

**United Republic of Tanzania**  
**Small Industries Development Organization**

**United Republic of Tanzania**  
**Industrial Cluster Development**

**Pre-FS Quality Control**  
**Work Completion Report**

**February 2018**

**JAPAN INTERNATIONAL COOPERATION AGENCY**

**Japan Economic Research Institute Inc.**

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### Abbreviations & Acronyms

BOO	Build, Operate and Own (PPP)
BOT	Build, Operate and Transfer (PPP)
BTO	Build, Transfer and Operate (PPP)
DB	Design and Build (PPP)
DB(F)O	Design, Build (Finance) and Operate (PPP)
DMI	Directorate of Marketing and Investment
DTDI	Directorate of Technology, Development and Industrialization
JV	Joint venture (PPP)
LC	Local Consultant
LO	Lease and Operate (PPP)
O&M	Operation & Management (PPP)
RO	Regional Office (SIDO)

SIDO	Small Industries Development Organization
PPP	Public-Private Partnership

## Preface

Small Industries Development Organization (SIDO), in the past ten years, has constantly faced with the problem of not having enough budgets to develop industrial parks for Small and Medium Enterprises (SMEs). Therefore, with the support of Japan International Cooperation Agency (JICA), SIDO has decided to conduct a preliminary feasibility study (Pre-FS) for selected two industrial estates, namely, KIZOTA in Dodoma and KIHONDA in Morogoro, from June 2017 to March 2018.

The purpose of Pre-FS was to judge whether it was possible for SIDO to procure its needed development funds through project finance in the two pilot areas. In order to do so, data collection must be done properly and compiled into an analytical report, which could be presented to important stakeholders such as financiers (investors, banks, anchor companies) and the government decision makers (including SIDO Board, Ministry of Finance and Planning/MOFP). All the methodologies of conducting Pre-FS will be summarized in the Pre-FS Guidelines for the future capacity development of SIDO's officers at the headquarters (SIDO-HQ) and at its 24 Regional Offices (ROs).

The quality control work for this Pre-FS was conducted for the limited time during the four months between late-October 2017 and late February 2018. Hashimoto, a senior consultant of the Japan Economic Research Institute (JERI) was assigned to this task and provided necessary technical inputs and advices to SIDO officers in charge of conducting this Pre-FS. The contents and items of quality control are as shown in table 1. Overall schedule of the two 30-day field works conducted for the quality control works are summarize in tables 2 &3 below.

I would like to express my sincere appreciation to Mr. Tomohiko ISHIKAWA, JICA Industrial Cluster Development Expert at SIDO, for his enduring and strong support for the smooth implementation of Pre-FS activities and for the coordination with SIDO HQ and ROs.

This report is especially dedicated to Ms. Maria Erasmus, a hard working young officer of SIDO Directorate of Marketing and Investment (DMI) who has participated in Pre-FS activities and improved her skills dramatically during the past four months. I would hope that she would continuously take a leading role in implementing the similar Pre-FS activities for other industrial estates of SIDO.

Table 1. Target item and content of quality control

ITEM	CONTENT OF QUALITY CONTROL
Pre-FS Guidelines	<p>1) Are methodologies (strategies, tactics, activities) related to information gathering &amp; reporting (necessary for project decision making and attracting companies and mobilizing private funds) systematically summarized?</p> <p>2) Does the guideline have contents useful for RO staff for making specific (industrial agglomeration) strategies, tactics and activities?</p>
Analytical Report	<p>1) Is the content necessary for deciding project methods fully included? Is there enough material (enough to judge whether there is room for establishment of private-sector business) enough to prepare for selection of project operators?</p> <p>2) Data analyses (market value of industrial estate, profitability of tenant candidate enterprises, information related to industrial parks) necessary for judgment for companies, investors, financial institutions to advance to detailed design and evaluation (FS/DD) are all included?</p>
Survey item	<p>1) Location condition of industrial park (distance to big city/consumer market, population, number of households, future population estimate, etc.)</p> <p>2) Related laws and regulations, legal restrictions</p> <p>3) Accumulation of labor in the region</p> <p>4) Accumulation of suppliers in the region</p> <p>5) Ability to attract enterprises, namely, supporting system such as levels of infrastructure development, ease of obtaining permits (required time), investment incentives, etc.</p> <p>6) Environment around industrial park (living environment, etc.)</p> <p>7) Target industry and company (type of industry, average profit ratio, size of potential tenant companies, profit ratio, market share, etc.)</p> <p>8) Regional accumulation situation of related companies (number of companies and mutual linkage with related companies)</p> <p>9) Access situation to large cities and consumption markets (Cities with 200,000, 500,000 or 1 million population)</p> <p>10) Existence of excellent companies (the so-called, “anchor enterprises”), intention to participate by private enterprises, etc.</p>
Research method/ Information gathering	<p>Is information collected using unified standards (units) or indicators? (Can you compare information collected by all ROs based on common criteria?)</p> <p>2) Are the above research items necessary for investment decisions by companies, investors and financial institutions well collected &amp; analyzed?</p> <p>3) In addition to literature surveys (statistics etc.) as information sources, are</p>

	<p>useful information collected through interviews with tenant candidate companies?</p> <p>4) Are interviews conducted with those entities (such as construction companies, financial institutions and consultants) that are likely to know the investment plans of those companies?</p> <p>5) Are attempts made to gather information on investment plans (and thus possibility of participation in industrial park development) of the companies you want to attract?</p>
Information analysis	<p>Are revenues (such as rents) and market value (asset prices) of real estate (land and buildings) of industrial estates estimated? (As a simple method, it is possible to calculate the market value from profitability of industry/company of candidate tenants, and annual rent of industrial park )</p> <p>Is the analysis simple and clear? Does it cover the analysis on market size, imputable resources (such as labor force, raw materials, water, gas, and electricity), infrastructure level, support system (licensing/investment incentive, surrounding environment) and the anchor enterprise? (Check whether current and future prospects are clearly indicated)</p>

Table 2: Quality Control Work Activities (Late OCT. – Late NOV 2017)

Products	1st. Preparation (Mid SEPT to mid OCT 2017)				1st. Field Work (Late OCT - Late NOV 2017)																				
	Mid SEPT	Late SEPT	Mid.	25-Oct	30-Oct	31-Oct	1-Nov	2-Nov	3-Nov	6-Nov	7-Nov	8-Nov	9-Nov	10-Nov	13-Nov	14-Nov	15-Nov	16-Nov	17-Nov	20-Nov	21-Nov	22-Nov	23-Nov	24-Nov	
1. Collection, analysis and compilation of relevant materials	Prepared WORK PLAN							FINANCIAL OPTIONS		TIB 2pm	Alios 9am		Achelis 9am		Stanbic 11am						GEPF 10am	LGPF 9am	MORUWA SA 8am, TANESCO 8:40am		
2. Discussion of draft pre-FS guidelines																								SIDO, LC	SIDO, LC
3. Information sharing with SIDO & local consultant (LC)									DODOMA-RO						Willilo (LC) 8:30am				Maria (DMI) PM		Willilo (LC) 13:00pm	MOROGO RO-RO	SIDO, LC	SIDO, LC	
4. Confirm the status of SIDO information collection					SIDO-HQ 3pm								Maria (DMI) AM	Maria PM	Maria PM				Maria, Progress report 1st. draft		Maria (DMI) (talk in car)				
5. Work plan submission & consultation (*1)	CONTENTS CONFIRMED				JICA HQ	JICA Office 10am, SIDO-HQ				DODOMA-RO						SIDO-HQ 2pm							MOROGO RO-RO		
6. Work result report (WRR) & Work completion report (WCR)													JICA Office 4:30pm			SIDO HQ 2pm	Preparation of 1st WRR	Preparation of 2st WRR						OVERALL REPORTING	WRR (*2) 10am SIDO, 3pm JICA

\*1: JICA HQ, 10/25, JICA Office 10/30 (Mr. Amatsu+), SIDO DMI (Mr. Kyaruzi+) 10/30, DTDI (Mr. Saiguran) 11/13, DODOMA RO (RM+)11/3, MOROGORO(RM)11/21

\*2: JICA Office (Mr. Amatsu, Mr. Kawai, Mr. Kato), SIDO (Mr. Saiguran, Mr. Kyaruzi, Mr. Ishikawa, Mr. Lihepanyama, Ms. Erasmus, etc..)

Table 3: Quality Control Work Activities (MID JAN. – MID FEB. 2018)

Products	1st compilation period		2nd Preparation period (End-Nov. 2017~Mid-Jan. 2018)					2nd Field Work (Jan 23-Feb 20, 2018)					2nd compilation period
	11/27-	12/4-	12/11-	12/18-	12/25-	1/8-	1/15-	1/22-	1/29-	2/5-	2/12-	2/19-	End- Feb.
1. Collection, analysis and compilation of relevant materials						Compilation of 2nd Work Plan				2/5 11:30am UNCDF	2/15 LAPF Pensions Fund		Final compilation
2. Discussion of draft pre-FS guidelines		12/17:TO: SIDO&LC Survey progress & future procedures								2/9 Maria/SIDO Confirm contents			Recommendation
3. Information sharing with SIDO & local consultant (LC)								1/23	2/2 LC submit financial (draft) model KIZOTA	2/6 LC submit (draft) financial model KIHONDA	2/14- Revised financial models	2/19 Draft Analytic Repport	Recommendation
4. Confirm the status of SIDO information collection			12/11	12/19		1/5	1/15	Maria/SIDO 1/24 8:30 1/26 9am 1/29 9am	Maria/SIDO 1/31-2/2: Morogoro & Dodoma visit	Maria/SIDO 2/6 7:30-10am 2/9 9:30am	Maria/SIDO 2/12 13pm 2/14 Finalize presentations		
5. Work plan submission & consultation							1/15 5pm JICA HQ 2nd Work Plan confirmed	1/24 10am 1/25 JICA Office		2/6 SIDO 10am 2/8 SIDO/LC			
6. Work result report (WRR) & Work completion report (WCR)	12/2: TO: JICA HQ Explanation of WWR											2/19 10am JICA Office 14pm SIDO 2/23 JICA HQ	Final reporting (WCR)



## Summary

During the quality control period between end-October and mid-February, SIDO's Pre-FS activities were not able to complete due to lack of manpower and administrative difficulties in data collection. The activity of LC to support SIDO to conduct its Pre-FS activities did not proceed as supposed to be. As well the Analytic Reports were not submitted during the period.

Considering the circumstances, and in order to assure the quality of SIDO's Pre-FS, this quality-control work completion report was written in a way to follow each step of Pre-FS activities (see Table 4), in a hope to become an easy reference for SIDO officers to continue the current Pre-FS activities and for conducting Pre-FS in other industrial estates.

In the first field work, Hashimoto has concentrated on introducing SIDO HQ and RO officers the purpose of Pre-FS, PPP, possible financing methods and related concepts and terms. At the same time, she visited several investors (banks, finance lease companies and pensions funds) to have brainstorming sessions to understand the ways in which SIDO could procure private funds for its industrial land development.

In the second field work, Hashimoto made efforts to facilitate the progress of data collection by SIDO as well as provided hands-on support (OJT) to SIDO officer to conduct preliminary market sounding with potential investor. In order to assure the quality of analytic report, Hashimoto set a meeting on 8 February 2018 for LC to have an in-depth discussion with SIDO officers on the financial models of KIHODA and KIZOTA. Unfortunately, not much discussion was made due to lack of understanding and manpower of SIDO. Therefore, in order to assist the understanding of SIDO officers, the related terms and concepts used in the financial model are explained in this report. This report is structured in the following three chapters;

Chapter 1: Overall Pre-FS activities and checkpoints

Chapter 2: Each step of Pre-FS activities

Chapter 3: Issues and lessons discovered and recommendations for the future Pre-FS

Chapter 4: Attachments

### **1. Overall Pre-FS Activities and Checkpoints**

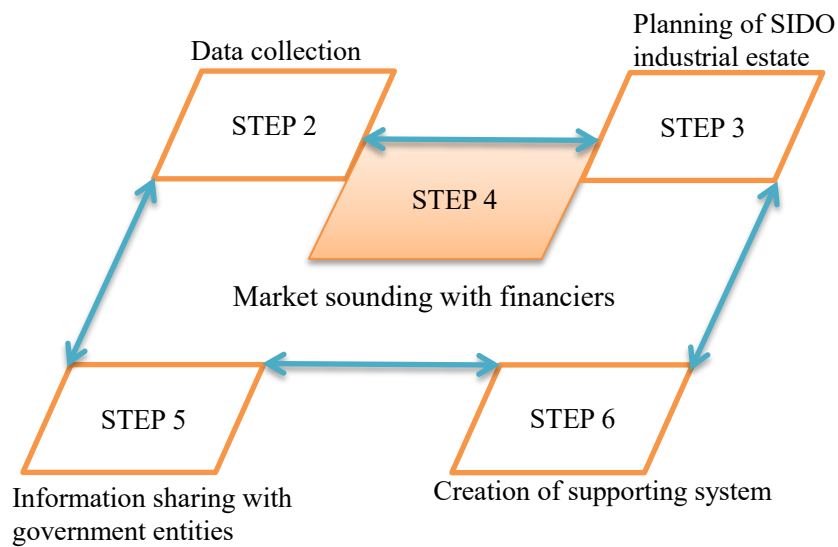
As the first step (STEP 1), SIDO officers need to understand new concepts & specific terms of PPP. This includes the objective of Pre-FS (STEP 1-1), its main activities (STEP 1-2), the types of project to be sought (STEP 1-3), and what are the necessary factors that enable PPP project. (STEP 1-4~1-10)

In the second step (STEP 2), for achieving SIDO's objective to gain private funding for the development of industrial estates, SIDO officers need to determine its clear strategy (method & plans) (STEP 2-1), define tactics (contents of activities) for achieving thus made strategy (STEP 2-2) and put into action of the contents of the activities.

Contents of the activities include data collection (STEP 2-3~Step 2-8) and Planning & Designing of SIDO industrial estate (STEP 3), market sounding with financiers (STEP 4), in-advance information sharing with government entities (STEP 5) and creating supporting system for private sector operator (STEP 6).

All the above activities will be compiled into Analytic Report (STEP 7), which will be presented to financiers (STEP 7-1), to be used as the input to tender documents (STEP 7-2) and to be submitted to MOFP to gain the ministry’s consent on each PPP project (STEP 7-3).

The activities of STEP 2, 3, 4, 5 and 6 will be conducted at the same time and repeatedly, considering the inputs from each other. The image of their relationship is as shown in Figure 1.



(Source) Compiled by Hashimoto

Figure 1. Relationship among Pre-FS activities (STEP 2~STEP6)

Table 4 . Each step of pre-FS activity (STEP 1 - 7) and checkpoints

STEP	✓	Preliminary FS Activities and Checkpoints
<b>1</b>	✓	<b>Understand the concepts and terms of PPP</b>
1-1	✓	Understand the objective of Preliminary FS
1-2	✓	Understand the main activities and expected output of Pre-FS
1-3	✓	Understand PPP (Public-Private Partnership) and why it requires Win-Win structure
1-4	✓	Understand how to make WIN-WIN structures for PPP (Types of public real estates utilization)
1-5	✓	Understand the varieties of PPP
1-6	✓	Understand why it is important to have financial viewpoint
1-7	✓	Understand what determines market values (location advantages)
1-8	✓	Understand what determines project cash flow (rent income from tenants)
1-9	✓	Understand financial structure of PPP (Project finance, establishment of special purpose company)
1-10	✓	Understand the bargaining power of access to land (Preparation of list of industrial estates)
<b>2</b>	✓	<b>Make up clear strategy to develop SIDO's industrial estate</b>
2-1	✓	Decide the Strategy to develop which cluster and how at the target industrial estate
2-2	✓	Define the tactics (necessary activities) to achieve the Strategy
2-3	✓	Understand what kind of information can be collected from where
2-4	✓	Collect data about land (land use, restrictions, infrastructure, access to transportation, etc.)
2-5	✓	Collect data about enterprises, conduct sector categorization, understand which sector has competitiveness and high growth potential
2-6	✓	Collect data about SIDO industrial estate, regional map, its ownership/ title of deeds, annual rent to Municipality (total due rents, if any), etc.
2-7	✓	Collect data about neighboring industrial lands, ownership, market rates of industrial sheds in the region
2-8	✓	Understand regional land development plan (Master Plan), and its related incentive measures
<b>3</b>	✓	<b>Planning &amp; Designing of SIDO industrial estate</b>
3-1	✓	Draw layout, define technical specifications
3-2	✓	Define assumptions for cost and income estimation
3-3	✓	Conduct financial estimation and decide financial viability of the project
3-4	✓	Compile report (as an input for "Technical requirement & standards of public facilities" of tender documents)
<b>4</b>	✓	<b>Market sounding</b>
4-1	✓	Understand why it is necessary to talk to investors, banks/financial institutions and anchor companies
4-2	✓	Understand what information is required to whom
4-3	✓	Prepare presentations
<b>5</b>		<b>In-advance information sharing with government entities</b>
5-1		Get consent about overall PPP concept
5-2		Get consent about the establishment of SPC (including SPC establishment by the private sector operator)
5-3		Get consent about transfer of land or long-term land leasehold rights to SPC
5-4		Get consent about borrowing from bank other than TIB Development Bank
<b>6</b>		<b>Creating supporting system for private sector operator</b>
6-1		In-depth information collection to accommodate investors needs
6-2		Negotiate for cooperation with LGAs (municipal, district governments)
6-3		Negotiate for cooperation with TRA, MOL, etc
<b>7</b>		<b>Preparation of Analytical Report based on the above items 1-6</b>
7-1		Prepare input to financiers about the specific project
7-2		Prepare input to tender documents
7-3		Prepare input to MOFP for acquiring consent on specific project

(Note) Steps 2 & 3 will be conducted simultaneously)

(Source) compiled by Hashimoto

## **2. Each step of Pre-PS activities**

In each of STEP 1-7, in order to assist the understanding of SIDO officers, concrete examples and documents are drawn from the experience of Pre-FS activities for KIZOTA and KIHONDA industrial lands. As well, some of the concepts and terms used in financial models prepared (as of Feb.8, 2018) by LC are also explained here to assist SIDO officers to understand Analytic Reports. The final and original versions of Analytic Reports are to be submitted to JICA from LC, and therefore will not be disclosed in this report.

### **STEP 1: Understand the concepts and terms of PPP**

#### **1-1 Understand the objective of Preliminary FS**

Due to prolonged budget constraints, SIDO is now seeking the possibility of attracting private sector investments to develop & manage rental factories for SMEs. Through this Pre-FS, SIDO will collect enough data to decide a possible project implementation option (i.e. one type of Public Private Partnership) suitable for each pilot industrial land.

Objective: Develop industrial parks utilizing private funds and knowhow

Based on the result of Pre-FS, SIDO will prepare for tenders for the selection of private sector operator. On the second stage, SIDO will prepare the necessary documents for tenders (such as description of type of PPP project, requirements and conditions for delivering public services, public-private risk sharing, location characteristics, supporting systems & availability of preferential treatments, expected SPC structures, contents of business proposal, operator selection procedures & criteria, etc.).

