13
Subtotal Fixed Assets	434,782.61
Other Facilities	
10 Furniture and fittings	1,304.35
11 Office Equipments	6,521.74
12 Other cost	8,695.65
Subtotal Fixed Assets	16,521.74
Subtotal Fixed Assets	1,702,273.91

Current Asset		
13	Pre operational expenses	13,043.48
14	Working capital	350,000.00
	Sub total current Assets	363,043.48
	Total Investment	2,065,317.39
Equity + Loan		
1	Loan (46.8%)	966,568.54
2	equity (53.2)	1,098,748.85
	Total Equity	2,065,317.39

5.0. RISK ANALYSIS

5.1. Risk Analysis

Risk is the probability that an event or action will adversely affect the organization. Risk assessment is the identification and analysis of risks associated with the achievement of operations, financial reporting and compliance goals and objectives. Risk management is a central part of the Tanzania Agric-Tech Development Company Limited. The Industry's management will determine the level of operations, financial and compliance risk they are willing to assume. Risk assessment is one of the Company's management responsibilities.

5.2. Macroeconomic risk analysis

Since early 1986, the government of Tanzania has launched a comprehensive economic policy and stabilization plan with the aim to enhance the amount of infrastructure construction and improve the lives of the poor. During this time the main economic indicators significantly improved. However, uneven development of various region in the country, lack of relevant infrastructure in transportation, telecommunications, networking, health facilities, electricity and water supplies have proven to be investment barriers. Overall, Tanzania has a weak economic foundation but the project can achieve a greater impact in attaining social and economic goals for the country.

5.3. Finance risk analysis

- a) **Supply Risk:** The risk in Primary production relates to supply of raw material, transportation and price fluctuations. There is no assurance of enough supply of raw materials in the local market instead mostly of raw materials are imported.
- b) **Processing Risks:** The technology, machines and equipment used in gold processing are in rudimentary stages all of which contribute to reducing production efficiency. Also quality/food safety and standards consideration in the production environment is limited. In Agri-mechanics production facilities operation know-how is very low as there are notarized labourers.
- c) **Sales/market risk:** Placing value added products on the consumer markets bears risk of demand fluctuations and rejections through retailers. Furthermore, distributor are not aware of the selling price mostly are controlled by world market.

5.4. Other potential external risk

- a) **Lack of Governance:** the governance mechanism in the value chain is underdeveloped, actors operate in an uncoordinated and unorganized fashion, and if rules exist they are often ignored;
- b) **Lack of market coordination:** No lead organization has a coordinating role in relation to markets, technology and information such that producers and processors have no incentives for improving neither their product nor the chain process to promote sustainable income earning opportunities;
- c) **Unclear and conflicting roles regulatory authorities:** Regulatory Agencies are responsible for quality control as well as enforcing TBS, NEMC etc, are regulatory role in issuing licensing.
- d) **Industry associations:** Associations are weak at all levels of the chain;
- e) **Operating procedures:** Standard procedures are inadequately enforced, or not enforced at all, because of relaxed production and trade regulations; and
- f) **Integration:** there is little vertical integration of importers, mid chain actors and processors.

5.4. Mitigating potential risk

The development of a large and complex project such as Tanzania Agric-Tech Development Company Limited is necessarily accompanied by multiple risks during all the phases of the project development, construction, operation and maintenance. The right approach to manage the project in a manner which is fairly and adequately address the multiple risks in a comprehensive as well as systematic manner is to use the risk analysis and management methodology which identifies the risk issues and their instrumental cause. In this regard, the risk is eliminated or effectively managed by the party best suited with capacity to handle or deal with the risk factors.

6.0. ECONOMIC AND SOCIAL ASPECTS

The project is also likely to have a positive impact on the economy of Eastern Zone regions and Tanzania as a whole by creating employment, and contributing to Government revenues through various taxes, which will be paid. It also has potential for substantial exporting to foreign markets especially to neighboring countries in the Great Lakes Region. In summary the following table will show impact investment index framework