Pre-FS is only the first stage of the supposedly four-stage process of PPP project implementation. (See Figure 2)

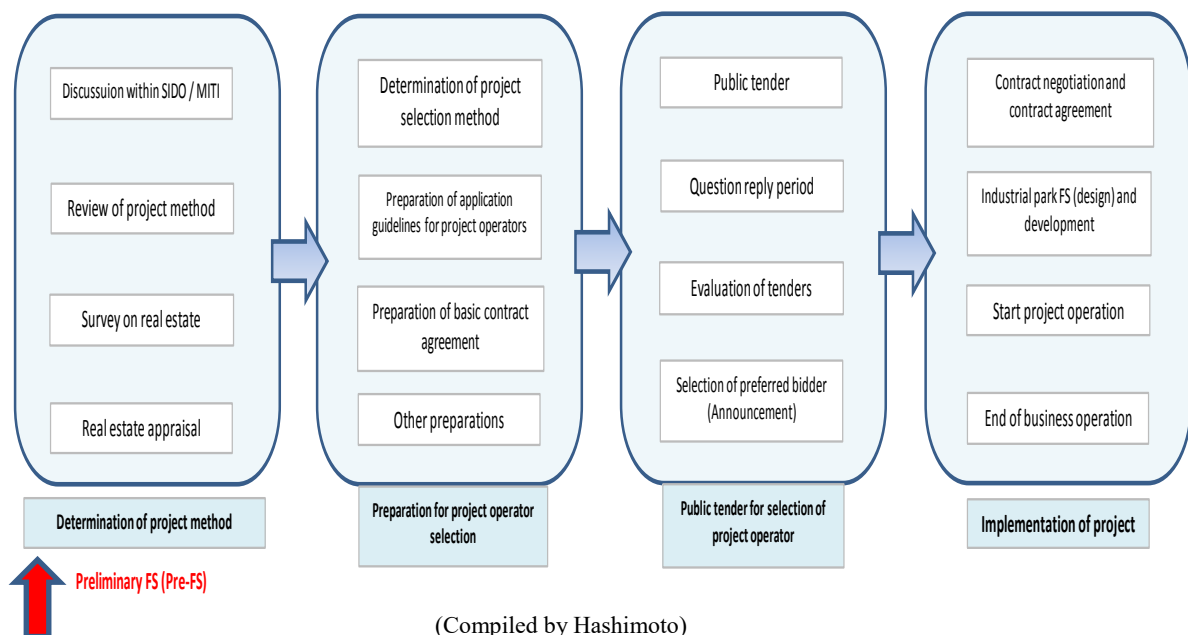


Figure 2: Pre-FS and the flow of project implementation

## 1-2 Understand the main activities and expected output of Pre-FS

There are three (3) main activities in Pre-FS including the below: (i) Data collection, (ii) market sounding with financiers (Investors, financial institutions and anchor companies) and (iii) preparation of inputs for tender documents

### (i) Pre-FS activity 1: Data collection

Data collections objective is to find out MARKET VALUES & PROJECT CASH FLOW of target industrial estates. These are the two major interest of financiers who will decide the bankability (BOX 1) of the project.

To show the market values of the target industrial estates to financiers, SDO officer needs to collect data concerning the location advantages of the target industrial estates. Location advantages can be understood by collecting a broad range of information concerning the land, infrastructure, market, enterprise accumulation, available labor force and public sector support system, in addition to the actual market price of the concerned land property.

To show project cash flow, the data that shows the existence of potential tenants (number of enterprises), and their profitability (i.e. their rent-paying capacity) must be collected.

The information concerning individual enterprises (potential tenants) as well as the information about major industrial sectors in the region (sector shares in number of companies and assets/revenues size, and sector average profitability, sector growth potential, etc.) will be collected.

**BOX 1. What is “bankability”?**

Bankability is loan eligibility; whether or not the project can be judged that a bank can lend out. The judgment of bankability is not constant, and the judgment of the bank depends on the amount of information the bank obtains.

Therefore, in order to make the judgment of the bankability of the project by the bank advantageous, it is necessary to share, as much as possible, the information that leads to the evaluation of the project’s business potential (its cash flow creation ability and profitability) to the bank.

This is why it is important to collect information, analyze and disseminate information from the perspective of finance. And it is considered as an important role of SIDO's industrial park development staff.

**(ii) Pre-FS activity 2: Market sounding with financiers by sharing collected data and listening to their opinions & ideas.**

At this stage, it is important to listen to the opinions of important financiers such as investors, banks and anchor companies. Investors are important because they may become shareholders of the PPP project. Banks and other financial institutions are important because they may provide loans to the project. Anchor companies, if you can find any, are also very important because they will stabilize the project cash flow. Existence of good tenant is also a very important decision making factor for financiers.

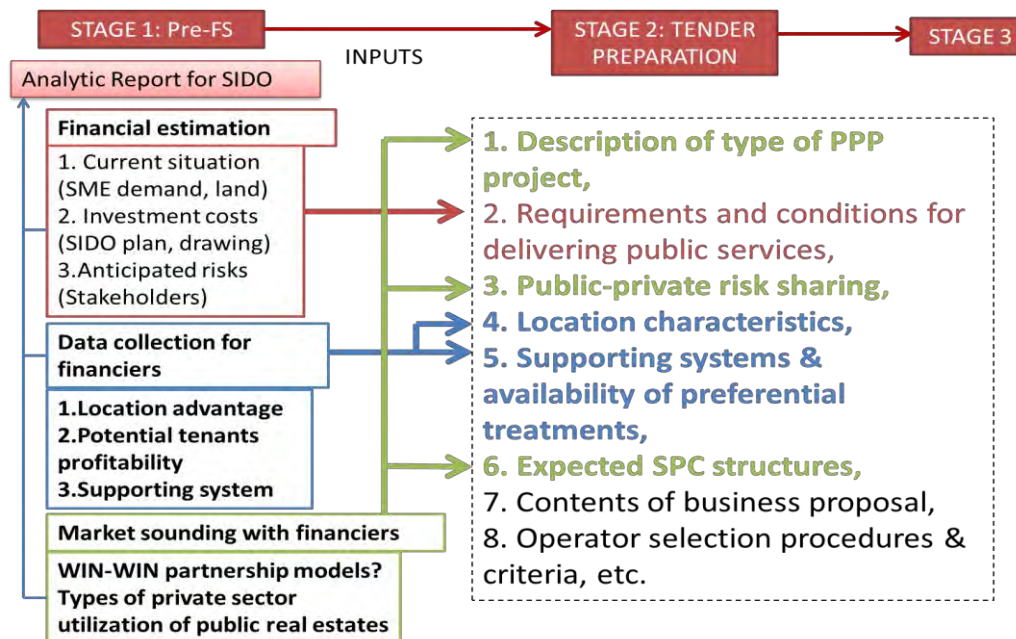
**(iii) Pre-FS activity 3: Prepare inputs to tender documents**

Analytical Report, namely, the summary output of SIDO’s Pre-FS, will consist of the following three contents:

(1)Financial estimation of SIDO’s industrial estate: It is calculated based on SIDO’s plans and drawings of the target industrial estates. This only concerns what SIDO wants for public facilities, and it does not include the private sector commercial facilities which will be proposed by private sector operators at the tender.

(2)Data collection results: It is for providing to financiers (including banks, other financial institutions and anchor companies). This will include the information about location advantages, potential tenants’ profitability (ability to pay rents), and availability of government support system (preferential treatments, etc.)

(3)Market sounding conducted with financiers: This will include the findings about the possible PPP project, which ensures WIN-WIN relationship between the private sector and the public sector, including the adequate public real estate utilization type.



(Source) Compiled by Hashimoto

Figure 3. Pre FS provides inputs to tender documents

### 1-3 Understand PPP (Public-Private Partnership) and why it requires Win-Win structure

To start with, it is very important that SIDO officer understand what is meant by PPP and have the right frame of mind to implement this Pre-FS.

PPP is a way of cooperation between the public sector and the private sector to implement the public services. It is a way of utilizing the private sector funds, expertise, knowhow and ideas to provide the public services by creating a WIN-WIN structure for both the private sector and the public sector. SIDO intends to ask the private sector operator to finance, develop and manage the public facilities, and the private sector in return will get a business chance to enter into public services and utilize public real estates for commercial use. By creating a Win-Win structure, both public and private parties shall gain benefits.

PPP should be WIN-WIN public-private cooperation for providing public services

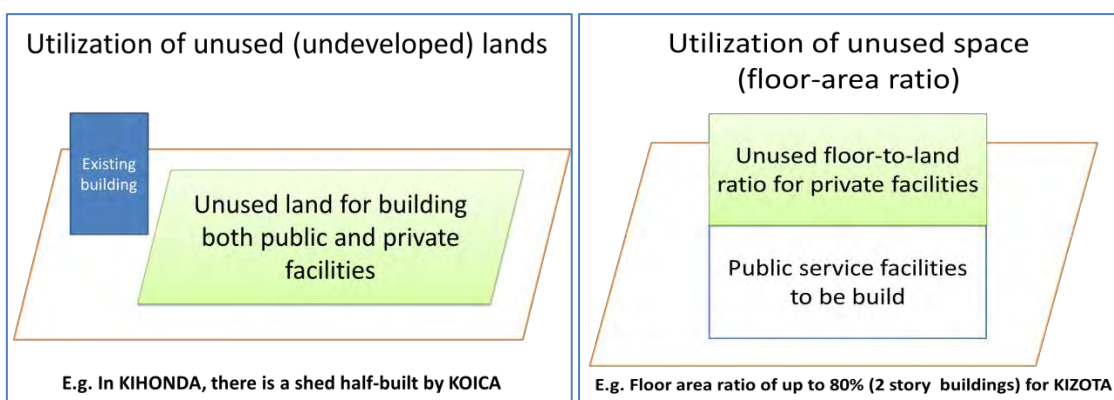
This Pre-FS is about SIDO finding a NEW way (PPP) of providing its public services. It will NOT be the usual budget funded public projects. Therefore, those who get involved in the Pre-FS must be flexible, creative and open to new ideas and have guts to overcome the challenges.

#### 1-4 Understand how to make WIN-WIN structures for PPP (Types of public real estate utilization)

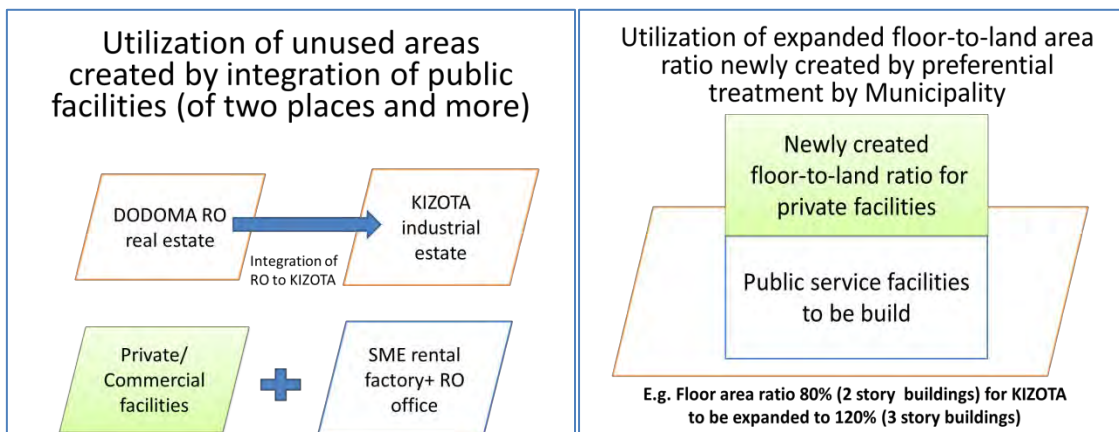
For creating a WIN-WIN structure, SIDO needs to give business chances to the private sector by giving them opportunities to utilize public real estates in any of the following five ways. (See Figure 4)

- (i) Utilization of unused (undeveloped) lands
- (ii) Utilization of unused space (floor-area ratio)
- (iii) Utilization of unused areas created by integration of public facilities (of two places and more)
- (iv) Utilization of expanded floor-to-land area ratio newly created by policy (such as preferential treatment by Municipality Government)
- (v) Redevelopment of public lands combined with neighboring private lands

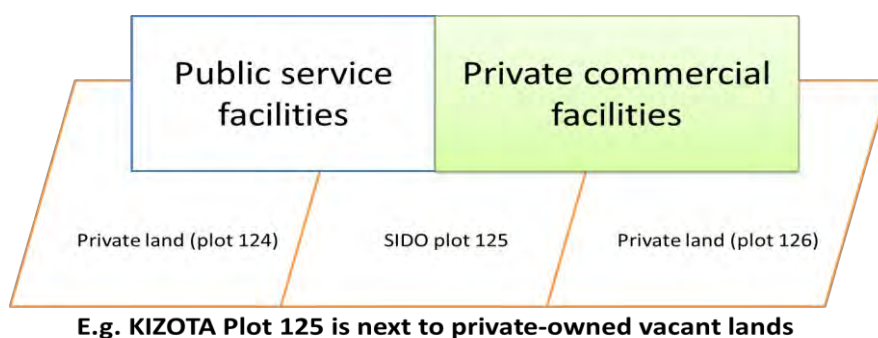
It is important, therefore, to confirm with land surveyor, town planning officer, etc. of the municipal government about land use, land use restrictions, land ownership of the target industrial estate and its neighboring lands, municipality land development master plan, etc. This may affect the ways in which SIDO can develop its industrial estates with the private sector.







### Redevelopment of public lands combined with neighboring private lands

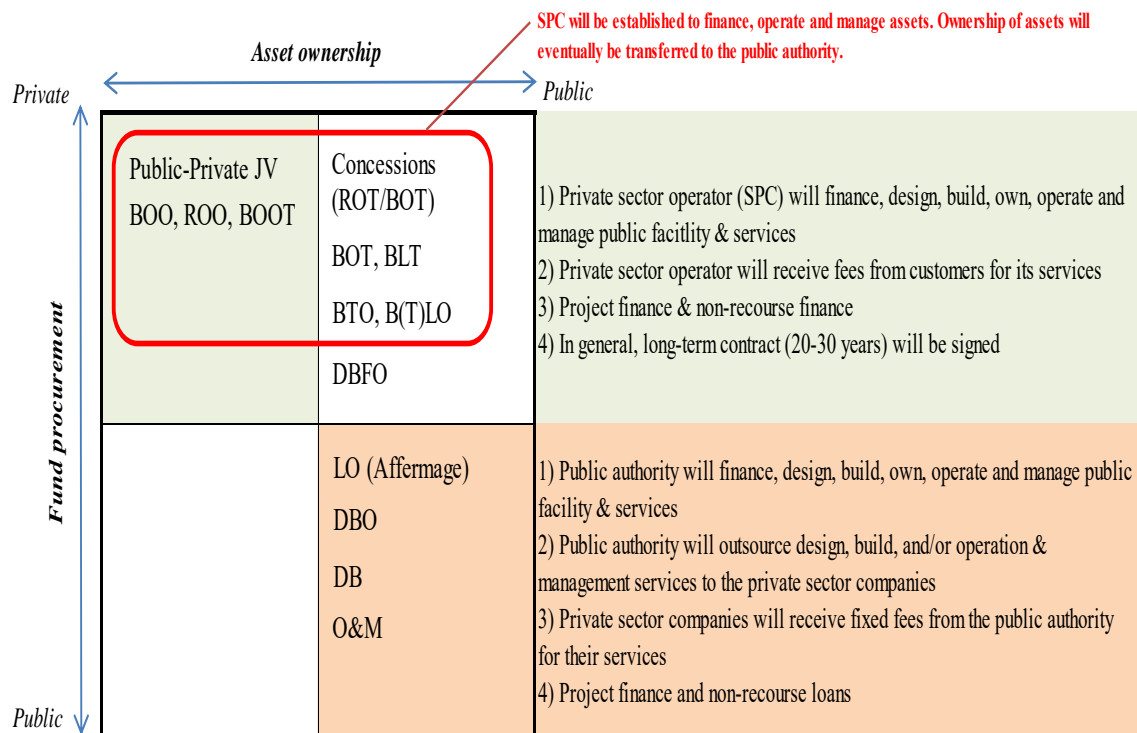


(Compile by Hashimoto)

Figure 4. Major types of utilization of public real estates by private sector

#### 1-5 Understand the varieties of PPP

PPP comes in many forms and varieties depending on the depth of private sector involvement. (See Figure 5) In an ordinary public investment, the public sector will finance, design, build, operate, manage and own the public facilities. In PPP, the public sector can choose to outsource a small part of its functions to the private sector (such as in O&M, DB, LO and DBO) or it can assign the private sector to carry out most of the functions (such as in JV, BOO, Concessions, BOT, BTO, DBFO, etc.)



(Note) Abbreviations are as below:

BLT: Build, Lease and Transfer;  
 BTLO: Build, Transfer, Lease and Operation  
 BOO: Build, Own and Operate  
 BOOT: Build, Own, Operate and Transfer  
 BOT: Build, Operate and Transfer  
 BTO: Build, Transfer and Operation  
 DB: Design and Build

DBFO: Design, Build, Finance and Operation  
 DBO: Design, Build and Operation  
 JV: Joint Ventures  
 LO: Lease and Operation  
 O&M: Operation and Management;  
 ROO: Renovate, Own and Operate  
 ROT: Renovate, Operate and Transfer

(Source) Compiled by Hashimoto

Figure 5: PPP varieties according to asset ownership and financing

In SIDO's case, due to budget and resource constraints, maximum involvement of private sector is to be pursued. In other words, for the delivery of SIDO's public service, namely, development and management of rental factories to SMEs, SIDO intends to assign the private sector to finance, develop, operate, manage and own (during the project period) the facilities of industrial park (i.e. the types of PPP encircled in red in Figure 5 shown above).

### 1-6 Understand why it is important to have financial viewpoint

Pre-FS is conducted to confirm the possibility of attracting private sector funding and to define a suitable project type (from among a wide variety of PPP options). Since the main fund providers are financial institutions (both banks and non-banks) and investors, it is extremely important to collect and provide what data and information "they" would want to know.

Collect data for whom? Have financial viewpoint!

“Market values” & “project cash flow” are the two most important factors that determine the decision of financial institutions and investors providing equity & debt financing.

Financiers like to know that there will be a good number of potential tenants which assure stable flow of rental incomes.

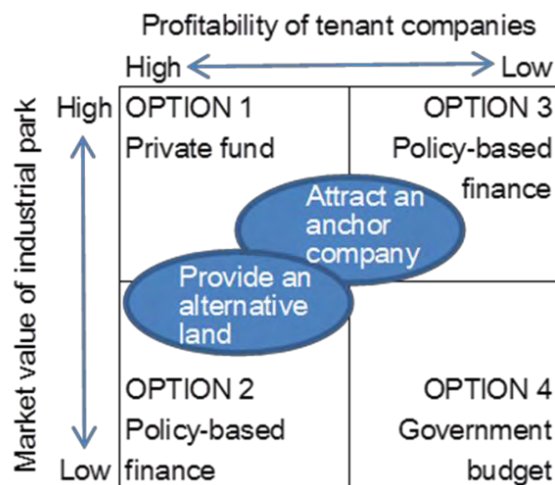
In other words, data collection on “location advantages” and “profitability of tenants” are of the utmost importance through Pre-FS. (See Attachment Table 1 for “how to question about location advantages and profitability of candidate tenants.”)

Market values & Project cash flow = Location advantages & Profitability of tenants

These two information are necessary for judgment for companies, investors and financial institutions to advance to their detailed design and evaluation (FS/DD).

These information are also important for SIDO to decide which PPP type would be suitable for each industrial land and what measures are necessary to increase the chance of PPP options. (See Figure 6)

- 1) Option 1: A combination of “high” and “high” are suitable for PPP
- 2) Option 2 & 3: A combination of “low” and “high” would require supplementary measures to enable PPP
- 3) Option 4: “low” and “low” combination is not suitable for PPP



(Note) Policy based finance is the concessional loans granted by the government/donor agencies to achieve certain policy goals (Source) Compiled by Hashimoto

Figure 6: Project options according to the combination of 2 indicators

## **1-7 Understand what determines market values (location advantages)**

To show the market values of the target industrial estates to financiers, SIDO officer needs to collect data concerning the location advantages of the target industrial estates. Location advantages can be understood by collecting a broad range of information concerning the land, infrastructure, market, enterprise accumulation, available labor force and public sector support system, in addition to the actual market price of the concerned land property.

Data to be collected include the below:

- 1) Location condition of industrial park (distance to big city/consumer market, population, number of households, future population estimate, etc.)
- 2) Related laws and regulations, legal restrictions
- 3) Accumulation of labor in the region
- 4) Accumulation of suppliers in the region
- 5) Ability to attract enterprises, namely, supporting system such as levels of infrastructure development, ease of obtaining permits (required time), investment incentives, etc.
- 6) Environment around industrial park (living environment, etc.)
- 7) Target industry and company (type of industry, average profit ratio, size of potential tenant companies, profit ratio, market share, etc.)
- 8) Regional accumulation situation of related companies (number of companies and mutual linkage with related companies)
- 9) Access situation to large cities and consumption markets (Cities with 200,000, 500,000 and 1 million population)
- 10) Existence of excellent companies (the so-called, “anchor enterprises”), intention to participate by private enterprises, etc.

As for "How to question about location advantages", see Attachment Table 1 (a).

### **What is important about “market value of industrial estate”?**

Because the amount of debt and equity finance depends on the asset value (market value) of the industrial estate land to which SIDO assigns, the real estate appraisal result becomes important.

As a real estate appraisal method, we use the profit reduction method. Real estate price (revenue price) is calculated by dividing the future earnings (NOI) of the industrial park real estates (land / building) by the investor's expected yield (capitalization rate).

The higher the real estate price, the higher the loan-to-value ratio (i.e. the lower the haircuts for collateral) will be; therewith the industrial estate special purpose company (SPC) will be able to borrow more from financial institutions.

**BOX 2. Real estate evaluation method:*****Direct capitalization method:***

It is an income approach method to evaluate real estate values. It is generally used by lenders. Real estate value will be estimated with direct capitalization. In this method, net operating income (NOI) will be divided by the capitalization rate

$$\text{Value of Land (Market Price)} = \text{NOI} \div \text{Capitalization rate}$$

***NOI (Net Operating Income)***

The present value of net profit remaining at hand after subtracting vacancy loss, operating expenses, etc. from the potential incomes to be obtained from rent (GPI/Gross Potential Income). (Note: For real estates, NOI does not consider borrowings and depreciation expenses) (See also BOX 3 as a reference)

***Capitalization rate***

It is the expected yield by investors. This is influenced by the characteristics of the area where real estate is located, future growth potential, risks, economy, lending attitude (lending conditions) of banks, etc.

The higher the cap rate, the higher the risk. The lower the cap rate, the lower the risk and the higher the popularity of the real estate becomes. In the case of an industrial estate, the capital-to-ordinary profit ratio of the industry to which the entering company belongs can be used as the cap rate.

## **1-8 Understand what determines project cash flow (rent income from tenants)**

To show project cash flow, the data that shows availability of potential tenants (number of enterprises) and their profitability (i.e. their rent-paying capacity) must be collected. The information concerning individual enterprises (potential tenants) as well as the information about major industrial sectors in the region (sector shares in number of companies and assets/revenues size, and sector average profitability, sector growth potential, etc.) will be collected.

Data to be collected include the below:

- 1) Target industry and tenant candidates (type of industry and average profit ratio; size of the potential tenant companies, profit ratio, market share, etc.)
- 2) Regional accumulation situation of related companies (number of companies and mutual linkage with related companies)
- 3) Access situation to large cities and consumption markets (Cities with 200,000, 500,000 or 1 million population)
- 4) Existence of excellent companies (the so-called, “anchor enterprises”), intention to participate by private enterprises, etc.

As for “how to question about profitability of candidate tenants”, see Attachment Table 1. (b).

### **What is important about “profitability of the tenant enterprises?”**

Since SIDO customers are mostly small-scale micro-operators, SIDO needs to take measures to improve the profitability of SMEs moving into industrial parks. In other words, it is necessary to collect and organize their information, make use of the strengths of each industrial park, and reinforce weaknesses.

Among others, it is recommended to attract large companies without restricting to SME, if necessary, for strengthening profitability and revenue stability of industrial park. The existence of the so-called "anchor firm" is also very meaningful from the viewpoint of expanding and strengthening industrial value chains

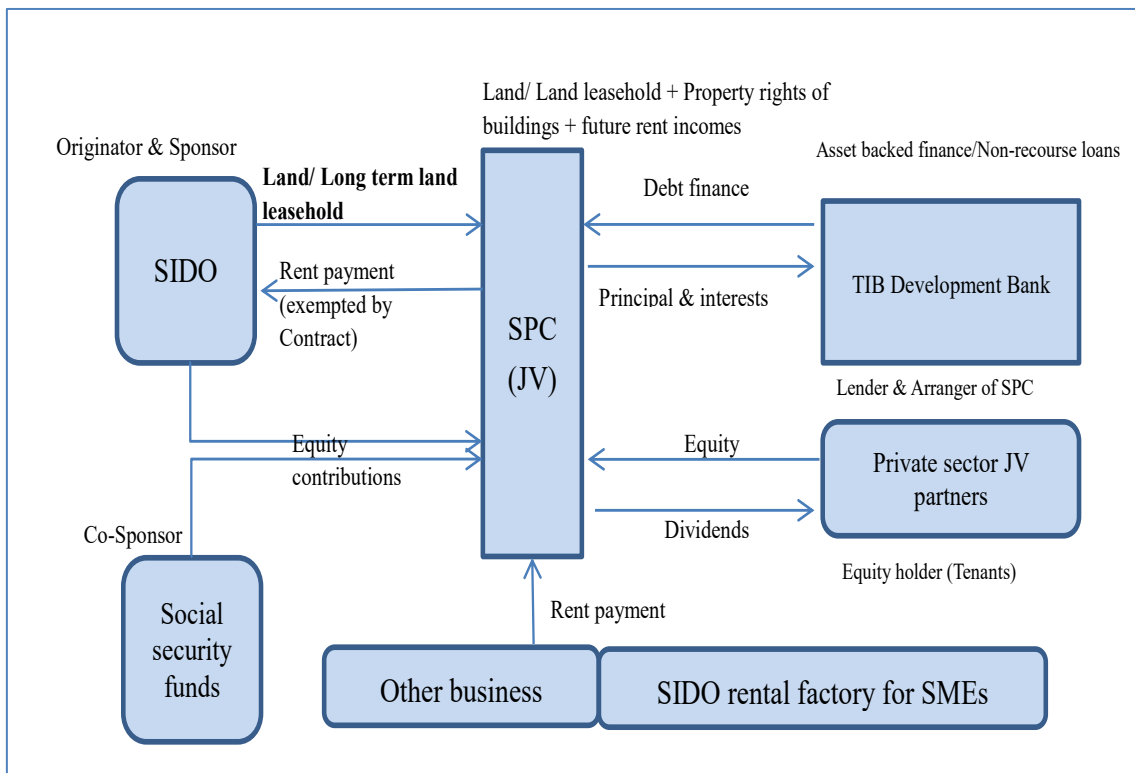
## **1-9 Understand financial structure of PPP (Project finance, establishment of special purpose company)**

SIDO officers need to understand in advance what kind of financing scheme is being used to realize industrial park development. Finance schemes SIDO is currently consulting with the (government-owned) TIB Development Bank are as follows (See Figure 7):

- SIDO will become the original owner of the industrial estate site, become an originator and sponsor (investor) and establish an industrial estate special purpose company (SPC).
- TIB will provide project finance. In other words, the loan is executed by evaluating the rate

of return (discount rate of cash flow generated by the project) of the project, that is, the industrial park business operated by SPC.

The industrial park development method currently being considered by SIDO and TIB has another important and complicated factor in terms of finance. That is, SIDO cannot provide cash for development. Instead, SIDO will provide investment-in-kind to SPC in the form of land for industrial park. And with that as a backing, SPC will raise funding to develop an industrial park. Specifically, SPC is expected to procure funds for industrial park development from investors and financial institutions backed by the asset value of the land and buildings of industrial park owned by SIDO and the cash flow to be generated from it.



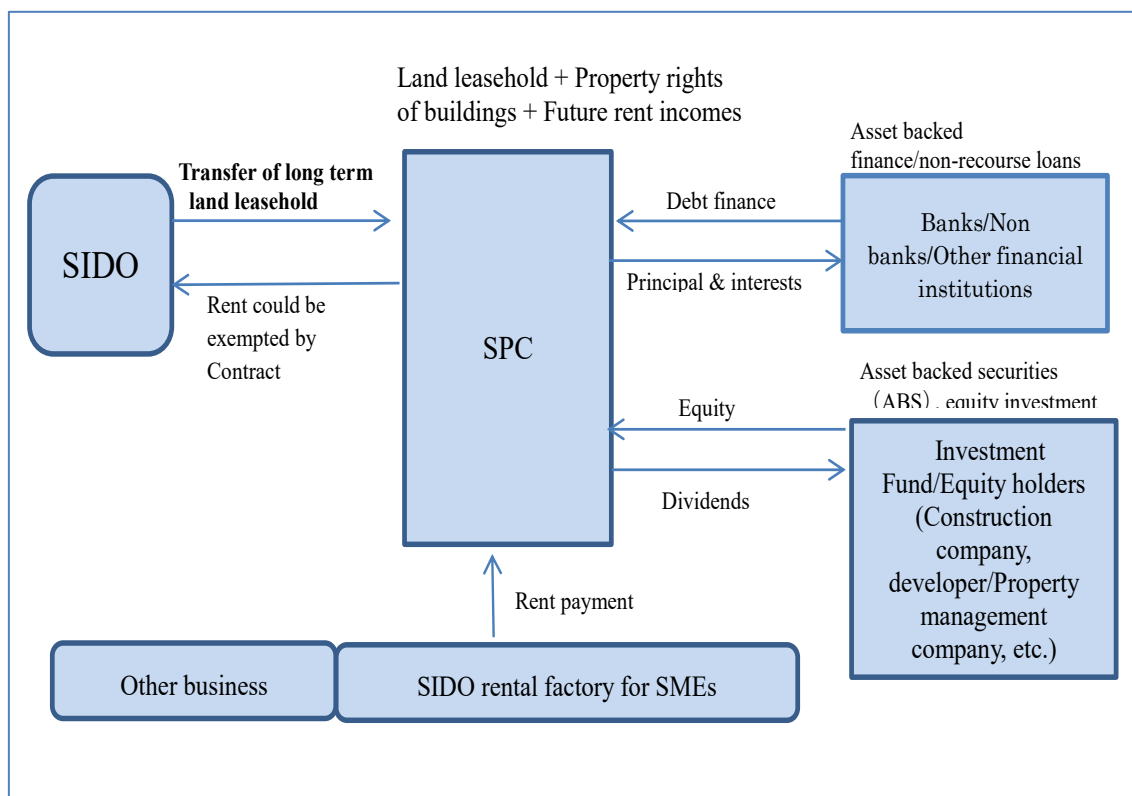
(Source) Compiled by Hashimoto

Figure 7. SPC structure: SPC owns land through JV between SIDO and private sector

Late last year, SIDO finally concluded the MOU with TIB to develop industrial parks by project finance (strictly speaking, asset finance) method. However, as SIDO's land ownership transfer is not easy,<sup>1</sup> there had been circumstances that conclusion of MOU has been postponed many times. Based on this situation and in light of the current law of Tanzania (Land Act of

<sup>1</sup> Note that SIDO will not lose its land ownership unless it becomes totally unable to pay back the debts. Land is used as collateral for borrowing from banks; therefore, no land ownership transferred to the bank is necessary at the time of the loan agreement.

1999), it may be necessary for SIDO to also consider the ways in which it can leave land development and management to SPC while maintaining ownership of industrial park (See Figure 8).



(Source) Compiled by Hashimoto

Figure 8. SPC Structure: SPC owns long-term land lease  
(SIDO will not engage in SPC)

### ***Financial maneuverability of SPC***

And to make asset finance successful, there are prerequisites: SIDO needs to ensure SPC's financial maneuverability. Financial maneuverability or "the ease of fund raising" can be assured by SIDO giving the following rights to SPC:

- (i) SPC will have land ownership (title of deeds) or long-term land leasehold rights
- (ii) SPC will hold property rights of the buildings & infrastructure to be constructed
- \*(i) and (ii) will give SPC the assets (collaterals) to leverage their fund raising***
- (iii) SPC has the right to issue real estate asset backed securities (RE-ABS) by securitizing the real estate cash flows and property values (See BOX 3)
- (iv) SPC may set up a trust for land leasehold and property rights with a trust bank, and receive real estate trust beneficiary rights, after the completion of development. (See Box



3)

**\*(iii) and (iv) concern ease of property management and option to reduce tax burdens of SPC**

- (v) SPC has the rights to resell the land leasehold and property rights to the third party as an exit option (For instance, change hands from a construction company to a real estate O&M company)
- (vi) SPC equity holders have the right to sell their equity interests to the third party, according to the conditions & requirements set by Contract.

**\*(v) and (iv) give equity holders chances to collect part of their investments (expenses spent)**

- (vii) SPC has the right to introduce other income-earning businesses, according to the conditions & requirements set by Contract.
- (viii) SIDO may become a tenant (lease back the common facilities of industrial park from SPC)
- (ix) Some other preferential treatment (tax exemption/ reduction, fast depreciation, incremental tax revenue reinvestment, support for additional land acquisition from district government, license & permits acquisition support, one-stop shop support, etc.) will be arranged.

**\*(vii) to (ix) contribute to sound cash flow of SPC**

If the financial maneuverability of SPC is thus ensured, SIDO can procure funds for its industrial land development through real estate backed finance such as the following two methods:

- (1) Joint venture (SIDO becomes co-sponsor by providing its land or real estate trust beneficiary rights to SPC as in-kind equity)
- (2) SIDO registers the long-term land leasehold rights for its industrial land; and transfer the rights to SPC

With regard to cases (i) and (ii) above, SIDO could exempt SPC of payment (rent/purchase) in case SIDO becomes JV partner of SPC or based on Contract clarifying that all concerned property rights will be returned to SIDO at the end of the project term when the land leasehold period ends (i.e. SIDO will retain the right to repurchase all properties at zero or negligible value from SPC). If not total exemption, leasehold rent from SPC can be set very low, at the level just enough to cover SIDO's land tax payments.<sup>2</sup>

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<sup>2</sup> Currently, SIDO's land taxes (rents) on industrial lands (both developed and undeveloped) are already extremely low compared to the ordinary tax rates. And SIDO DTDI is further negotiating with the Ministry of Land and Ministry of Regional Administration and Local Governments to acquire land tax exemptions on SIDO's industrial lands.

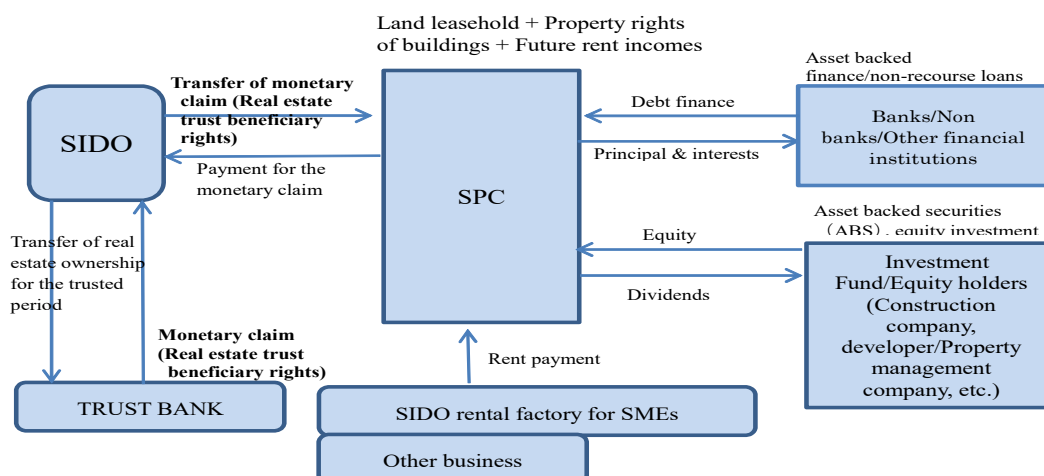
### BOX 3. Real estate securitization

#### *Real estate asset backed securities (RE-ABS)*

Real estate securitization is a method of raising development funds by issuing securities (asset backed securities/ABS) with specific asset (such as industrial park of SIDO) as a backing. It is considered as an effective financing method in the case where a powerful private company cannot be found, since it can raise funds from unspecified many investors or a specific number of few investors. In addition, this method is also advantageous in that SIDO, the original owner of real estate, does not lose land ownership.

#### *Real Estate Trust Beneficiary Rights*

There are two ways of transferring land: (1) SIDO transfers the industrial estate to the SPC in the form of real estate; and (2) SIDO transfers real estate ownership to a trust bank for a certain period of time and acquire in exchange the real estate trust beneficiary right (i.e., the monetary claim that can receive trust dividend from rent income). And SIDO will transfer thus acquired real estate trust beneficiary right to the SPC. In either case, the SPC will issue bonds (publicly-issued bonds or private placement bonds) backed by the property value of the real estate or monetary claim and the cash flow it generates. This enables SPC to mobilize private funds, namely, to raise funds from unspecified many general investors or a specified few investors. In addition, for SPC, it can be said that the latter (i.e. buying and selling of monetary claim) has financially advantageous over the former (i.e. real estate trading), since real estate acquisition tax, etc., will not be imposed. That is why SPC, after the completion of development, can set up a trust for land leasehold and property rights with a trust bank, and receive real estate trust beneficiary rights.



(Source) Compiled by Hashimoto

### ***SPC is a bankruptcy remote entity***

SPC is a bankruptcy-remote entity established to develop, own and operate a special project while isolating financial risk and minimizing bankruptcy risk.

Normally, bankruptcy remoteness is the most important issue for investors and financial institutions that pay attention to the value of assets (industrial estates) to which they provide finance. Asset value is to be created by guaranteeing that SPC assets will not be seized (investors do not suffer damage) even if the owner of the underlying asset goes bankrupt.

In the case of SIDO, since it is a non-profit organization under the MITI affiliate, its bankruptcy is not to be assumed.

### ***Risk sharing in PPP project is the key to successful project finance***

Because SIDO's industrial estates implies an investment in undeveloped real estate (before generating any revenues), the uncertainty of profit sharing is high. In general, the risks assumed include those shown in the table below (See Table 5).

It is said that risk sharing is the key to the success of project finance. It is necessary to identify risks and share responsibilities among public and private parties. (This work is unnecessary at the stage of pre-FS, but shall be done during the preparatory stage for tender)

Table 5. Risk sharing between SIDO and SPC

<b>Project Stage</b>	<b>Risk concerned for PPP Project</b>
Basic development planning stage (until acquisition of land)	Land acquisition risk (Land acquisition of SPC), Adjustment risk related to rights relation of planned site, Risk of land defect (Soil pollution, buried objects, site boundary), etc.
<b>Land Acquisition</b>	
Basic design & implementation design stage (up to the start of construction of buildings)	License delay risk (permission and approval risk such as development permission and building confirmation), adjustment risk with neighboring residents, land defect risk, environmental risk (occurrence of environmental problem) etc.
<b>Start of Construcion</b>	
Construction work stage (until completion of building construction)	Construction delay risk (financial collapse risk of construction companies · risk of delays due to disasters), default risks of related companies, performance unachieved risk, specification change risk (risk of cost over due to design change, etc.), risk of force majeure, etc.
<b>Completion of Construction</b>	
Operation stage (start leasing)	Market risk (such as fluctuation in the real estate market, changes in rents), tax system & law revision, aged deterioration of property, deterioration of lessee attributes, environmental changes, damage from disasters. There is also the risk of property negligence by SPC (the real estate management company) & trust bank (the trustee) and deterioration in their financial and credit standings.
<b>Completion of the Project</b>	There is a risk that real estate will be sold for debt treatment when land and building of industrial park are converted to SIDO.

(Source) Compiled by Hashimoto

## 1-10 Understand the bargaining power of access to land (Preparation of list of industrial estates)

Access to land is the bargaining power of SIDO against the private sector

### **Access to land is the bargaining power of SIDO considering the fact that access to land is what the private sector desperately want and do not have.**

SIDO officers need to revise the list of SIDO's industrial estates in the manner that shows all the information financiers would like to know including the below:

(i) Facts about industrial land:

- Address: REGION/DISTRICT/MUNICIPALITY/PLOT No. BLOCK,
- Area (ha) suitable for use
- Developed/Occupied areas (ha)
- No. of units,
- Partially Developed/unoccupied area,
- Undeveloped area (ha),
- Establishment year,
- Industrial estate (IE) registration year,
- Tenant companies' industries
- Land survey (land title),
- Master plan
- special remarks

(ii) Location data (Location features:

- Natural conditions,
- existence of industrial related facilities, etc.,
- Available support from Region/District/Municipality,
- Access to major road & highways,
- Access to airport ,
- Access to railway stations,
- Access to ports and harbors,
- Access to 50,000 population city,
- Access to 200,000 population city

(iii) Industrial estates (IE) features:

- One stop service by SIDO,
- Availability of industrial use water & sewage, electricity and gas,

- Availability of common facilities,
- Features of renting plots and buildings,
- Rent details (rate, length, other)

(iv)Candidate tenants

- Candidate anchor companies
- Candidate SME tenants
- Regional industrial agglomeration status,
- Number of large companies in the region
- Number of small to medium companies in the region

See Attachment Table 4 for the existing list of SIDO's industrial estates (as of November 3, 2016). This list is currently under revision to reflect the latest information acquired from 24 ROs.