6.1. Impact Investment Index Framework

Impact Investment Index		
<i>Frame Work for TANZANIA AGRIC-TECH DEVELOPMENT COMPANY LIMITED</i>		
Performance Area	Quantitative Indicator	Remarks
Investment Capital	Total investment capital, CAPEX and OPEX 2,065,317.39US\$	Substantial amount of capital invested into the domestic economy.
Export Earnings	Indicative Annual sales of earnings of 1,500,000US\$ out of annual average collection	Increased foreign earnings.
Job requirements	Job creation after plant in operation 2024-2029. DIRECT TANZANIAN JOBS 20 local employed	<ul style="list-style-type: none"> • Reasonable number of direct job created to local Tanzanians with direct impact on poverty reduction through enhanced income generation; and • Improving skills development for Industrial production
Technology applied	High Tech Environmentally friendly machinery	<ul style="list-style-type: none"> • Enhancing technological transfer; and • Applied technology which is free from environmental pollution,
Other Implied Project Benefits		
<ul style="list-style-type: none"> ▪ Increased sales to the Utility Companies providing services of electricity, water and sewerage, telecommunications; ▪ Increased business transacted by local banks and institutions providing financial services; 		

- Business opportunities for local entrepreneurs in market distribution channels,
- Business opportunities to contractors and sub-contractors during the minor construction phase;
- Increased regional intra-trade and international trade due to better infrastructure facility and links to markets;
- Increase of technology transfer & expertise to local employed staff,
- Capital spends in local economy over 2.065Milion US\$ and
- Contribution to GDP growth through increased economic activities

Based on the Impact Investment Index analysis, the company can develop projections that the project can deliver both value for money in the context of broad socioeconomic impact and return on investment while complying with governance requirements. In this regard therefore, the company will promote the industrialization process in the country, create employment, attract new technologies, expand foreign exchange earnings and ultimately contribute substantially to the country's economic growth.

7.0. FINANCIAL MODELLING AND ANALYSIS.

The Financial Modelling and analysis, is the main source of information for assessing the potential financial viability of the company. The analysis is based on the assumptions that have been taken for the implementation of the site development, demand and the associated potential investment requirements for a 5 year time period. The purpose of establishing this project is to speed up the country's economic development by being a catalyst for restructuring the existing local industrial set up and attracting new, both foreign and domestic entrepreneurs to a liberalized legal business framework.

7.1. Project investment inputs and revenue projects

The basis for pricing has been from observations and data collected from various parts of Tanzania, market value for exploration is estimated to 50% as profit from imported un-assembled machinery and equipment.

<i>Project input and projected sales</i>	<i>50% Sales Gain</i>
Machine No.	Size
1. Anticipated Revenue gain 50% profit for the invested capital per year of 1,000,000USD	1,500,000.00
2. Tractors; Planters & Seeders; Harvesters; Irrigation Systems; Sprayers; Tillage Equipment; Fertilizer Spreaders; Drones; Livestock Management Tools; Farm Management Software; Precision Agriculture Tools; Accounting & Finance Software; Supply Chain Management; Software; Customer Relationship Management (CRM) Software; Agricultural Forecasting Software; Livestock Management Software; Soil & Crop Health Monitoring Tools.	
3. Estimated tonnage of imported machineries in 40ft containers quarterly 50 equivalent to 200 container per year	
Total	1,500,000.00

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>TOTAL</u>
Anticipated revenue gain 50% profit for the invested capital per year of 1,000,000USD	1,500,000	1,575,000	1,653,750	1,736,438	1,823,259	8,288,447
Total Operating Revenue	1,500,000	1,575,000	1,653,750	1,736,438	1,823,259	8,288,447

7.2. Production, Revenue and project viability

- ✚ The estimated revenue gain in selling Agri-Machines and equipments products 1,500,000US\$ and increases to the second year of production by 5%
- ✚ Net profit before tax is 953,612US\$, second year increases to 1,017,684US\$, which show the profit is increasing, (see Income statement)
- ✚ Net profit after tax for the first years in production is 506,559 US\$ and second year is increasing to 558,970 US\$ for remaining year increasing positively, (see Income statement). But this first year of production the company had negative provision to shareholders (see balance sheet)
- ✚ Gross sales contribution in the first year of service is quietly promising (see Income statement)
- ✚ The expected sales increase in a second year over 5%, this is due to the company will utilize all necessary machine and equipment during the operation of the project after imposed with additional loan facilities of 966,548.54US\$ at discounted rate of 8%
- ✚ Total investment cost of the project is 2,065,317.39US\$ whereas the own equity is 53.2% and loan-able amount 966,748.85US\$ (see investment summary)
- ✚ The end balance of project in cash flow statement is positive and increases tremendous.(see cash flow statement)
- ✚ The yearly loan payment schedule of project is 242,083.33USDfor 5 year loan recovery schedule, the total interest for 5 years to bank is 243,848.11 USD (see loan payment schedule)
- ✚ Testing the project viability is positive whereas IRR is positive 14.1% which is above bank loan interest of 8%, and payback period of project is within 4 years.
- ✚ Return on investment is posit positive and increases tremendously (see balance sheet)
- ✚ Breakeven point is positive from the first year of operation.