In addition, in order for SIDO to wisely take advantage of this bargaining tool, it is recommended to start necessary negotiations with relevant parties to ensure financial maneuverability of SPC. For the details, see STEP 5 (In-advance information sharing with government entities) and STEP 6 (Creating supporting system for private sector operator).

**STEP 2: Make up clear strategy to develop SIDO's industrial estate**

Idealistically speaking, it is better for SIDO to have clear strategy for industrial development for the target industrial estate before starting the data collection. It is important to ensure the quality of data collection as well as in terms of effective utilization of limited resources.

Have clear strategy and tactics for collecting data!  
For effective use of limited resources, wisely "select & concentrate" !



“Selection and concentration” for effective utilization of limited resources

(Source) Compiled by Hashimoto

Figure 9: Clear objective, strategy and tactics for effective data collection

## 2-1 Decide the Strategy to develop which cluster and how at the target industrial estate

SIDO will decide “Strategy” for specific cluster development and its method. For this purpose, RO officers can analyze location advantages and disadvantages by utilizing SWOT analysis or referring to the knowledge accumulated at each RO. Based on the analysis, they can make plans and methods to enhance advantages and reinforce disadvantages to meet the objective.

### *Sample of SWOT analysis (Morogoro/ KIHONDA Industrial land)*

By combining four factors (namely, positive, negative, internal and external factors), write about Strength(S), Weakness (W), Opportunity (O) and Threat (T) of the target industrial estate, and complete the SWOT table..

	← Positive factors	Negative factors →
↑ Internal factors	<p><b>STRENGTH</b></p> <ul style="list-style-type: none"> <li>- 3 phase power, 24 hour supply available</li> <li>- Water connection</li> <li>- Designated industrial land</li> </ul>	<p><b>WEAKNESS</b></p> <ul style="list-style-type: none"> <li>- Water supply (80% of demand) (have issue in the quality of water supply)</li> <li>- Kihonda industrial land in not fenced.</li> </ul>
↓ External factors	<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>- Kihonda industrial land is near the center of Morogoro Metropolis (near consumer market)</li> <li>- Roads connecting to major regions and cities</li> <li>- SGR Construction (speed train for both passenger &amp; cargo), 1 hour to DAR</li> </ul>	<p><b>THREAT</b></p> <ul style="list-style-type: none"> <li>- There is the City Dump located about 2-3 km away from Kihonda industrial land</li> <li>- There is no land extensibility to the outside (all neighboring lands are owned)</li> </ul>

Figure 10 SWOT Analysis (Case for Morogoro)

## 2-2 Define the tactics (necessary activities) to achieve the Strategy

Once the regional and industrial park development strategy (i.e. a specific industrial cluster promotion strategy) is decided, it is necessary to examine concrete activities (tactics) for achieving the strategy.

What are the tactics (necessary activities) to achieve the Strategy? In general the tactics will involve the following activities:

- collecting necessary data (i.e. information necessary for financiers)
- constructing cooperative relations with LGAs, etc. to create supporting system for the private sector operator, and
- exchanging information (market sounding) with key persons of candidate anchor companies, major information sources such as developers, construction companies, financial institutions, etc.

With regard to this pre FS, the target industrial clusters for pilot industrial lands were

pre-decided: Sun flower oil cluster for DODOMA and metal & engineering cluster for MOROGORO. Nevertheless, it is still recommended that with a clear understanding of the objective of this Pre-FS, RO personnel would discuss thoroughly to make a clear strategy and tactics based on the objective evaluation on location characteristics of the target industrial lands (such as agglomeration situation of companies, clusters, suppliers, access to consumer markets, infrastructure, labor force, etc.). (See Figure 9)

Such information can be accessed through public utilities (Urban water supply and sanitation authority, TANESCO), LGA offices, TRA/NSSF regional/district offices and chambers of commerce and industries (TCCIA in Tanzania).

### **2-3 Understand what kind of information can be collected from where**

See Attachment Table 2 (Important Data Sources) and Table 3 (The case study: Data collection conducted in Morogoro and Dodoma) for accessible data sources.

By conducting many Pre-FS at various ROs, by using unified formats, standards (units) and indicators, it is recommended that data base of information will be created enabling later comparisons.

### **2-4 Collect data about land (land use, restrictions, infrastructure, access to transportation, etc.)**

It is necessary to show the attractiveness of the industrial park location to investors, banks, and companies to be located in industrial parks.

The kind of information that needs to be collected at this stage is summarized in Attachment Table 1 ("How to question about location advantages and tenant profitability")

### **2-5 Collect data about enterprises, conduct sector categorization, understand which sector has competitiveness and high growth potential**

For the regional development promotion and employment generation, SIDO needs to develop industrial parks by mobilizing private funds. This, however, might require the attraction of large enterprises in order to convince investors. Without the location of anchor companies, mobilizing funds from investors might become difficult in some cases where market value of the industrial estate is low. Advantages of having an anchor company include stabilization of cash flow of the industrial park as a whole by mobilizing suppliers and related companies. In addition, this will eventually improve tenant SMEs' technology levels and widen their market channels.

It is important, therefore, to grasp the investment plan and related information of the company SIDO wish to attract in the target industrial estate. In addition to the literature survey (statistics etc.) as an information source, it is more useful to have interviews with relevant



parties: (i) companies to be attracted, and (ii) companies with high possibility of knowing the target companies' investment plans, such as construction companies, financial institutions and consultants.

See also Attachment Table 1 ("How to question about location advantages and tenant profitability")

## **2-6 Collect data about SIDO industrial estate, regional map, its ownership/ title of deeds, rents to Municipality (total due rents), etc.**

With regard to the target industrial estate, check whether or not the title of deeds is already settled. If it is not settled yet, check its current rent level and the total amount of due rents.

In order to seek PPP project, SIDO has to first and foremost pay up the due rents or settle the title of deeds of the lands. (SIDO DTDI is currently negotiating with the Ministry of Land and Ministry of Regional Administration and Local Governments to acquire land tax exemptions on SIDO's industrial lands.)

Un-surveyed lands are also unacceptable for PPP project, so all SIDO lands need to be first surveyed and their title of deeds must be settled.

## **2-7 Collect data about neighboring industrial lands, ownership, market rates of industrial sheds in the region**

Ability to expand outward, by purchasing the neighboring lands will become an attracting point of industrial estates. Therefore, it is necessary to check the ownership status and vacancy of the lands neighboring SIDO's industrial estates. If possible, get the name of the owner companies and contact addresses. Through market sounding with investors, when the possibility of large-scale development comes out, SIDO officers can contact the owner to ascertain whether there is a possibility of leasing or selling ownership.

As well, the market rents of industrial sheds in the region need to be collected.

## **2-8 Understand regional land development plan, related incentive measures**

Generally speaking, in all regions of Tanzania, SIDO can explore the possibility of registering the project with any of the following (i), (ii) and (iii), by which investment incentives are provided to respective investors.

- (i) Tanzania Investment Center (TIC),
- (ii) Export Processing Zone Authority (EPZA) or
- (iii) Special Economic Zone (SEZ)

SIDO officers need to check long term land development plan (such as Municipality Master Plan) and find out ways in which it can cooperate with the regional (district and municipal) governments to promote development of the region by attracting enterprises.

Examples of investment incentives includes include (i) subsidies for environmental and social impact assessment (ESIA), compensation for relocation of residents, etc. (ii) tax exemption/reduction, special depreciation (iii) stable supply of power & water, (iv) providing continuous business support to tenant companies (such as one-stop service by SIDO).

See also Attachment Table 1 ("How to question about location advantages and tenant profitability")

### **STEP 3: Planning & Designing of SIDO industrial estate**

This determines SIDO's technical requirements and conditions to the private sector operator for building public sector facilities for SIDO. It should include the layout drawing, technical specifications of the public facilities and financial cost estimation.

Financial cost estimation is important, although it will not be disclosed to the public at the tender, because it will be used as an important reference for SIDO for deciding the adequacy of the proposals to be submitted by tender applicants.

As for the financial viability of the project, which only concerns public facilities at this stage, it is important to find out that the project could be financially self-sufficient (i.e. expected income meets the expected expenditures).

In the following sections, financial estimations conducted (as of 8 Feb. 2018) by Mr. Barton Willilo, JICA Local Consultant) for KIZOTA (Dodoma) and KIHONDA (Morogoro) will be used as the reference.

#### **3-1 Draw layout, define technical specifications**

For each of the target industrial estates, SIDO officers, according to its development strategy, shall draw layout and define technical specifications for public facilities. This planning is crucial because it will be used as part of the tender documents that define the requirements and conditions for delivering public services by the private operator.

According to the cases of KIHONDA and KIZOTA prepared by JICA local consultant Mr. Barton Willilo (as of 8 Feb 2018), the layouts included public facilities (SIDO's rental factory) and commercial facilities ("common buildings") which provide services to public facilities. (Note that these layouts do not reflect SIDO's blueprints and need to be revised later).

- KIHONDA is designed for metal & engineering, and therefore the size of each industrial sheds

are large. One building is 200m\*30m and can be divided by walls according to the tenants demand. As well, it has one “Shared Facilities” to keep specialized machineries (no need to be owned by individual SME), which can be shared by SMEs (no need to be owned by individual SME). And there are two sheds for “material supplies” which can serve for tenants as well as regional customers.

Table 6. Facility specifications of KIZOTA and KIHONDA industrial estates  
Processing facilities (KIZOTA)

S/N	Building Type	Premise Name	Diamension	Qty
1	Industrial Shed No 1	Processors/Crushers Type A	10 x 20m	20
		Processors/Crushers Type B	20 x 30m	11
2	Industrial Shed No 2	Refinery	20 x 50m	2
3	Industrial Shed No 3	Warehouse for Seeds/Stockist	20 x 50m	2
		Warehouse for Seed Cake	20 x 30m	1
4	Industrial Shed No 4	Packers	20 x 30m	2
		Display/Markerters	20 x 30m	2

Processing facilities (KIHONDA)

S/N	Building Type	Premise Name	Diamension	Qty
1	Industrial Shed No 1	Shared Facilities	30 x 100m	1
		Material Suppliers	30 x 30m	2
		Medium Size Manufacturers	30 x 20m	2
2	Industrial Shed No 2	Medium Size Manufacturers	30 x 20m	5
3	Industrial Shed No 3 - 5	Small Size Manufacturers	30 x 10m	30

(Source) Provided by Mr. Barton Willilo, JICA LC (Feb. 8, 2018)

For both KIZOTA and KIHONDA, “common buildings” include:

- Common laboratory: expecting private company to provide service
- Meeting spaces: expecting the union of tenants will rent out for all tenants to use
- Service vendors: expecting private company to provide service
- Office spaces: expecting private company to provide service
- Restaurant/canteen: expecting private company to provide service

Table 7. Specifications of shared facilities (KIZOTA and KIHONDA)  
Shared facilities (KIZOTA)

S/N	Building Type	Premise Name	Diamension	Qty
1	Comon Building	Comon Laboratory	5 x 10m	1
		Meeting Space	10 x 10m	2
		Service Vendors	10 x 10m	3
		Offices	5 x 6.1m	20
		Restaurant/Canteen	10 x 15m	1

Shared facilities (KIHONDA)

S/N	Building Type	Premise Name	Diamension	Qty
1	Comon Building	Comon Laboratory	5 x 10m	1
		Meeting Space	10 x 10m	2
		Service Vendors	10 x 10m	3
		Offices	5 x 6.1m	1
		Restaurant/Canteen	15 x 32m	1

(Source) Provided by Mr. Barton Willilo, JICA LC (Feb. 8, 2018)

For both KIZOTA and KIHONDA, there are three types of parking spaces:

- Trucks parking: free of charge for suppliers and buyers to use
- Tenants car parking: free of charge for the tenants
- Guest/common parking: this is charged to for the use by visitors and regional residents

Table 8. Specifications of Other supporting facilities (KIZOTA and KIHONDA)  
Other supporting facilities (KIZOTA)

S/N	Building Type	Premise Name	Diamension	Qty
1	Building No. xx	Administration Building	20 x 12m	2
2	Parking No. 1	Truck Parking	1,500sqm	25
3	Parking No. 2	Tenants Car Parking	300sqm	50
4	Parking No. 3	Guest/Common Car Parking	1,100sqm	183

Other support facilities (KIHONDA)

S/N	Building Type	Premise Name	Diamension	Qty
1	Building No. 1	Administration Building	20 x 12m	2
2	Building No. 2	Food Cluster		1
3	Parking No. 1	Truck Parking	20	1
4	Parking No. 2	Tenants Car Parking	70	1
5	Parking No. 3	Guest/Common Car Parking	150	1

(Source) Provided by Mr. Barton Willilo, JICA LC (Feb. 8, 2018)

### **3-2 Define assumptions for cost and income estimation**

After deciding the layout and technical specification of the public service facilities, SIDO officers will define assumptions for cost and income estimations.

Since the PPP project will be managed by the private sector operator (SPC), market prices will be used as the base of calculation. However, to make safer estimation, it is recommended that all unit prices for income estimations will be conservative as compared to market prices.

Since the assumptions directly affect the total cash flow of the project, they must be defined carefully.

According to KIZOTA and KIHONDA financial models (by Mr. Willilo/LC), for cost and income calculations, same unit prices were used for DODOMA (KIZOTA) and MOROGORO (KIHONDA). All figures below include TAX (VAT 18% and withholding tax 10%), thus each unit price will be smaller excluding TAX.

#### **Assumption for cash flow estimations**

In addition to the assumptions used for calculation of financial estimations (Table 9), there are some more assumptions which affect cash flow of the project. According to the example from KIZOTA and KIHONDA cases, the following additional assumptions were made for cash flow estimation:

- (i) Occupancy rate of industrial sheds (i.e. processing facilities) is assumed 100% from the second year. This estimation, for Kizota and Kihonda cases, is based on the interview with Cluster and non-Cluster member companies. It is assumed that there are more than enough demand for tenants.
- (ii) Occupancy rate of commercial areas is assumed 100% from the third year. Conservative estimation was allegedly made for Kizota and Kihonda considering the availability of service providers in the market.
- (iii) Occupancy rate of commercial parking space is assumed to increase from 40% in the first year to 90% in the fifth year, and to be kept at 90% for the rest of the period.
- (iv) Rent income increase rate is assumed to be 5% every two years.
- (v) It is assumed that SIDO can lease back the office space (and pay commercial rents to SPC) based on the understanding that the central government will allocate the budgets if it is for the payment from public to private sector.

Table 9. Assumptions for financial estimations

Assumptions for income & cost calculations	Unit price	Adequacy
Rental rates for processing facilities, meeting rooms and laboratory	USD 4/sqm/month	Conservative estimation based on SIDO's DODOMA City Center average rent prices of USD 7/m2/month) (Note: Warehouse rents near KIZOTA could not be used since it was too low)
Rental rates for service vendors, office and administration building	USD 7/sqm/month	Conservative considering the market rate in DAR of USD 15-25/m2/month
Rental rate for restaurant/canteen	USD 12/sqm/month	(Conservative considering commercial rates of USD18-20/m2/month)
Rental rate for guest parking	USD 120/car/month	Conservative considering TSh 500/hour =USD 6000/30days=USD180/day in DODOMA)
Rental rate for tenants and trucks	free of charge	Included in tenant rents
All rental rates are Tax inclusive	VAT 18% and withholding tax 10%	All figures include TAX (VAT 18% and withholding tax 10%), thus each unit price is smaller excluding TAX.
Property tax	0.02% of property value	
Insurance of the property	0.125% of property value	In public sector, they usually will not have property insurance, but we should include insurance fee under PPP project
Management fee	5% of turnover	This is the market rate generally used for property manager
Depreciation rate for building	2%	Expenditures on buildings qualify for depreciation allowance of 2% per year on a straight-line basis for its useful lives
Depreciation rate for fixtures and fittings	12%	Expenditures on fixtures & fittings qualify for depreciation allowance of 12% per year on a straight-line basis for useful lives
Interest rate on loan	17%	Assuming the rate of lending by Pensions Funds (all Pensions Fund including LAPF) Maturity is 7 years (LAPF loan rates are decided based on the yield of government securities + LAPF margin)
Discount factor	11.44%	11.44% 10-year fixed rate TREASURY BOND (July 2017)
Debt/equity ratio	60:40	Considering the general practice by banks
Grace period on debt (for both principals and interest payments)	1 year	Assuming that both interest and principal payment is delayed by 1 year during the grace period. Borrowers must pay back total amount in 6 years (under 7-year maturity loan)
Marketing expenses	0.05% of turnover	This is the expense for advertising to potential tenants about the industrial estates during its construction period (through media, radio and papers)
Exchange rate	2,2502.250 TZS/USD	
Main building measured work (main building costs)	TSh 11 billion & 13 billion for KIZOTA & KIHONDA, respectively	All unit costs for construction used in the cost estimation are commercial basis: -2-km access roads (paved) alone costs: TSh. 2.3billion (TSh150,000/m2 * 15,000m2) -Truck parking construction unit price: TSh 100,000/m2 -Tenants parking construction unit price: TSh 60,000/m2
External works	3% of main building costs	Besides superstructures (main buildings), there are works such as plastering walls
Day works	2% of main building costs	Payment for day workers
Prime costs and Provisional sums	4% of main building costs	For fixtures (electricity wires, water pipes, etc.), costs of subcontractors
Preliminaries	3% of main building costs	Construction site clearance (clear roads for construction works, etc.)
Land values of SIDO's industrial estate	0	SIDO will be a JV partner, and it will provide its land as in-kind equity to Industrial Estate Development and Management Special Company (SPC).
Total cost of building	Total sum of all the costs above	
Professional fees	5% of total cost of building	Supervision fees for developer (company)
Total project costs	Total cost of building + professional fees	

(Source) Information acquired from Mr. Barton Willilo through interviews on Feb. 8, 2018.

### **3-3 Conduct financial estimation and decide financial viability of the project**

#### **Financial viability**

To understand the financial viability of the any project, SIDO officers need to:

- Calculate net cash flow of the project (each year, and for the entire project period)
- Calculate major financial indicators such as debt service coverage ratio (DSCR), Net present values (NPV), internal rate of returns (IRR) and payback period.

#### ***Net cash flows***

Net cash flow is the difference of cash inflow and outflow for a period.

First of all, calculate net cash flow of each year by adding expected annual cash inflows (operating incomes such as rents, parking lot incomes, etc.) and cash outflows (capital investments, expenditures, etc.), and then add them up to find the net cash flow of the entire project period. When calculating cash-flow from operating activities, non-cash items at this stage (such as interest payment and depreciation and amortization) will be added back to Earnings, because they will not affect cash flows.

Net Cash flow = Earnings + Interest – TAX + depreciation & amortization – capital expenditure - working capital

When investors want to judge the attractiveness of investing to the project, net cash flow must be discounted to show the present values.

Net Cash flow before discounted to the present value is called “Free cash Flow” or FCF and the net cash flow discounted is called “Discounted Cash Flow” or DCF.

In DCF analyses, the present value of net cash flow will be calculated by discounting the future free cash flow projection by investor's expected yield (capitalization rate).

In general, as a discount factor, investment returns of alternative financial product of equivalent period will be used. E.g. for KIZOTA & KIHONDA cases, fixed coupon rate of 10-year Treasury Bonds (11.44%) is used.<sup>3</sup>

#### ***Debt service coverage ratio (DSCR)***

DSCR is an indicator of the cash flow available to pay current debt obligations.

It can be calculated by dividing the net operating income (NOI) by total debt service of the project period.

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<sup>3</sup> [Bank of Tanzania](#)

$$\text{DSCR} = \text{Net operating income} \div \text{Total debt service}$$

*where*

- NOI for commercial real estate can be calculated by subtracting operating expenses (such as vacancy costs, etc.) from the gross potential rent incomes (GPI). See BOX 4 for more detail.
- Debt service is the cash that is required to cover the repayment of interest, principal and lease payments for a particular period.

**BOX 4. Formula for Net Operating Income (NOI) for commercial real estates**

In commercial real estates, NOI is the net operating profit remaining at hand after subtracting vacancy rate, operating expenses, etc. from the potential incomes to be obtained from rent (GPI/Gross Potential Income). (Note: For real estates, NOI does not consider borrowings and depreciation expenses).

$$\text{DSCR} = \text{NOI} \div \text{debt service} = 750 \div 600 = 1.25$$

<b>Potential rent incomes (Gross potential income)</b>	<b>1000</b>
Vacancy	-100
<b>Effective rent income (Net potential income)</b>	<b>900</b>
Property taxes	-20
Insurance	-20
Maintenance fees	-10
Property management fees	-100
Other expenses	0
<b>Total expenses</b>	<b>-150</b>
<b>Net Operating Income (NOI)</b>	<b>750</b>
Reserves for replacement	-100
<b>Bank loan repayment (principal &amp; interests)</b>	<b>-600</b>
Net cash flow before tax	50

(Note) In the real estate business, NOI refers to the profit before interest payments and before depreciation and amortization.

C. f. In general business, NOI includes interest payment and depreciation & amortization. The formula will be as below:

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) ÷ Total Debt Service

**Net present value (NPV)**

NPV is the difference between the project's total income and costs. NPV can be calculated as below:



(i) Discount the net cash flow for each year by a discount factor to obtain the present value of each annual cash flow.

$$\frac{R_t}{(1+i)^t} \quad \text{where}$$

$R_t$  = net cash flow of a year

$i$  = discount factor (such as 11.44%, fixed coupon rate for 10-year Treasury Bond/2017).

(ii) Add up the present values of each cash flow (DCF), including the initial investment ( $R_0$ )

$$NPV(i, N) = \sum_{t=0}^N \frac{R_t}{(1+i)^t} \quad \text{or}$$

$$NPV = R_0 + R_1/(1+i)^1 + R_2/(1+i)^2 + \dots + R_N/(1+i)^N$$

*where*

$t$  = time (Year 0 to Year N)

$R_0$  = Net cash flow of Year 0 (i.e. initial investment=negative figure),

$R_N$  = Net cash flow of Year N

$i$  = discount factor

To simplify, NPV = Initial investments + DCF

NPV > 0 must be assured. Because, if the total sum is negative figures (NPV < 0), it is not worth investing because total costs surpasses the total incomes.

If NPV < 0  $\Rightarrow$  DCF (net present value of **future** incomes) < Initial investments

### **Internal rate of returns (IRR)**

Internal rate of return (IRR) is the discount rate that makes the NPV zero. (Use Excel sheet to calculate the IRR)

Investors will compare the project IRR with the alternative investment opportunity (such as government treasury bonds of the equivalent period), and may consider this project is financially not attractive if IRR is not higher than the returns from alternative investment.

### **Payback period**

Compare to the average annual cash flow (for both FCF and DCF<sup>4</sup>) with the initial investment

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<sup>4</sup> Ordinary payback period (using FCF) is useful in a sense it is easy to calculate, but in order to judge the project profitability, discounted payback period (using DCF) is used because taking into account the present value of the cash flow.

amount in order to calculate the payback period. This shows how many years it will take to collect the total investment amount. Payback period should be shorter than the useful life of the superstructures (buildings and facilities), which are the sources of incomes.

When the annual future cash flow is constant (even), we can use the following formula:

$$\text{Payback period} = \text{Initial investment costs} \div \text{average annual cash flow}$$

If the annual cash flow is NOT constant (uneven), the formula is as below:

$$\text{Payback Period} = x + (y/z) \quad \text{where}$$

x = the last period with a negative cumulative cash flow;

y = the absolute value of cumulative cash flow at the end of the period x;

z = the total cash flow during the period after x

Or simply follow the steps (i) to (iii) below to find out the payback period:

- (i) Calculate the cumulative net cash flow for each period and,
- (ii) Add back the (discounted) cash flow in each period to the remaining negative balance from the preceding period. The balance is initially negative because it includes the initial investments of the project.)
- (iii) The year the cumulative cash flow becomes positive represents the payback period!

According to the cases of KIZOTA, payback period was 7 years using FCF, whereas it was 9 years for DCF.

ITEM/YEAR	0	1	2	3	4	5	6	7	8	9
FCF (Tsh million)	-13,239	727	635	1,712	2,432	3,173	3,825	4,568	5,336	6,129
DCF(Tsh million)	-13,239	652	511	1,237	1,577	1,846	1,997	2,140	2,243	2,312
Cummulative FCF	-13,239	-12,512	-11,877	-10,165	-7,733	-4,560	-735	3,833	9,169	15,299
Cummulative DCF	-13,239	-12,587	-12,076	-10,838	-9,262	-7,416	-5,418	-3,278	-1,035	1,278

(Source) Kizota financial estimation by Mr. Barton Willilo, JICA Local Consultant (as of Feb 8, 2018)

### ***Financial viability of KIZOTA and KIHONDA***

According to the financial estimations results by Mr. Willilo, both KIZOTA and KIHONDA projects are evaluated financially viable, based on the financial indicators such as the below:

-NPV was over zero implying it is worth investing.

-The project IRRs are ranging 15-16%, which surpassed the general investment requirement of Pensions Funds (currently 11.44% for the fixed coupon rate of 10 year government bonds) <sup>5</sup>.

-The payback periods are ranging 6-7 years using FCF, 8-9 years using DCF, both of which are

<sup>5</sup> All social security funds must meet requirement of the investment guidelines that states that investment returns must be equal or larger than the returns of the government securities (i.e. treasury bills and bonds).

within the useful life of buildings (20 years).<sup>6</sup>

***Important points***

However, it is recommended the financial estimations will be revised taking into account the following:

1. Land value of SIDO: Land evaluation shall be done to understand the market value of the target industrial land. Land will either (i) be transferred to SPC as in-kind equity (free of charge) in case of JV or (ii) be leased to SPC for a very low rent in case for non-JV. In either case, the land value will affect SPC's ability to procure funds from banks and investors. The higher the value of land, the more SPC can procure funds. The official land valuation is handled by Government Chief Valuer of the Ministry of Land since 2016 and will be appraised according to the National Land Value Map (in which land price of each region is described in Tsh/m<sup>2</sup>). Even in the case of KIHONDA and KIZOTA where the land ownership is not fixed, we recommend applying for urgent application as it can apply to the Ministry of land if there is a Letter of allocation.<sup>7</sup>
2. Rent incomes/Tenants' ability to pay rents: Tenant survey shall be done more thoroughly to avoid vacancy risk. As well, the level of chargeable rent needs to be evaluated based on the ability (profitability) of target tenants. (See BOX 5 for simple way of guessing the rent level that can be charged to tenants)
3. Other incomes: Incomes other than the rent incomes should be removed from the initial financial estimation. For instance, the income from parking lots can be removed. Especially, parking space incomes should be excluded from financial estimates if it accounts for a large percentage of total revenue. (According to advice from LAPF Pensions Fund investment experts, parking lot incomes may be included in the financial estimate if it is less than 5% of total revenue, but should be excluded if it is around 20% of total revenue.)
4. Depreciation rates: According to the financial estimation by Mr. Willilo, the expenditures on buildings qualified for depreciation allowances of 2% per year (on a straight-line basis). Since it is a straight line method, it is assumed that the useful life of buildings is 50 years (which seems too long). Applied percentages need to be confirmed because [TRA](#)<sup>8</sup> states that they are 5% per year (which means the useful life of building is 20 years).

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<sup>6</sup> The reason why you compare the payback period with the useful life of buildings is because in that period the building will be able to create cash flows. So even in the case where the payback period is shorter than the loan period (in this case 7 years), there is no concern. In general, banks will set the loan period equal to the useful life of the real estate if the market interest rate is at the adequate level.

<sup>7</sup> Information acquired from Mr. Baltazari Sumari who is dispatched from the Ministry of Land to SIDO

<sup>8</sup> TRA, Income Tax Act Cap. 332, Practice Note, "Depreciation allowance for Depreciable Assets" (2013)

### **BOX 5. What is adequate level of industrial rent?**

To date, SIDO has provided industrial parks to small and medium-sized businesses at low rents based on government funds. However, if SIDO were to pursue development of industrial parks with private funds, it is a prerequisite to cover development investment funds with rental income. In that case, what will be the reasonable level of factory rent? In principle, an adequate level of the profit margin of the factory rent is said to be about the profit rate of the tenant company (lessee). Therefore, factory rent will be the total sum of the expenses necessary for maintaining the factory and rental margin estimated based on the profit rate of the entering company.

[Factory annual rent = expenses necessary for maintaining the factory + profit margin of rents]

However, if it is difficult to obtain financial data from a company that is likely to move in, it is recommended to use the following simplified method.

#### **How to roughly calculate how much rent you can charge from tenants**

Every company pays rent, personnel expenses, and other expenses using gross profit, that is, the remainder after deducting manufacturing costs from total sales.

Normally, if a company assumes that about 20% of gross profit will be used for rent payment, it roughly corresponds to two months of monthly income.

Therefore, based on the average annual income of the company over the past three years, it can be judged that the annual rent payable by the company is about two months of the average monthly income.

Sales	100	100	100
Production cost	15	20	25
Gross profit	85	80	75
Rent (20% of Gross profit)	17	16	15
Rent share in total sales	17%	16%	15%
Two months sales	16.6	16.6	16.6

} More or less  
close figures

(Note) The rent will also be high in places with high land prices

(Note) The percentages of manufacturing costs tend to vary by the type of industry. Heavy industry is high, light industry is low.

Depending on the type of industry, the proportion of rents in gross profit varies, and there is a certain trend depending on the type of industry. Therefore, we encourage SIDO officers to visit and listen to numerous companies and ask advice from bank lending staff who have many companies as customers.

### 3-4 Compile report (as an input for "Technical requirement & standards of public facilities" of tender documents)

Layouts and technical specifications will become inputs to tender documents.

Financial estimations will not be publicly disclosed, but be utilized as the standard for evaluating the financial proposals to be submitted by tender applicants.

Two type of tender is expected, according to the type of SPC structure (see STEP 1-9).

Firstly under the SPC structure where SPC owns land by JV between SIDO and the private sector (See Figure 7 shown in STEP 1-9), there supposed to be three tenders. In this case, it is assumed that equity holders (SIDO, financial institutions and pension fund) will establish SPC. And this SPC will hold the following three tenders:

1. Tender to hire a company to design the entire property (FS and Environment and Social Impact Assessment) for both public facilities and private commercial facilities,
2. Tender to hire a construction company to build the industrial estate, and
3. Tender to hire a company to manage the industrial estate properties.

Year 1	Year 2	Year 3	Year 4	Year 5
Pre-FS				
	SIDO/shareholders establish SPC			
	Tender to conduct FS & ESIA			
		Tender to hire Contractor		
			Tender to hire property manager	
				Project operation

Figure 11. Three tenders to be hold for JV type SPC structure

Secondly, under the SPC structure where the private sector operator run the project utilizing the long-term land leasehold rights to be transferred from SIDO (and thus SIDO will not engage in SPC management) (See Figure 8 in STEP 1-9), there will be only one tender to be held.

In this case, it is assumed that private sector operator (most likely a developer) will establish SPC; and this SPC will procure funds (loan agreement with a bank, etc.), hire construction companies (contractor), and hire property manager.

Year 1	Year 2	Year 3	Year 4	Year 5
Pre-FS				
	Tender for FS & ESIA			
		SPC established by the private operator		
		SPC procure funds		
		SPC hires Contractor		
			SPC hires property manager, etc.	
				Start operation

Figure 12. One tender to be hold for privately-run SPC structure

#### STEP 4: Market sounding

##### 4-1 Understand why it is necessary to talk to investors, banks/financial institutions and anchor companies

Market sounding with financiers during and after data collection in Pre-FS is valuable because these stakeholders will give SIDO officers creative ideas that they alone cannot imagine. As mentioned in STEP 1-4, there are various ways for utilizing public real estates by the private sector. For instance, there are many foreign companies involved in various big infrastructure projects in Tanzania. They have demand for tenant offices for sales bases. If they are to be granted the access to land, they might as well develop SIDO's industrial estates together with their commercial spaces.

In Tanzania, nevertheless, both the government authorities and the general public seem to have distrust towards the private sector entities to own and operate public sector services. Considering such sentiments, keeping "public ownership" on the front might contribute to easier management of SPC.

As well, there is an increasing demand for social security funds to play a vital role in supporting industrialization in Tanzania, considering the prolonged government budget constraints, financial sector inability to provide affordable loans and capital market infancy.<sup>9</sup>

Taking into account the above, brainstorming sessions were conducted with two social security funds (LAPF and GEPF) to find out the possibility of partnership between SIDO and social security funds. According to their suggestions, it turned out to be that Public-Public-Private Partnership seemed preferable to them than Public-Public Partnership. Without the involvement of the private

<sup>9</sup> Daily News (4/4/2017) <http://dailynews.co.tz/index.php/business/49653-pension-fund-investments-vital-for-industrialisation>; 26th PPF Members and Stakeholders Conference 2017 <http://www.ppf.or.tz/conference/>

sector, investment returns maybe become too low for social security funds to participate.

#### **4-2 Understand what information is required to whom**

Since the main fund providers are banks and investors, it is extremely important to collect and provide what data and information “they” would want to know.

Financiers like to know that there will be a good number of potential tenants which assure stable flow of rental incomes. “Market values” & “project cash flow” are the two most important factors that determine the decision of financial institutions and investors providing equity & debt financing.

These are the reasons why SIDO officers must collect information regarding “location advantages” and “profitability of tenants.

#### **4-3 Prepare presentations**

Basically, same presentation format (see Figure 13) can be used for all stakeholders, including financiers, government entities and anchor companies.

Building trust is the utmost importance in information sharing.

With regard to attracting anchor companies, it is important to effectively provide information required by the target company in order to encourage the company to move into industrial parks.

Depending on each company, there reasons for relocation may include the factors below:

- 1) Proximity to the headquarters and other own factories
- 2) Proximity to market (location: distance to market & major cities)
- 3) Land price (low rental price, inexpensive selling price)
- 4) Proximity to related companies (accumulation of existing suppliers)
- 5) Ease of securing human resources and labor (accumulation of skilled and unskilled labor)
- 6) Being an industrial park (infrastructure development status: stable & low-cost supply of basic infrastructure such as electricity, water & sewage, communication, etc.)
- 7) Constraints from the surrounding environment are small (low possibility of litigation concerning land expropriation)
- 8) Subsidies by national and local governments (easy to obtain licenses, short time to obtain permits and licenses, investment incentives such as tax reduction and preferential treatment)
- 9) Ease of obtaining raw materials, etc. (accumulation of existing suppliers)
- 10) Sincerity, aggressiveness, speediness of local governments (existence of investment attracting organization and one-stop service)
- 11) Access to highway (infrastructure development situation: proximity to transportation & logistics infrastructure)

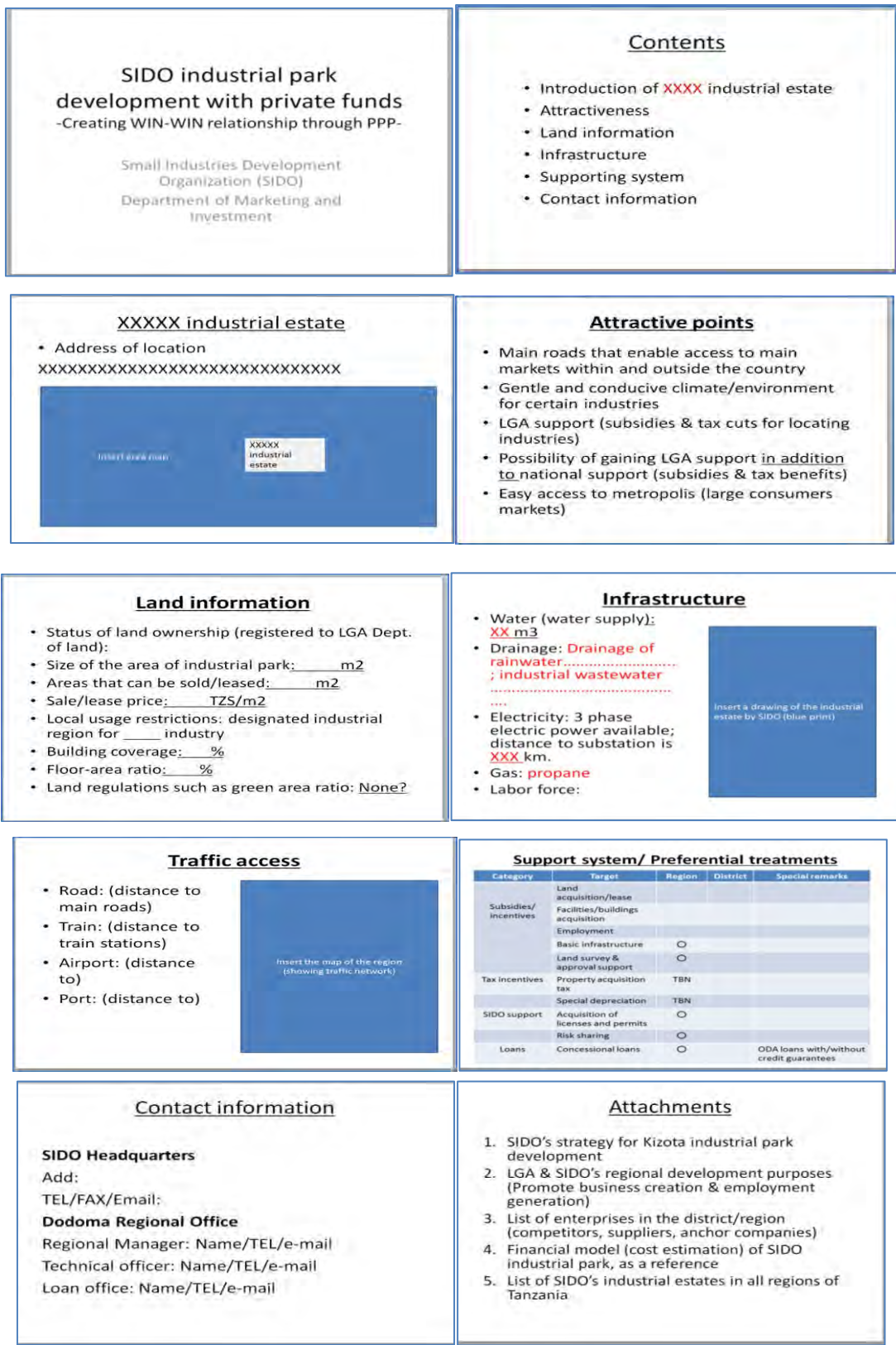


Figure 13. General contents of presentation



With regard to government authorities (especially MOFP), special caution must be paid when making the presentation:

1. Select an easy-to-understand project
2. Include clear messages (Profitability, sustainability, significant impact on industrialization, SME empowerment, and strengthening of industrial value chains.
3. Emphasize the importance of MOFP approval to enable the project

See Attachment Figure 1 for presentations prepared (by Ms. Maria Erasmus of DMI) for market sounding with potential stakeholders about KIZOTA and KIHONDA industrial estates.

### **STEP 5: In-advance Information sharing with government entities**

MOF approval for SIDO's land mortgaging with private sector is crucial

SIDO needs to obtain approval from MOF and MITI on transferring long-term land leasehold or land mortgage right to the private sector/ SPC. To that end, it is important to obtain approval from the MOFP in particular for the following matters:

- (i) Land ownership (Title of deeds) must be settled. SIDO has to first and foremost pay up the due rents and acquire the title of deeds of the lands. (Un-surveyed lands as well must be surveyed)
- (ii) Get consent from MOFP for transferring the ownership (title of deeds) or long-term land leasehold rights to SPC
- (iii) Get the consent from MOFP for borrowing from banks (TIB and others)

The above items (i)-(iii) are of an utmost importance, in order to avoid the last-minutes rejection by MOFP in the situation where all stakeholders are ready.

#### **5-1 Get consent about overall PPP concept**

In PPP, in order not to lose momentum for the private sector partners, it is important to make sure that all public sector decision-making will be implemented smoothly in a short period of time.