7.3. Objective and Scope of Financial Model

7.3.1. Objective

The main objective of the financial modelling and analysis is to setup a financial model framework for potential generated revenues and operational & maintenance costs for the full operation of TANZANIA AGRIC-TECH DEVELOPMENT COMPANY LIMITED based on the assumptions taken for the

Market Analysis, the plan for the facility development, unit production costs and other overhead and operational charges.

7.3.2. Scope

The scope consists of a financial model that will be used to analyse the potential financial viability of the project based on the assumptions taken for the concept and scope of the project on the Market Analysis. The financial model has been developed in excel spread sheet and include information on costs, expenses and the subsequent sales revenue based on the average market prices and linked to the financial cash flow.

7.3.3. Project financial plan.

The project financial plan primarily consists of income statement, cash flow projection and balance sheet. From these 3 financial statements the project will derive Break even points, internal rate of returns, loan payment schedules, payback period and other financial ratios. These reports constitute reasonable estimate of company financial future. More importantly, the process of thinking through the financial plan improves insight into inner financial working of company.

ANNEX I INCOME STATEMENT

	<u>Year 0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	-	<u>TOTAL</u>
Anticipated revenue gain 50% profit for the invested capital per year of 1,000,000USD		1,500,000	1,575,000	1,653,750	1,736,438	1,823,259		8,288,447
Total Operating Revenue	-	1,500,000	1,575,000	1,653,750	1,736,438	1,823,259		8,288,447
	<u>Year 0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	-	<u>Total</u>
Salaries		96,266	98,191	100,155	102,158	104,201		500,970
Social Charges & Pension Payments		19,253	19,638	20,031	20,432	20,840		100,194
purchase of Raw materials		350,000	357,000	364,140	371,423	378,851		1,821,414
Fuel		31,304	31,930	32,569	33,220	33,885		162,909
Lubricants		5,217	5,322	5,428	5,537	5,647		27,152
Repair and Maintenance		7,826	7,983	8,142	8,305	8,471		40,727
Insurance/licensing/other charges		26,087	26,609	27,141	27,684	28,237		135,758
Other Costs		10,435	10,643	10,856	11,073	11,295		54,303
								-
Total Operating Costs		546,388	557,316	568,462	579,832	591,428		2,843,426
Operational Net Earnings before Depreciation, Interest & Tax		953,612	1,017,684	1,085,288	1,156,606	1,231,831		5,445,021
<i>%age Gross Contribution</i>		64	65	66	67	68		1
Depreciation at 5 -12.5 % (mostly civil works)		83,441	89,047	94,963	101,203	107,785		490,052
Net Earnings before Tax & Interest		870,171	928,637	990,325	1,055,403	1,124,046		4,954,969
Interest Paid (Bank Loan)		77,325	64,145	49,910	34,536	17,932		243,848
Tax (30%)		286,286	305,521	325,817	347,228	369,811		1,634,663
Net Earnings		506,559	558,970	614,598	673,639	736,303		3,090,070

ANNEX II CASH FLOW

<i>Cash Flow statement from Investing Activities for 5 years</i>					
(all numbers in US\$)	Year 1	Year 2	Year 3	Year 4	Year 5
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>					
Cash receipts from Sales	1,500,000	1,575,000	1,653,750	1,736,438	1,823,259
Cash paid to suppliers and employees	10,435	10,643	10,856	11,073	11,295
Cash generated from operations	1,510,435	1,585,643	1,664,606	1,747,511	1,834,554
Dividends received*	0	0	0	0	0
Interest received	0	0	0	0	0
Interest paid	(77,325)	(64,145)	(49,910)	(34,536)	(17,932)
Tax paid	(286,286)	(305,521)	(325,817)	(347,228)	(369,811)
Net cash flow from operating activities	1,146,823	1,215,977	1,288,880	1,365,748	1,446,811
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>					
Replacement of equipment	0	0	0	0	0
Proceeds** from sale of equipment	0	0	0	0	0
Net cash flow from investing activities	0	0	0	0	0
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>					
Proceeds from capital contributed	1,098,749	0	0	0	0
Proceeds from loan	966,569	0	0	0	0
Payment of loan	(164,758)	(177,938)	(192,174)	(207,547)	(224,151)
Net cash flow from financing activities	1,900,560	(177,938)	(192,174)	(207,547)	(224,151)
<u>NET INCREASE/ DECREASE IN CASH</u>					
NET INCREASE/ DECREASE IN CASH	3,047,383	1,038,039	1,096,706	1,158,200	1,222,660
Cash at the beginning of the period	506,559	558,970	614,598	673,639	736,303
Cash at the end of the period	3,553,942	1,597,009	1,711,304	1,831,840	1,958,963