In order to shorten the government approval process, SIDO can contribute by getting strong sponsorship from MITI and MOFP. SIDO can share information well in advance to make all decision-makers knowledgeable about the type of project and its positive impact on industrialization and SME promotion.

## **5-2 Get consent about the establishment of SPC (including SPC establishment by the private sector operator)**

The establishment of SPC (special purpose company) may take a week to one year, depending on how well SIDO officers informed the decision makers in advance. When a public institution (like SIDO) establishes SPC, it goes through the following decision making route. In some cases it requires cabinet approval.

SIDO→Board→MITI→Committee of Permanent Secretaries →Cabinet (in some cases)

## **5-3 Get consent about transfer of land or long-term land leasehold rights to SPC**

Why it is important to transfer long-term land leasehold to SPC? As emphasized in STEP 1-9, under the section “Financial Maneuverability of SPC”, to make real estate backed finance successful, SIDO needs to ensure SPC’s financial maneuverability. Financial maneuverability is “the ease of fund raising” which can be assured if SIDO give either transfer its land title of deeds or long term land leasehold rights to SPC for the project period.

## **5-4 Get consent about borrowing from bank other than TIB Development Bank**

MOFP approval of land mortgaging with private financial institution is considered very difficult under the current regime. Nevertheless, it is very important that SIDO continue to negotiate with MOFP so as to enable it for the better future financial options.

MOFP has agreed to approve SIDO land mortgaging with TIB Development Bank, on case by case basis, on the strict condition that all the necessary documents (FS, cash flow estimation, structure of SPC, etc.) will be submitted to MOFP in advance for approval.

By continuously informing MOFP the advantage of involving financial institutions other than TIB Bank, SIDO officers need to make efforts to pave ways to enable private sector funds mobilization. Under the current high market interest rates (of over 20%), SIDO officers might as well have to consider the utilization of concessional loans from international organizations (such as UNCDF) and bilateral donors.

## **STEP 6: Creating supporting system for private sector operator**

### **6-1 In-depth information collection to accommodate investors needs**

As explained by using Figure 1 earlier, the activities of STEP 2, 3, 4, 5 and 6 are executed at the same time and repeatedly while considering mutual information input.

SIDO officers will conduct a series of market sounding to get various business ideas and requests from investors and potential tenants. In order to respond to their requests, SIDO officers need to conduct further data collection and at the same time start negotiation with relevant government authorities to enable various government supports to realize their requests.

## **6-2 Negotiate for cooperation with LGAs (municipal, district governments)**

SIDO' ability to attract companies can be largely determined by how it can create the supporting system in addition to attractive location advantages.

For instance, ease of obtaining approvals and permits (required time) from Tanzania Food and Drugs Authority (TFDA) and Tanzania Bureau of Standards (TBS), investment incentives and other preferential treatment (tax reduction/exemption and special depreciation), subsidies for environmental and social impact assessment (ESIA), compensation for relocation of residents, support in acquiring lands, etc.

SIDO can also build cooperative relationships with utility companies in terms of stable supply of electricity, water, etc. As well, SIDO can provide continuous support (such as one-stop service) to tenant companies.

SIDO can also support the company to get investment benefits that can be provide by the central government entities such as (i) TIC, (ii) EPZA and (iii) SEZ, by writing letters to register the project, and find out what kind of incentives can be provided to respective investors.

In relation to municipal development master plans, SIDO may be able to find ways to cooperate with municipal governments sharing the same goals to promote regional industrialization and employment generation.

## **6-3 Negotiate for cooperation with TRA, MIL, etc.**

### ***Tax Increment Financing (TIF)***

In the future, there will be increasing cases for lands owned by the local governments (regional and district governments) to be transferred to SIDO for industrial parks development. At such instances, if it is possible for local governments to participate in industrial park development together with SIDO, the financial method called Tax Increment Financing (TIF) could also be considered as a financing option.

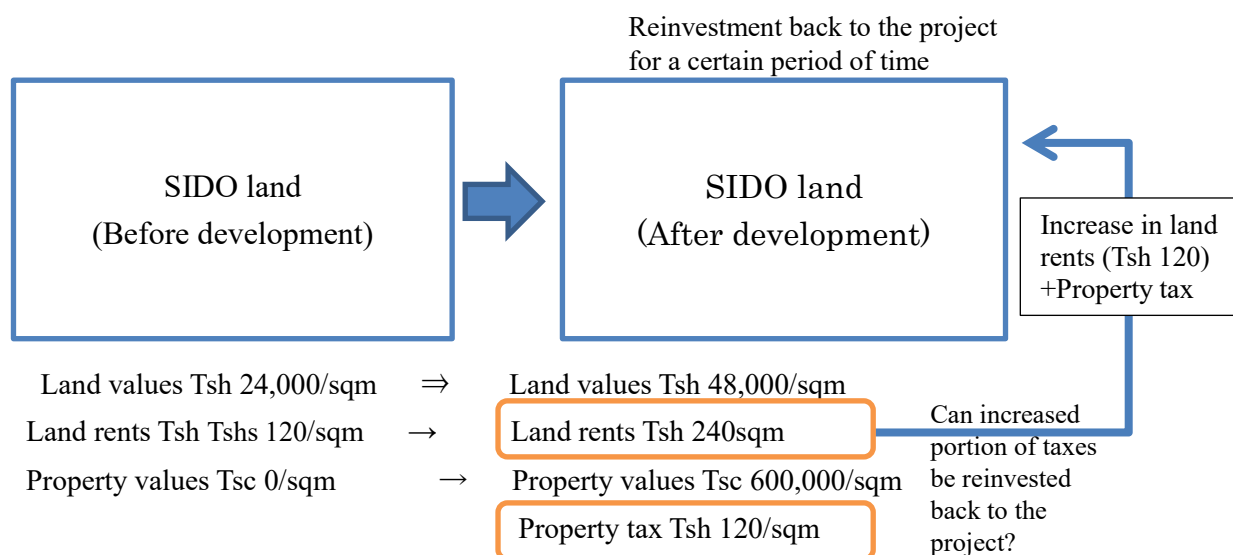
TIF is a method of procuring funds by assuming the future increase in local government's tax revenue (property tax, business tax, etc.) following the development of the industrial park as a repayment source. In the United States, it is frequently used to utilize and redevelop public lands through public private partnership. In the designated development district (TIF district), the increase in the tax revenue of the district accompanying development will be applied only to the development project, which can be used as a leverage to induce private investment. Local government will lend land to the private sector and private companies enter into agreements to improve the land.

There are two ways to raise funds for development of TIF district: either by adding small funds annually from the increase in tax revenues generated each year, or by procuring up front

the large funds by the issuance of tax increment bonds (TI bonds are the receivables to be repaid by the future tax revenues).

If “incremental tax revenue reinvestment” is possible, it could be considered as a preferential treatments (supporting system).

In Tanzania, LGA & Ministry of Land (MOL) is in charge of collecting land rents (LGA gets retention of 20% of the total collected land rents), whereas TRA is in charge of collecting property taxes. Since Land rent can only be collected from the lands that are already “surveyed, the more LGA survey the land (expand the total pie of lands), the more the total amount of retention it gets from the Ministry of Land (i.e. LGA’s land rent revenue increases).



(Source) Compiled by Hashimoto

Figure 14. Image of “incremental tax revenue reinvestment”

## STEP 7: Preparation of Analytical Report based on the above STEP 1-6

### 7-1 Prepare input to financiers about the specific project

Analytical Report will be used by SIDO to decide the project method of the target industrial estate. The report therefore needs to include contents necessary for deciding project methods as well as enough information (enough to judge whether there is room for establishment of private-sector business) for SIDO to prepare for the tender to select the project operator.

Analytic report will be used by companies, investors and financial institutions for judging whether or not they will advance to detailed design and evaluation (FS/DD), respectively. Therefore, the contents must include at least:

-Location advantages (that determines market values) of industrial estates, and

-Profitability of tenant candidate enterprises (that determines the project cash flow)

The recommended detailed contents of Analytic report (format) is as shown in Table 10. With regard to the Analytic Repots of KIZOTA and KIHONDA submitted by Mr. Willilo, JICA LC, it lacks much information, thus continued data collection & market sounding is recommended. See Attachment Table 5 for the detailed evaluation of Analytic Reports.

Table 10. Detailed contents (format) of Analytic Report

<b>1</b>	<b>SIDO STATEMENT ON XXXX (Name of place) RENTAL FACTORY DEVELOPMENT PROJECT</b>
1-1	Industrial estate development strategy (why SIDO chose XXX sector?)
1-2	Type of PPP (JV or lease)
1-3	Type of public sector real estate utilization by private sector (E.G.use of unused floor area, etc.)
1-4	Public-private responsibility (Which side is responsible (take rsk) for plan, design, finance, build, operate, manage?)
<b>2</b>	<b>FACTS AFFECTING TECHNICAL FEASIBILITY OF THE PROJECT</b>
2-1	Status of land (SIDO land)
2-1-1	Surveyed/unsurveyed
2-1-2	Ownership (title of deeds), if not settled current situation (annual rent, total due payments)
2-1-3	Undeveloped/partially developed
2-1-4	Unoccupied/partially occupied (existing buildings?)
2-1-5	Land evaluated (when) or not
2-2	Status of infrastructure (SIDO land)
2-2-1	Water pipe installed
2-2-2	3 phase power line instaled
2-2-3	Gas (natural gas/ propane)
2-3	Land use type/restriction
2-3-1	Industrial land (for heavy industry/light industry/Other)
2-3-2	Buildings area (up to X% of land size)
2-3-3	Floor area ratio (up to X% of land size/X stories)
2-3-4	Environmental restriction (ESIA, industrial waste & waste water management, greenery ratio)
2-4	External condition
2-4-1	Location features(Natural environment, existence of industrial related facilities, etc.)
2-4-2	Available support from Region/District/Municipality
2-4-3	Access to major road & highways (km)
2-4-4	Access to airport (km)
2-4-5	Access to rail way station (km)
2-4-6	Access to ports and harbors (km)
2-4-7	Access to major consumer markets (Access to 200,000 population city, etc, Name of cities, distance)
2-5	Status of neighboring land (possibility of expanding industrial land outward)
2-5-1	Ownership (Owner's name, contact address if possible)
2-5-2	Current status (undeveloped, vacant or not)
<b>3</b>	<b>LAYOUT &amp; PLAN OF PUBLIC FACILITIES (SIDO rental factory for SMEs in XXX sector)</b>
3-1	Layout
3-2	Technical specifications
3-3	BOQ(Bill of Quantities)
<b>4</b>	<b>FACTS AFFECTING BUSINESS FEASIBILITY OF THE PROJECT</b>
4-1	Regional economy (GDP, industrial output, major industrial sectors, number of SMEs and large companies, labor force)
4-2	Location advantages/market values
4-3	Tenant survey (tenant demand, profitability/rent payment capacity)
4-4	Intersted parties (anchor companies, investors, financial institutions)
<b>5</b>	<b>FINANCIAL VIABILITY OF THE PROJECT (EXCLUDING PRIVATE SECTOR COMMERCIAL FACILITIES)</b>
5-1	Assumptionss of income/cost estimation
5-2	Estimated result
5-3	Anticipated risk
<b>6</b>	<b>PROJECT TENDER SCHEDULE</b>

## 7-2 Prepare input to tender documents

Since SIDO has no experience in preparing for PPP tender, it needs to hire a consultant. Due

to budget constraints, it is recommended that SIDO will use TA services provided by public sector entities such as TIB, UNCDF and JICA. Both TIB and UNCDF provide reimbursable grants (no interest loans) for such TA services.

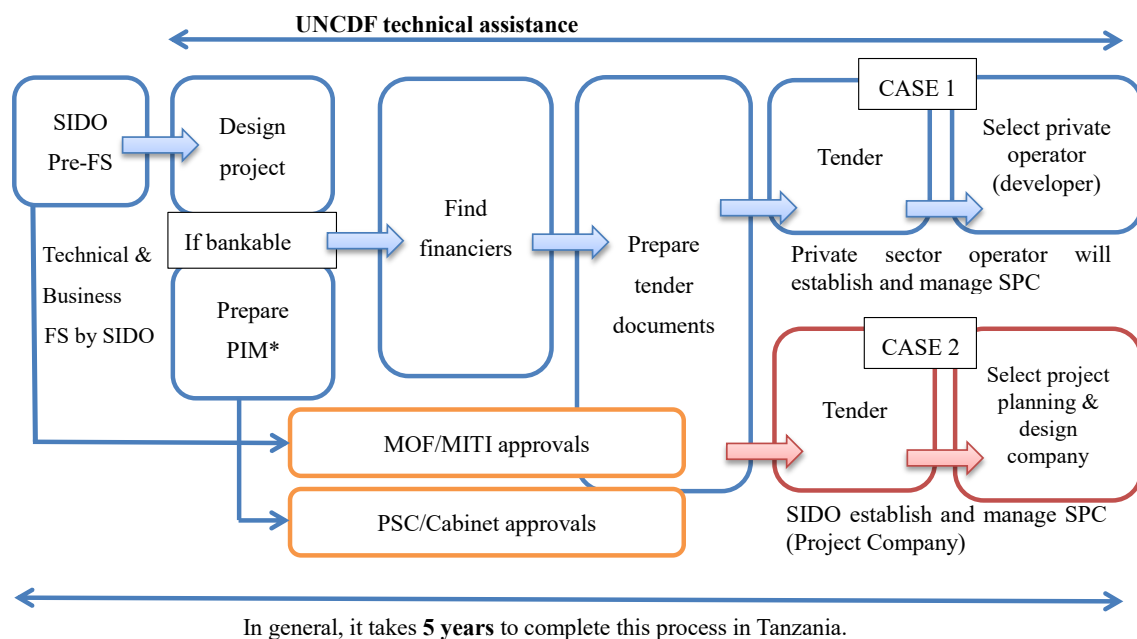
As the prerequisite to use TA service, SIDO officers need to submit technical and financial FS (Analytical Report to be prepared as the result of Pre-FS will suffice) to these agencies.

As for the case of UNCDF, upon reception of the documents (a) & (b) from SIDO, the investment officer will do the following:

- conduct Due Diligence (DD)
- provide SIDO technical assistance (TA) to design bankable project,
- find financiers for SIDO by preparing Project Information Memorandum (PIM) to submit to financiers, and
- help SIDO prepare tender documents

- (a) Technical-FS of the project (SIDO’s rental factory information)  
It includes BOQ (Bill of Quantities) and cost estimates, construction drawing & specifications, Environment Impact Assessment (EIA), if necessary, and anticipated risks.
- (b) Business-FS of the project:  
It includes documents to show rent incomes (from tenants) and market values of lands (the higher the better)

The process of TA by UNCDF would be as shown in Figure 14.



\*PIM stands for Project Information Memorandum, the documents to be submitted to banks and financial institutions

(Source) Compiled by Hashimoto based on the information acquired through the interview with UNCDF/United Nations Capital Development Fund (Feb 5, 2018) Mr. Peter Malika, Head of UNCDF Tanzania, Global LFI Manager and Mr. Imanuel W. Muro, Senior Finance Specialist

Figure 15. UNCDF technical assistance and step towards tender

### **7-3 Prepare input to MOFP for acquiring consent on specific project**

As required to all the projects to be arranged between SIDO and TIB Development Bank, SIDO officers need to submit all the necessary documents (FS, cash flow estimation, structure of SPC, etc.) to MOFP for approval. For this purpose, Analytical Report to be compiled by SIDO during each Pre-FS is supposed to be used.

### **3. Issues and lessons learned and recommendations for the future Pre-FS**

This Pre FS is still ongoing and it still takes time to finish. The main reasons for the delay in information collection included the below:

- (i) SIDO's industrial park development policy and strategy is not decided yet;
- (ii) Lack of manpower (i.e. only one head office staff is implementing Pre-FS activity, and no RO officials are appointed); and
- (iii) It takes time to gather information from public institutions (Sometimes submission of official request letter from SIDO is required to get data).

SIDO officials will continue to implement the remaining activities of the pre-FS (according to each step of pre-FS activities summarized in Table 4). To that end, it is necessary to increase the number of staff in charge of implementing pre-FS activities and to fully discuss how to develop KIZOTA and KIHONDA inside SIDO (between HQ and RO), and develop clear strategies of each industrial park.

For items of information gathering, it is necessary to collect items that have not yet been gathered in the survey contents of the analytic report (see Attachment Table 6 for the details) as soon as possible. In particular, information on land (including land valuation, ownership of both SIDO industrial lands and their neighboring lands) and tenant survey (i.e. confirmation of potential tenant enterprises and their rent payment capacity) are required.

The important issues to be tackled include the following.

- (i) Establishment of SIDO's land ownership (Title of deeds), which is the prerequisite for conducting PPP
- (ii) Requesting for SIDO land evaluation to the Land Ministry
- (iii) Completing pre-FS activities of KIZOTA and KIHONDA and starting information sharing with MOFP and LGAs

Regarding the establishment of SIDO's land ownership, it is necessary to settle payment delinquency to both Dodoma and Morogoro Municipalities, or to ask the Ministry of Land to

allow exemption of due rent payments. However, since it is very difficult for the latter to be granted, practical approach would be (ii)  $\Rightarrow$  (iii)  $\Rightarrow$  (i). In other words, after completing the pre-FS activities including land valuation, SIDO will consult with the MOFP on the content of the pre-FS and get an approval for budget allocation to settle the unpaid rents of KIZOTA and KIHONDA.

As a recommendation, it is encouraged to complete pre-FS and its analysis report on DODOMA's KIZOTA industrial park at least. Because the land price of the current location of DODOMA RO is high, it is recommended to redevelop the land of RO together with the site of KIZOTA industrial park, and the former as a commercial facility and the latter as public facilities (for RO and SME rental factories). There is a high possibility that LAPF support will be provided for this plan. There is also a high possibility of mobilizing private funds. Therefore, it is thought to be important in making PPP success case with DODOMA - KIZOTA and making various negotiations favorable with MOFP. Therefore, we encourage DODOMA - KIZOTA's pre - FS to be completed by the end of March in order to negotiate in a direction to partner with the pension fund which will be newly born in April.



## 4. Attachments

Table 1: How to question about “location advantages” and “tenant profitability”

(a) **Location advantages** (which largely affect market values of each industrial land): Questions to be asked to RO, LGA, TCCIA, public utilities, etc.

Accumulation of industrial cluster	Which industrial cluster is strong? Any competitive industrial clusters in the region?
Accumulation of manufacturers & suppliers	What are the number and size of accumulated manufacturers, their suppliers and sub-contractors?
Availability of labor force	How much population in the region above the age 16? Availability of skilled and unskilled workers?
Sound infrastructure	Are there stable supply of water, electricity and gas? (in terms of quality, price and 24-hour supply) Is there any possibility of expansion in the surrounding area (available land to purchase)?
Access to large markets, infrastructure	Are there major transportation (roads, railroads, ports, etc.) connecting to large cities? Are there any large and expanding cities in accessible distance? Is there any ongoing government plan to improve major roads, ports, bridges, etc. to improve transportations?
Preferential treatments & support system by public sector	Any possibility of preferential treatments? For instance, tax exemption or reduction, special depreciations, LGA support for the acquisition of lands neighboring SIDO’s industrial land, smooth issuance of licenses & permits and SIDO’s one-stop-shop service? Are there any ongoing talks for the cooperation with LGA and central government entities (regional and district governments, tax authority, MOFP, etc.)?
Good environment	There are no disputes with residents. There are good residential places nearby for employees.
Condition of SIDO’s industrial land	Land use type (designated industrial land for light/heavy/other industry), availability, land tenure (ownership/ title of deeds), land security, issue of land status (Check with LGA Land Department, Land Surveyor and Municipality Town Planning Office)
Condition of lands neighboring to SIDO’s industrial land	Ownership, name of the owner, contact address, already developed or still undeveloped (vacant) (Check with LGA Land Department, Land Surveyor and Municipality Town Planning Office)
Legal & regulatory restrictions	Land use restriction (buildings coverage, floor to land ratio, greenery requirement, environmental restriction (industrial waste & waste water treatment, ESIA, etc.) (Check with LGA Land Department, Land Surveyor and Municipality Town Planning Office) As well, check if there is any restrictions for industrial park development due consideration to regional/district city development plan, land development plan, municipal masterplan; and also in relation to other private commercial facilities in the area.

(b) **Profitability of candidate tenants** (which largely determines the cash flow of the industrial park to be constructed): Questions to be asked to individual companies

Type of industry (profitability)	What is the industry average return on equity (ROE)? Such as "Ratio of operating profit to equity"
Type of industry (marketability)	Current market size (product sales) of the industry, existence of competing products (within country and from abroad), competitive advantages (high quality, stable supply, low price, new technology, etc.)
Type of industry (growth potential)	Growth rate of industry in the previous years; expected growth in future due to market expansion (such as population increase)
Company size	What is the size of the candidate tenant company? In terms of the sizes of sales, equity, assets, as well as the size of investment on plants and equipment (capital investments)?
Company competitiveness	What is the company's product market share? Are there any competitors? (check their names & market shares) Is the product competitive compared to its competitors? Does it have any established and expanding market channel (such as exporting to neighboring counties)?
Company stability, profitability	Is the company making net profits for three consecutive years? Expanding sales and operating profits for three consecutive years? Is the operating profit to sales ratio high compared to industry average? If not, is it improving? What is its debt to equity (D/E) ratio?
Company growth potential	What are the growth rates (year-on -year growth rate) of sales and total assets in the previous years? What are the expected market growth and expected market shares of the company?
Regional accumulation of companies (number)	How many companies both (competing and complementing companies) in the same industry operating in the same region? (including suppliers and sub-contractors)
Regional accumulation of companies (mutual linkage)	Are they geographically integrated to form an industrial cluster?
Distance to large cities (consumption markets), access	How far (how many km or hours by car) is the consumption markets from the industrial park? Does the industrial park have good access to large cities with population above 200,000?
Distance to large cities, infrastructure improvement situation	Is there any ongoing government plan to improve major roads, ports, bridges, etc. to improve transportations?

Table 2: Important data sources

SIDO/ RO	Sound infrastructure (access to 24-hour water and electricity supply, etc.)
	Access to large markets, infrastructure
	Good environment (no disputes with residents, etc.)
	Legal & regulatory restrictions (land ownership, title of deeds, due rent payment, annual rent to municipality)
	Possibility of creating preferential treatments & support system (Cooperation with public sector entities including LGAs)
Cluster Association (representing specific industry)	Current status of industrial cluster (members, organizational strength in the district/region)
	Type of industry (profitability, marketability)
	Accumulation of industrial cluster (geographical location, network)
	Accumulation of manufacturers & suppliers (geographical location, linkages)
	Access to large markets, infrastructure situation
	Issues, Needs
LGA/TRA/NSSF/Department of Land, other public offices in the region/ district (representing the welfare and interest of the residents, enterprises and regional economy & environment)	Accumulation of enterprises (number, sizes), industrial clusters (major industries)
	Accumulation of manufacturers & suppliers (number, sizes)
	Availability of labor force (population over 18 years old)
	Availability of lands neighboring to SIDO lands (LGA to support SIDO industrial cluster development)
	Preferential treatments & support system (LGA/TRA/NSSF/Other to cooperate with SIDO)
	Legal & regulatory restrictions: Land use (designated industrial land for light/heavy/Other industries), building coverage ratio, floor area rate, greenery requirement, drainage of industrial waste water and other environmental restrictions
	Regional development issues, needs, goals
	Condition of industrial land: type, availability, land tenure, land security, issue of land status (LGA Land Surveyor & Town Plan)
SMEs (representing potential tenants of SIDO rental factory)	Type of industry (Profitability & Marketability)
	Type of industry (growth potential, future prospects)
	Regional accumulation of companies (mutual linkage)
	Company size (number of employees, assets, revenue, gross profit)
	Company competitiveness, competitors
	Company stability, profitability
	Company growth potential
	Issues, needs

Developers/construction companies/financial institutions in the region (representing regional supporting industries)	Location advantages of SIDO industrial land and neighboring lands
	Regional real estate development trends
	Equity & debt finance possibility (participation in PPP)
	New business ideas
	Information of investment plans of anchor companies
	Regional development issues, needs
(Potential) Anchor company (for stabilizing rent income, and for stabilizing raw materials procurement, widening market channels and stronger vertical integration of sub-clusters)	Company size (number of employees, asset, revenue, gross profit)
	Company competitiveness, competitors
	Company stability, profitability
	Company growth potential
	Depth of vertical integration (industrial value chain)
	Factory relocation (investment) plan
	Conditions for factory relocation (preferential treatments for supporting SME cluster development)
Financial institutions/ Investors (representing equity & debt finance providers/ candidate sponsor, arranger, lender, underwriter and manager of SPC)	Possible financial options (PPP & SPC structures)
	Prerequisites for providing debt & equity finance
	New business ideas
	Issues
	Advices
SME supporting organizations (TCCIA, international donor agencies, etc.)	Regional accumulation of companies (number, size of SMEs and Large companies)
	Regional accumulation of companies (mutual linkage)
	Needs of enterprises, industry, industrial cluster, regional economy
	Issues
	Advices
Public utilities (District Water & Sanitation Authority, TANESCO, etc.)	Business trends (customers/enterprises/industry)
	Infrastructure investment (current state, future plan for expansion & improvement)
	Legal & regulatory restrictions
	Possible participation in PPP & SPC structures
	New business ideas
	Issues, needs
	Advices

Table 3: Data collection conducted in Morogoro and Dodoma

MOROGORO data collection Jan 21-Feb 1, 2018

Interviewers: Ms. Maria Erasmus, Department of Marketing and Investment, SIDO HQ, Ms. Joan, Food technologist, and Mr. Wilfred Wambura (Technical officer), of SIDO Morogoro Office, Hiroko Hashimoto, JICA Consultant,

Interviewees:

● JAN 31 at 1pm: Mr. Denis Mogela, Land Survey Technician (There are several land survey technicians at Regional Office of Department of Lands), Land Department of Municipal Office

● Feb. 1 at 8am: Mr. Charles R. Mwakambaya (TEL: 0754-478-357), Town Planning Officer, Municipals Office

● Feb. 1 at 8:30am: Architect Department, Municipal Office, Madam in charge

● Feb 1 at 9 am: TRA Regional Office, Tax Officer, Ms. Evakimar

● Feb. 1 at 10am: District Council, Administration Office

The result of data collection is as summarized below:

Data needed	Data collected	Data source
SIDO ownership of KIHONDA industrial estate (79E, 5.96ha)	SIDO has no title of deeds, need to pay due rents, unless otherwise KIHONDA will be sold to other parties. SIDO must write to Municipal director to settle the ownership	Architect Department, Municipal Office
Land leasehold	Provided that SIDO has land ownership of KIHONDA, <u>SIDO can register long-term land leasehold</u> -Land leasehold is up to 99 years for public sector, and for up to 66 years (extended recently from up to 33 years) for individual use -Land leasehold registration (documents) will be prepared at Department of Land/Municipal Regional Office (by land surveyor technician) in Morogoro, and then sent to Department of Land at DODOMA Central Zone for official approval.	Mr. Denis Mogela, Land Survey Technician, Land Department of Municipal Office
Land map	Morogoro Municipal Masterplan (2015/16-2035/36) will be completed in March 2018, before which we cannot have the copy of <u>maps included in the Plan.</u>	Mr. Charles R. Mwakambaya (TEL: 0754-478-357), Town Planning Officer, Municipal Office
Land use	Kihonda is designated as "Industrial zone." For all lands in the Zone, owners can choose land usage from (i) service, (ii) light industry, (iii) manufacturing/heavy industry	Mr. Denis Mogela, Land Survey Technician, Land Department of Municipal Office Mr. Charles R. Mwakambaya, Town Planning Officer, District Government Office
Other land restrictions	None.	

Data needed	Data collected	Data source
Floor area	<u>There is no floor area and building area rules.</u> Instead, according to <u>Urban Planning and Space Standards(*)</u> , there is space-per-person requirement plus parking space requirement according to the use of the building.	Mr. Charles R. Mwakambaya (TEL: 0754-478-357), Town Planning Officer, Municipal Office
	E.g. For both manufacturing/heavy industry (plot size 10-20ha) and warehouses /godowns(0.3-0.6ha), gross area required per person is 0.4-1.0 m <sup>2</sup> ; and parking ratio for commercial buildings is 5:1000m <sup>2</sup> of total gross floor area	<b>* Is Kihonda industrial estate included in URBAN area? Check</b> Got the copy of the Standards
Buildings coverage area	For building permit, each request with drawings will be discussed by <u>land survey technician</u> (from Land Ministry) who is in charge of land and facilities beneath the land, <u>municipal engineer</u> who checks construction/ structure safety and strength, <u>town planner</u> who is in charge of buildings on top of land, and <u>municipal land surveyor</u> . And they together approve and issue the building permit.	Mr. Denis Mogela, Land Survey Technician, Land Department of Municipal Office
Greenery ratio	There is no required greenery ratio. But it is recommended that all properties (either industrial or residential) will have plants surrounding the compound.	Mr. Denis Mogela, Land Survey Technician, Land Department of Municipal Office
Industry water treatment	Must be treated by individual factories before draining to public sewage system	Mr. Charles R. Mwakambaya (TEL: 0754-478-357), Town Planning Officer, District Government Office
Other environmental	Must follow Environmental Management Act and its Regulations (national law)	
Long term land development plan	Morogoro Municipal Masterplan (2015/16-2035/36) will be completed in March 2018	Mr. Charles R. Mwakambaya (TEL: 0754-478-357), Town Planning Officer, Municipal Office
Incentives/ subsidies for implementing land development	SIDO on behalf of private sector partner must write letter to register the project with wither (i) TIC (Tanzania Investment Center), (ii) EPZA in Morogoro or (iii) SEZ in Morogoro.	
Gas availability	Propane only (No plan to develop gas pipelines for distribution of natural gas to industries and households)	Mr. Denis Mogela, Land Survey Technician, Municipal Office
Number of registered enterprises in the region	TRA Regional Manager requires an official letter from SIDO for disclosing the data	TRA Regional Office, Tax Officer, Ms. Evakimar
Number of TCCIA member companies in the region	List of TCCIA members (more than 500 companies), total number, share by sector and list of names of TOP 5 of each sector) <b>(Mr. Wambura, SIDO RO technical officer currently preparing the table)</b>	TCCIA Morogoro Regional Office
Labor force in the region	Regional Administrative Secretary of District Council required an official request letter from SIDO for disclosing the data	District Council, Administration Office

NOTE 1: SIDO official letters to TRA and District Council of Morogoro

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**SHIRIKA LA KUHUDUMIA VIWANDA  
VIDOGO**

S.L.P 2476  
DAR ES SALAAM  
TANZANIA

In reply please quote

**AC.334/188/51**  
Ref. No. ....

**12 FEBRUARI, 2018**

MENEJA WA MKOA,  
MAMLAKA YA MAPATO TANZANIA(TRA),  
S.L.P 988,  
MOROGORO.

**YAH: KUOMBA TAARIFA ZA KAMPUNI ZILIZOSAJILIWA NA MAMLAKA YA  
MAPATO – MOROGORO**

Rejea kichwa cha habari hapo juu.

SIDO kwa kushirikiana na Shirika la Japan(JICA) tuko katika mchakato wa kuendeleza eneo letu la Kihonda Morogoro kwa ajili ya wajasiliamali walioko katika Mkoa huo kwa kuwajengea eneo rasmi la kufanyia kazi.

Hivyo basi tunafanya utafiti ili kuweza kupata taarifa zitakazoweza kuwavutia wawekezaji binafsi ili waweze kutusaidia katika uendelezaji wa eneo hilo.

SIDO tunaomba ushirikiano wa ofisi yako tuweze kupata taarifa ya idadi na majina ya kampuni kwa sekta zote yaliyosajiliwa na mamlaka yenu katika Mkoa wa Morogoro. Taarifa hizo zitatusaidia katika kuvutia wawekezaji binafsi kwa kuwaonesha wingi na idadi ya kampuni ambazo ziko na zinafanyia kazi katika Mkoa wa Morogoro.

Tunatumaini ombi letu litakubaliwa.

Wako katika huduma,  
**SHIRIKA LA KUHUDUMIA VIWANDA VIDOGO**

A handwritten signature in blue ink, appearing to read 'T. Kyaruzi'.

T. Kyaruzi  
Kny: MKURUGENZI MKUU

*ALL Official correspondence should be addressed to the DIRECTOR GENERAL*

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**SHIRIKA LA KUHUDUMIA VIWANDA  
VIDOGO**

S.L.P 2476  
DAR ES SALAAM  
TANZANIA

In reply please quote

Ref. No. .... **AC.334/188/54** .....

**12 FEBRUARI, 2018**

KATIBU TAWALA WA MKOA,  
S.L.P 650,  
MOROGORO.

**YAH: KUOMBA TAARIFA ZA IDADI YA NGUVU KAZI KATIKA MKOA WA  
MOROGORO**

Rejea kichwa cha habari hapo juu.

SIDO kwa kushirikiana na Shirika la Japan(JICA) tuko katika mchakato wa kuendeleza eneo letu la Kihonda Morogoro kwa ajili ya wajasiliamali walioko katika Mkoa huo kwa kuwajengea eneo la kufanyia kazi.

Hivyo basi tunafanya utafiti ili kuweza kupata taarifa zitakazoweza kuwavutia wawekezaji binafsi waweze kutusaidia katika uendelezaji wa eneo hilo.

Shirika linaomba ushirikiano wa ofisi yako ili tuweze kupata idadi ya nguvu kazi iliyopo katika Mkoa wako wa Morogoro ili tuweze kutumia taarifa hiyo katika mchakato wetu wa kuvutia wawekezaji.

Tunatumaini ombi letu litakubaliwa

Wako katika huduma,  
**SHIRIKA LA KUHUDUMIA VIWANDA VIDOGO**

  
T. Kyaruzi  
Kny: MKURUGENZI MKUU

*ALL Official correspondence should be addressed to the DIRECTOR GENERAL*



DODOMA data collection Feb 2, 2018

Interviewers: Ms. Maria Erasmus, Department of Marketing and Investment, SIDO HQ, Mr. Justin B, Kahemela, Credit Officer of SIDO DODOMA Office, Ms. Hiroko Hashimoto, JICA Consultant,

Interviewees:

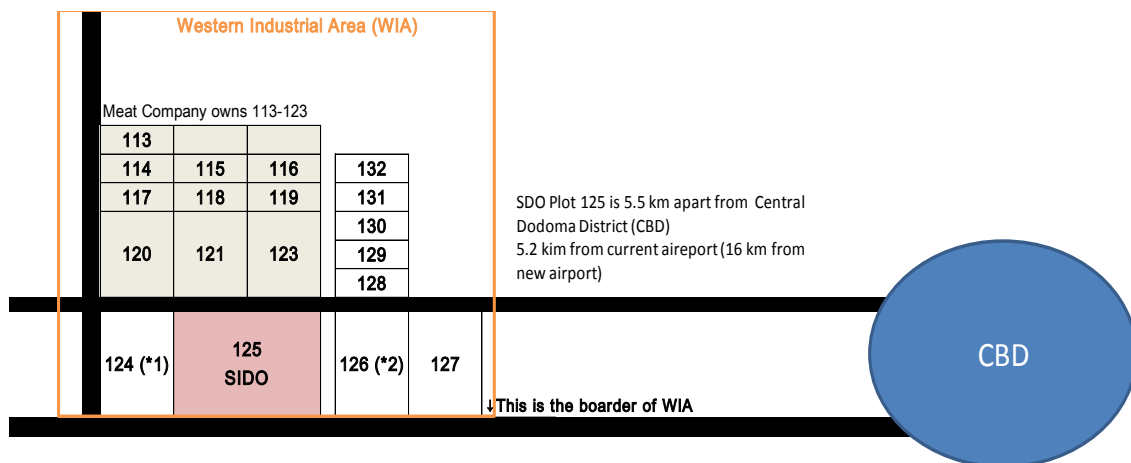
- Ms. Georgia Mwamengele (0653-015-710), Town Planning Officer, Municipal Office
- Mr. Chalila Amelye (0715-406-640), Municipal Lan Officer
- Mr. IDD Senge, Executive (Mtendaji) of TCCIA

The result of data collection is as summarized below:

<b>Data needed</b>	<b>Data collected</b>	<b>Data source</b>	
SIDO ownership of KIZOTA/the current WIA plot125	Check whether SIDO has title of deeds If not what is the due rent payment? (What is annual rent)	Should check Land Surveyor Office, Municipal Office	
Ownership of SIDO's neighboring lands	Location of WIA plot 125 (See note 1)	Ms. Georgia Mwamengele (0653-015-710), Town Planning Officer, Municipal Office	
Land leasehold	Provided that SIDO has land ownership of WIA plot 125, SIDO can register long-term land leasehold	(Land surveyor technician, Land Department, Municipal Office)	
Land map	DODOMA Master Plan 2010-2030, currently under revision (Maps acquired: See note 2)	Ms. Georgia Mwamengele (0653-015-710), Town Planning Officer, Municipal Office	
Land use	WIA is for light and heavy industries		
Floor area	2 stories allowed (up to 80% of the land area)		
Buildings coverage area	Minimum 10% and Maximum 40% of the land area; and [10 meter set back is required		
Greenery ratio	Required to plant at least 5 trees		
Industry water treatment	CBD gas municipal sewage system, buy not WIA; So individual factory owner must treat the industrial water before draining to the river		
Other environmental restrictions	Must follow Environmental Management Act and its Regulations (national law) EIA (Environment Impact Assessment) required to heavy industry to be approved by NEM(*)		*For additional municipal rules, if any, check with Municipal Health Office
Long term land development plan	DODOMA Master Plan 2010-2030, currently under revision (Map acquired: See note 2)		

Data needed	Data collected	Data source
Long term land development plan	DODOMA Master Plan 2010-2030, currently under revision (Map acquired: See note 2)	Ms. Georgia Mwamengele (0653-015-710), Town Planning Officer, Municipal Office
Incentives/ subsidies for implementing land development	SIDO on behalf of private sector partner must write letter to register the project with wither (i) TIC (Tanzania Investment Center), (ii) EPZA in Morogoro or (iii) SEZ in Morogoro.	Ms. Georgia Mwamengele (0653-015-710), Town Planning Officer, Municipal Office
Gas availability	Propane (In future there will be gas pipe development, though not included yet in Master Plan)	Ms. Georgia Mwamengele (0653-015-710), Town Planning Officer, Municipal Office
Number of registered enterprises in the region	TRA Regional Manager requires an official letter from SIDO for disclosing the data (See Note 3)	(TRA Regional Office)
Number of TCCIA member companies in the region	Mr. Senge will compile the data of TCCIA members and non-members (with breakdown by sector) and submit to Mr. Kahemela, SIDO-RO (See NOTE 4 for his proposal for SIDO's industrial estate development)	Mr. IDD Senge, Executive (Mtendaji) of TCCIA
Labor force in the region	Regional Administrative Secretary of District Council requires an official request letter from SIDO for disclosing the data (See Note 3)	(District Council, Administration Office)

NOTE 1: Ownership of SIDO's neighboring lands



(Notes) Two plots next to SIDO's plot is owned by private entities. There is a chance to purchase their lands,

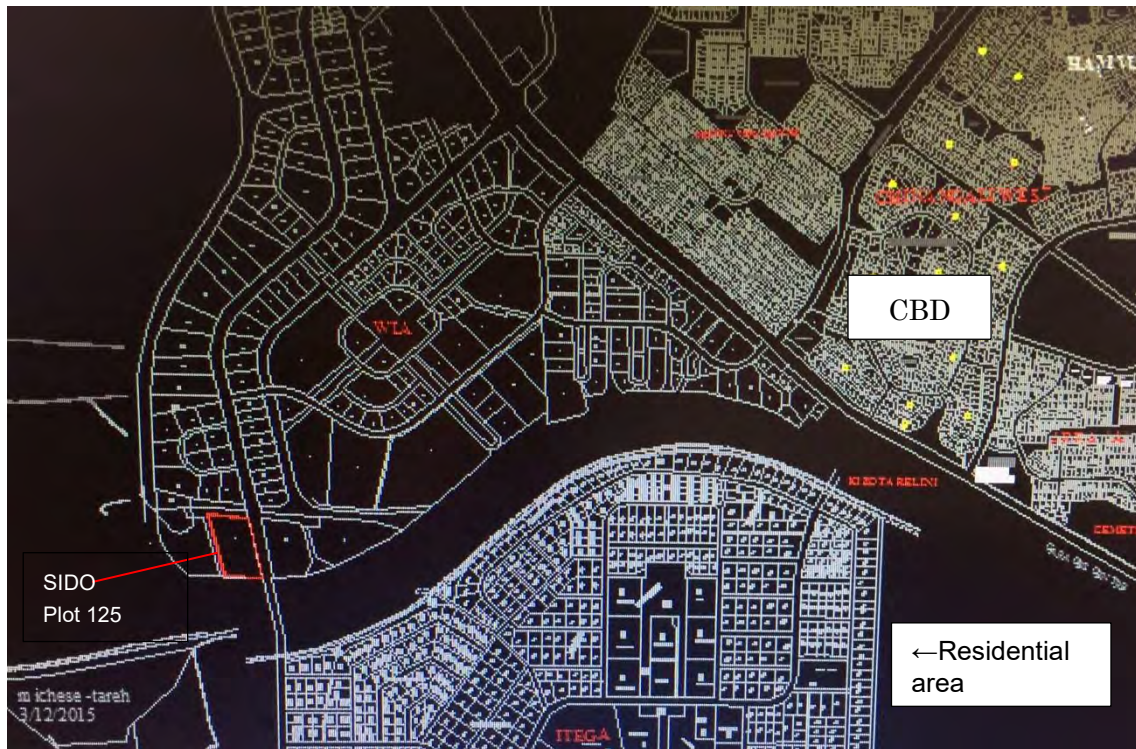
\*1: Plot No. 124 is owned by Becco Ltd. inDAR. Currently vacant.