ANNEX III BALANCE SHEET

(all numbers in US\$)	Year 1	Year 2	Year 3	Year 4	Year 5
Current asset	506,559	558,970	614,598	673,639	736,303
Fixed asset	1,702,274	1,618,833	1,523,870	1,422,667	1,314,882
Liquidity	1,510,435	1,585,643	1,664,606	1,747,511	1,834,554
TOTAL ASSET	3,719,268	3,763,447	3,803,075	3,843,818	3,885,739
NET ASSET MINUS DEPRECIATION	3,635,827	3,674,399	3,708,112	3,742,615	3,777,954
Equity	1,098,749	1,043,811	991,621	942,040	894,938
Reserves					
Total Own Equity	1,098,749	1,043,811	991,621	942,040	894,938
Provisions	1,925,267	1,993,936	2,053,628	2,110,061	2,163,336
Long term loan	242,083	242,083	242,083	242,083	242,083
Short term Liabilities	369,727	394,569	420,780	448,431	477,596
Total Equity & Liabilities	3,635,827	3,674,399	3,708,112	3,742,615	3,777,954
NET FA/CL	0.46	0.43	0.40	0.37	0.34
CL/CA	0.73	0.71	0.68	0.67	0.65
DEBIT/CAPITAL RATIOS	0.70	0.72	0.73	0.75	0.76
ROI	46.1	53.6	62.0	71.5	82.3
BREAK EVEN POINT	1.79	1.59	1.40	1.23	1.07
BREAK EVEN RATIO	1.21	1.17	1.13	1.10	1.06
EQUITY/TOTAL LIABILITIES	30	28	27	25	24

ANNEX IV LOAN PAYMENT SCHEDULE

Loan Information and Payment Schedule					
Loan Data			Loan Summary		
Original Principal	966,568.54		Scheduled Payments		242,083.33
Loan Term (Years)	5.00		Scheduled number of payment		5.00
Annual Interest Rate	0.08		Actual number of payment		5.00
Payments per Year	1.00		Total Early Payment		-
Payment	242,083.33		Total Interest		1,470,885.00
Year	Payment	Interest	Cumulative Interest	Principal	Balance
					966,568.54

-						
1.00	242,083.33	77,325.48	77,325.48	164,757.85	801,810.69	
2.00	242,083.33	64,144.86	141,470.34	177,938.47	623,872.22	
3.00	242,083.33	49,909.78	191,380.12	192,173.55	431,698.67	
4.00	242,083.33	34,535.89	225,916.01	207,547.44	224,151.23	
5.00	242,083.33	17,932.10	243,848.11	224,151.23		
			243,848.11			-

ANNEX V IRR.

		(all numbers in US\$)
	Initial Investment	-2,065,317
Year 1	Additional Annual Net Profit	506,559
Year 2	Additional Annual Net Profit	558,970
Year 3	Additional Annual Net Profit	614,598
Year 4	Additional Annual Net Profit	673,639
Year 5	Additional Annual Net Profit	736,303
	IRR (in 5 years)	14.10%

The IRR above indicates that the expected return on thus \$ 2,065,317 initial investment after 5 years is 14.10%.

ANNEX VI PAYBACK PERIOD

Payback Period Analysis				
	Year	Beginning Balance	Net Cash Flows	Ending Balance
Cost of investment	0.00	2,065,317.39	0.00	2,065,317.39
	1.00	2,065,317.39	506,559.08	1,558,758.32
	2.00	1,558,758.32	558,970.33	999,787.98
	3.00	999,787.98	614,598.30	385,189.69
	4.00	385,189.69	673,639.46	288,449.77
	5.00	288,449.77	736,302.73	1,024,752.50

Payback Period =	4.00	Years
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8.0. CONCLUDING REMARKS AND WAY FORWARD

8.1. Evidence of project viability based on financial model and policy Framework support

On the basis of all the analysis done on this Business Plan on all aspects of assessment on both SWOC Analysis, market analysis, risk analysis and the financial analysis, the proposed investment options in the project as prescribed on this business plan have shown that the project is commercially viable. Nonetheless, TANZANIA AGRIC-TECH DEVELOPMENT COMPANY LIMITED through professional consultative manner, will continue to find ways of implementing cost effective options given time and financial resources that will be made available. Financial analysis results show that when the construction of plant facility is financed using a combination of equity debt ratio (53.2:46.2), it gives an IRR of about 14.1%. The computed IRR is well above Dollar market of the annual loan interest rate of (8.00%) which is technically interpreted that the project is financially viable. The payback period for the project is estimated at 4 years, which is within the range for this type of investment. Sensitivity analysis results also favor the project. Financial analysis for the project has shown feasible returns. Based on the investment scope and the assumptions taken in this Business Plan, the project will not face any difficulties during establishment, according to the projected cash flow be in a position to accomplish repayment of the loan and start generating profit.

8.2. Policy Framework Support

The development of the Tanzania Agric-Tech Development Company Limited is designed to take advantages of the current Tanzanian market-oriented reforms. The Project will be developed and established to accelerate the industrialization process. The vision 2025 emphasizes the importance of the allocation of public funds for strategic investments and private sector financing for development investments.

The 15 years Perspective Plan (2015-2030); Prioritize private investment in the context of Public Private Partnership. The First Five Years Development Plan (2021-2025) recognizes the fundamental role of the private sector in enabling the government to allocate its fund to strategic projects to facilitate a higher level of development. MKUKUTA III (2020-2025) identifies Public Private Partnership as a means of increasing the level of stakeholder participation and of easing the financial burden on the government. It should be noted that existing public resources are clearly insufficient to meet Tanzanian's huge development needs. The increased use of private enterprises participation in development projects can help alleviate the financing gap. This approach is now applied by Tanzania

Agric-Tech Development Company Limited to ensure development of one among the ultra-modern plant in Morogoro Region. Private sector and investment have been recognized as the most significant potential source of additional funding required to facilitate development projects.

8.3. Conclusive Remarks and Way Forward

The development of this project will be funded by private finances. The company acting through its various shareholders and structures will provide the initial risk capital amounting to 2,065,317.39US\$ and the amount of US\$ 966,568.54 will be raised through borrowing from investment banks either within or outside the country. The company will fund the development of the project minor rehabilitations of factory building, business offices, bulk storage facilities and purchasing machines as stated on this business plan. Before the Company engages into the development of this project as a private enterprise, it needs to accomplish the pre development activities to make way for the development of the designated project. The company has to accomplish the following;

a) Apply for TIC certificate

The company by using this Business Plan and other required supporting documents should apply for the TIC Certificate at Tanzania investment centre or Head office. With this certificate, the company will be able to access tax reliefs which to a large extent will help to in reducing project costs, particularly in the purchasing of machineries and minor building of area of proposed industrial area.

b) Conduct Environmental Impact Assessment.

The company has to engage a consultant to conduct EIA in order to ensure that environmental and possibly other sustainability aspects are considered effectively in policy, plan and project development. The EIA Directive aims at introducing systematic assessment of the environmental effects of strategic land use related plans and programs. It typically applies to regional and local, development, waste and transport plans, within the country. EIA ensures that plans and programs take into consideration the environmental effects they cause.

c) Minor rehabilitation to suit project Industrial requirement

The company should engage a firm to make minor rehabilitation of existing structure that will suit project manufacturing requirements. The structure should include all vital service facilities described in this business plan. When possible, the process of design of the facility should be consultative insomuch that it

should allow and incorporate ideas from experienced professionals from the industry.

d) Mobilizing Funds

As previously discussed on the Financial Analysis of this business plan, financing mechanism for plant should be scrutinized well before commencing the project implementation. There may be several options of financing the project development but the company will find the best option. The investment team should do consultation with relevant financial institutions (Banks and non-bank Financial Institutions), both within and outside the country. This exercise should be more effective if the team works closely with central government agencies, particularly TIC and the Ministry of Industry & Trade and Ministry of Investment.