\*2: Plot No. 126 is owned by Shams Trading Agencies. Currently vacant.

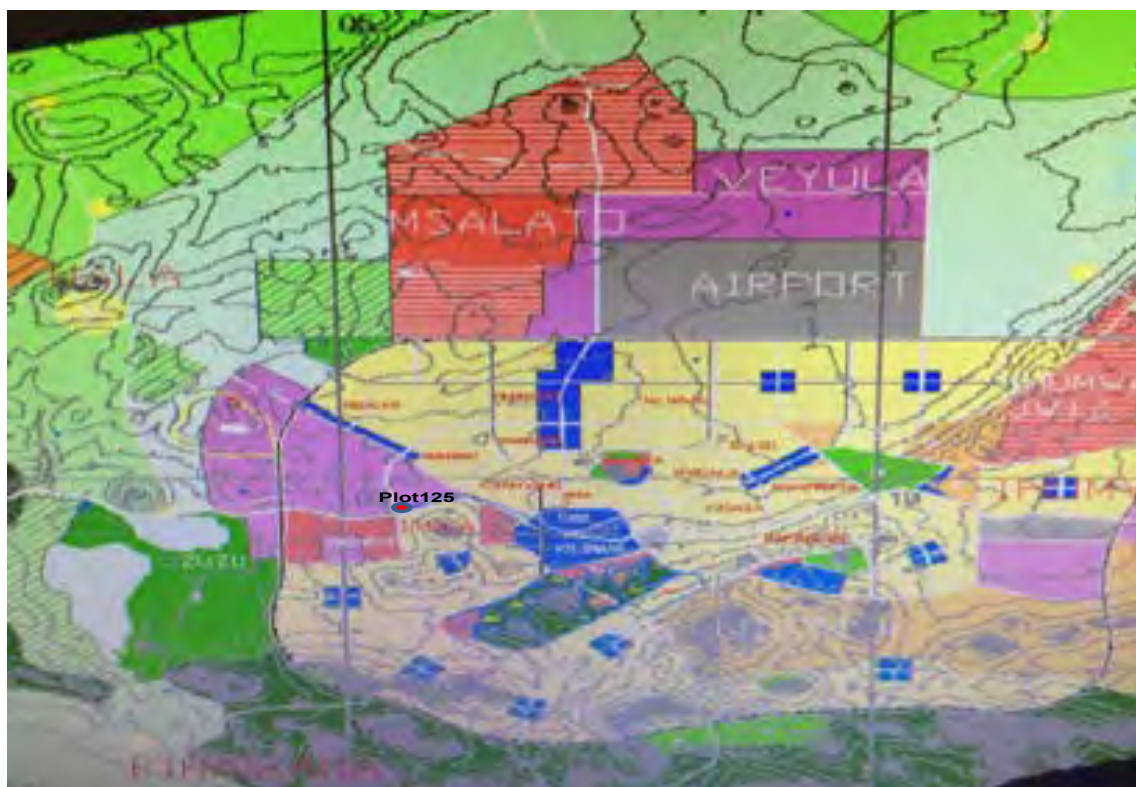
(Source) Municipal Town Planning Office (as of Feb. 2018)

NOTE 2: Maps from “DODOMA MASTER PLAN 2010-2030”, currently under revision by Land Ministry

MAP 1: SIDO plot 125 is located in an attractive place, close to city center, within WIA, by the trunk roads



MAP 2: SIDO plot 125 is located close to railways, airports (both the current and the new one under construction)



NOTE 3: SIDO official letters to TRA and District Council of Dodoma

**SMALL INDUSTRIES DEVELOPMENT  
ORGANIZATION**

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**SHIRIKA LA KUHUDUMIA VIWANDA  
VIDOGO**

S.L.P 2476  
DAR ES SALAAM  
TANZANIA

In reply please quote

**AC.334/188/52**

**Ref. No. ....**

**12 FEBRUARI, 2018**

MENEJA WA MKOA,  
MAMLAKA YA MAPATO TANZANIA(TRA),  
S.L.P 679,  
DODOMA.

**YAH: KUOMBA TAARIFA ZA KAMPUNI ZILIZOSAJILIWA NA MAMLAKA YA  
MAPATO – DODOMA**

Rejea kichwa cha habari hapo juu.

SIDO kwa kushirikiana na Shirika la Japan(JICA) tuko katika mchakato wa kuendeleza eneo letu la Kizota Dodoma kwa ajili ya wajasiliamali walioko katika Mkoa huo kwa kuwajengea eneo rasmi la kufanyia kazi.

Hivyo basi tunafanya utafiti ili kuweza kupata taarifa zitakazoweza kuwavutia wawekezaji binafsi ili waweze kutusaidia katika uendelezaji wa eneo hilo.

SIDO tunaomba ushirikiano wa ofisi yako tuweze kupata taarifa ya idadi na majina ya kampuni kwa sekta zote yaliyosajiliwa na mamlaka yenu katika Mkoa wa Dodoma. Taarifa hizo zitatusaidia katika kuvutia wawekezaji binafsi kwa kuwaonesha wingi na idadi ya kampuni ambazo ziko na zinafanya kazi katika Mkoa wa Dodoma.

Tunatumaini ombi letu litakubaliwa.

Wako katika huduma,  
**SHIRIKA LA KUHUDUMIA VIWANDA VIDOGO**

T. Kyaruzi  
**Kny: MKURUGENZI MKUU**

*ALL Official correspondence should be addressed to the DIRECTOR GENERAL*

**SMALL INDUSTRIES DEVELOPMENT  
ORGANIZATION**

Tel: Director General +255 22 2151948  
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dg@sido.go.tz  
Website: www.sido.go.tz

In reply please quote

Ref. No. ...**AC.334/188/53**.....

**SHIRIKA LA KUHUDUMIA VIWAN  
VIDOGO**

S.L.P 2476  
DAR ES SALAAM  
TANZANIA



**12 FEBRUARI, 2018**

KATIBU TAWALA WA MKOA,  
S.L.P 914,  
DODOMA.

**YAH: KUOMBA TAARIFA ZA IDADI YA NGUVU KAZI KATIKA MKOA WA  
DODOMA**

Rejea kichwa cha habari hapo juu.

SIDO kwa kushirikiana na Shirika la Japan(JICA) tuko katika mchakato wa kuendeleza eneo letu la Kizota Dodoma kwa ajili ya wajasiliamali walioko katika Mkoa huo kwa kuwajengea eneo la kufanyia kazi.

Hivyo basi tunafanya utafiti ili kuweza kupata taarifa zitakazoweza kuwavutia wawekezaji binafsi waweze kutusaidia katika uendelezaji wa eneo hilo.

Shirika linaomba ushirikiano wa ofisi yako ili tuweze kupata idadi ya nguvu kazi iliyopo katika Mkoa wako wa Dodoma ili tuweze kutumia taarifa hiyo katika mchakato wetu wa kuvutia wawekezaji.

Tunatumaini ombi letu litakubaliwa

Wako katika huduma,  
**SHIRIKA LA KUHUDUMIA VIWANDA VIDOGO**

T. Kyaruzi  
**Kny: MKURUGENZI MKUU**

NOTE: 4: Suggestion for KIZOTA industrial estate to be the center of FOOD PROCESSING ZONE, not just for sun flower oil (by Mr. IDD Senge, Executive (Mtendaji) of TCCIA)

**Reason 1:** There are a wide variety of food processing companies (mostly SMEs), such as edible oil processing (sunflower, baobab, peanut, sesame, olive, coconut), Seed processors (making flowers out of maize, sorghum, wheat, cassava roots, etc.), meat processing (dried meat and processed meat) and horticulture products (potatoes, etc.) processing. Since they are mostly small companies and are operating in unauthorized, backyard and residential areas, they are unable to meet both TFDA and TBS standards.

**Reason 2:** Dodoma area is ripe in agricultural production during the rainy season, but in dry season, they cannot be processed and get rotten. Therefore, to add values to agricultural crops and make them into cash crops for farmer, it is necessary to have qualified food processing zone.

**Reason 3:** Processed food markets will become large in DODOMA

1. Government agencies are moving into DODOMA
2. Foreign companies which get services from the government are also moving into DODOMA
3. Hotels to serve foreigners will be constructed
4. According to the above, the middle class consumers' market will expand rapidly in DODOMA

**What is requested to SIDO (WIA plot 125):**

- 1) To become the center of FOOD PROCESSING ZONE, by developing plot 125 as food processing industrial estate, as well as submitting request to the MITI to acquire the neighboring lands to establish FOOD PROCESSING ZONE (10 ha +). There is a good chance that MITI would support SIDO to acquire the lands if it has the majority opinion.
- 2) At least develop plot 125 (which is about 5 ha and rather limited in space) for packaging and storage services to support small food processing companies.

Table 4: LIST of SIDO Industrial Estates as of Nov. 3, 2016

SIDO's Industrial Lands, by Region											3-Nov-16
Region	District	Ward	Plot; Block	Status	Total (ha.)	Remaining (ha.)	IE	Est. (yr.)	Unit (no.)	Remarks	
1	Arusha	Arusha M.	Unga	developed	4.56	0.00	1	1979	14	Food processing, metal, floor pavement, block making, etc.	
2	Arusha	Karatu	Mto Wa Mbu	undeveloped	8.00	8.00	0			Not surveyed yet.	
3	Dar es Salaam	Ilala	Vingunguti	partially dev'd	5.19	0.72	1	1977	29	Plastic, metal, food, chemical, wood, etc.	
4	Dodoma	Dodoma M.	Uhindini Mashariki	developed	small	0.00	0			Metalwork, services, woodwork, etc.	
5	Dodoma	Dodoma M.	Kizota	undeveloped	4.37	4.37	0				
6	Geita	Geita	Kalangalala	undeveloped	2.70	2.70	0				
7	Geita	Chato	Itare	undeveloped	17.00	17.00	0			In the process of acquisition and survey.	
8	Iringa	Iringa M.	Kibwabwa, Ruaha area	partially dev'd	5.46	2.63	1	1973	11	Metal, carpentry, tailor.	
9	Iringa	Iringa M.	Kibwabwa	undeveloped	5.50	5.50	0				
10	Kagera	Bukoba M.	Rwamishenye	partially dev'd	0.88	0.60	1	1987	4	Wine, natural fiber, soap, leather, etc.	
11	Kagera	Miseryi	Kyaka	undeveloped	6.80	6.80	0			Not surveyed yet.	
12	Kagera	Bukoba M.	Buhenbe	undeveloped	TBD	TBD	0			Not surveyed yet.	
13	Kigoma	Kigoma-Ujiji M.	Masanga, Kasulu Rd.	partially dev'd	12.33	1.00	1	2004	160	Palm kernel oil, soap, woodwork, hardware, etc.	
14	Kilimanjaro	Moshi M.	Moshi Karanga	partially dev'd	8.26	1.96	1	1979	17	Metal, block, packaging, etc.	
15	Kilimanjaro	Rombo	Rombo Mkuu	partially dev'd	0.72	0.70	0	2008	1	SIDO has title for 1.8 out of 4.69 acres only.	
16	Kilimanjaro	Mwanga	Kirongwe	partially dev'd	3.00	2.00	0			TPC	
17	Kilimanjaro	Mwanga	Kisangiro	undeveloped	TBD	TBD	0			Not surveyed yet.	
18	Kilimanjaro	Mwanga	Sereni, Kikweni, Ugweno	undeveloped	TBD	TBD	0			Not surveyed yet.	
19	Lindi	Lindi M.	Jamhuri	partially dev'd	9.40	3.60	1	1973	8	Metal, cashew, etc.	
20	Manyara	Babati M.	Negamsi	partially dev'd	3.90	3.60	0	2010	2	Buildings exist but not in operation.	
21	Mara	Musoma M.	Baruti St., Nyakato	partially dev'd	6.88	4.59	1	1979	14	Food processing, soap, leather, etc.	
22	Mbeya	Mbeya City	Mwanjelwa	developed	8.48	0.00	1	1982	210	Rice, sunflower oil, animal feed, etc.	
23	Mbeya	Mbeya City	Mwanjelwa	developed	10.51	0.00	0		490	TPC	
24	Mbeya	Ileje	Isongole	undeveloped	1.40	1.40	0			(Now Songwe) Land surveyed but master plan to be done.	
25	Mbeya	Momba	Chitete	undeveloped	3.08	3.08	0			(Now Songwe) Not surveyed yet. No compensation made.	
26	Mbeya	Mbeya rural	Mbalizi	undeveloped	10.00	10.00	0			Not surveyed yet. No compensation made.	
27	Morogoro	Morogoro M.	Kihonda	undeveloped	5.96	5.96	0				
28	Mtwara	Mtwara M.	Kisutu, Mdenga	partially dev'd	8.65	6.92	1		4	Cashew, gassifier	
29	Mwanza	Ilemela	Nyakato	developed	2.70	0.00	1	2003	21	Food, metal, mould pressing, frozen fish, leather, soap, etc.	
30	Mwanza	Kwimba	Ngudu	undeveloped	1.60	1.60	0				
31	Njombe	Njombe M.	SIDO area	developed	0.32	0.00	0	1973	6	Carpentry, fabrication, bamboo.	
32	Njombe	Njombe M.	SIDO area	partially dev'd	5.80	4.35	0		3	Commercial & residential. 35 plots for workshops available, 6 foundations exist.	
33	Pwani	Kisarawe	Mwambisi	undeveloped	9.08	9.08	0			Developed in the past but completely fallen down	
34	Rukwa	Sumbawanga	Kalandala	partially dev'd	7.72	1.68	1	1973	10	Rice, maize	
35	Ruvuma	Songea	Mfaranyaki	developed	0.92	0.00	1	1978	23	Metal, carpentry, food, soap, leather.	
36	Ruvuma	Songea	CCM-Songea	developed	0.57	0.00	0		26	Commercial & residential. (Plus, 0.6095 ha. in Makambi, Songea is not dev'd (facility block))	
37	Shinyanga	Shinyanga M.	Ibinzaramata	partially dev'd	6.00	5.40	1	1985	4	SF oil, mattress, metal, soap	
38	Singida	Singida M.	Utemini	partially dev'd	8.60	4.30	1	1975	19	Sunflower oil, metal, carpentry, garage.	
39	Singida	Manyoni	Manyoni Majengo	undeveloped	4.75	4.75	0				
40	Tabora	Tabora M.	Usule, Mbugani	partially dev'd	9.17	6.88	1	1979	4	Furniture, honey, sunflower oil.	
41	Tanga	Tanga M.	Gofu Chini	partially dev'd	3.68	0.74	1	1980	11	Oil, fish, metal, furniture, dairy, etc.	
<b>Total</b>					<b>213.7</b>	<b>131.9</b>	<b>17</b>		<b>1091</b>		

Red & italic: estimate.

(Source) Compiled by SIDO

Table 5: Evaluation of Analytic Reports of KIHONDA and KIZOTA

	ANALYTIC REPORT CONTENTS	Kihonda(Morogoro)	Kizota/Dodoma
<b>1</b>	<b>SIDO STATEMENT ON XXXX (Name of place) RENTAL FACTORY DEVELOPMENT PROJECT</b>	<b>Cannot decide</b>	<b>Cannot decide</b>
1-1	Industrial estate development strategy (why SIDO chose XXX sector?)	×	×
1-2	Type of PPP (JV or lease)	×	×
1-3	Type of public sector real estate utilization by private sector (E.G.use of unused floor area, etc.)	×	×
1-4	Public-private responsibility (Which side is responsible (take rsk) for plan, design, finance, build, operate, manage?)	×	×
<b>2</b>	<b>FACTS AFFECTING TECHNICAL FEASIBILITY OF THE PROJECT</b>	<b>NOT enough</b>	<b>NOT enough</b>
2-1	Status of land (SIDO land)	△	△
2-1-1	Surveyed/unsurveyed	✓	✓
2-1-2	Ownership (title of deeds), if not settled current situation (annual rent, total due payments)	×	×
2-1-3	Undeveloped/partially developed	Undeveloped	Undeveloped
2-1-4	Unoccupied/partially occupied (existing buildings?)	KOICA bldg.	3 buildings to be built by SIDO
2-1-5	Land evaluated (when) or not	Not	Not
2-2	Status of infrastructure (SIDO land)	✓	✓
2-2-1	Water pipe installed	✓	✓
2-2-2	3 phase power line instaled	✓	✓
2-2-3	Gas (natural gas/ propane)	Propane	Propane
2-3	Land use type/restriction	Industrial lands	Industrial lands
2-3-1	Industrial land (for heavy industry/light industry/Other)	Both light & heavy	Both light & heavy
2-3-2	Buildings area (up to X% of land size)	None	10-40%
2-3-3	Floor area ratio (up to X% of land size/X stories)	None	2 stories (up to 80%)
2-3-4	Environmental restriction (ESIA, industrial waste & waste water management, greenery ratio)	Environmental Management Act regulation, individual treatment responsibility, no greenery regulation	Environmental Management Act regulation, individual treatment responsibility, required 5 trees
2-4	External condition	△	✓
2-4-1	Location features(Natural environment, existence of industrial related facilities, etc.)	△	○
2-4-2	Available support from Region/District/Municipality	None specific	None specific
2-4-3	Access to major road & highways (km)	✓	✓
2-4-4	Access to airport (km)	✓	✓
2-4-5	Access to rail way station (km)	✓	✓
2-4-6	Access to ports and harbors (km)	✓	×
2-4-7	Access to major consumer markets (Access to 200,000 population city, etc, Name of cities, distance)	Dar es Salaam, Dodoma, Mbeya and Iringa	Singida, Mwanza, Shinyanga and Iringa
2-5	Status of neighboring land (possibility of expanding industrial land outward)	×	✓
2-5-1	Ownership (Owner's name, contact address if possible)	×	✓
2-5-2	Current status (undeveloped, vacant or not)	×	Vacant
<b>3</b>	<b>LAYOUT &amp; PLAN OF PUBLIC FACILITIES (SIDO rental factory for SMEs in XXX sector)</b>	<b>△(Lack SIDO involvement)</b>	<b>△(Lack SIDO involvement)</b>
3-1	Layout	✓	✓
3-2	Technical specifications	✓	✓
3-3	BOQ(Bill of Quantities)	✓	✓



	ANALYTIC REPORT CONTENTS	Kihonda(Morogoro)	Kizota/Dodoma
<b>4</b>	<b>FACTS AFFECTING BUSINESS FEASIBILITY OF THE PROJECT</b>	<b>NOT enough</b>	<b>NOT enough</b>
4-1	Regional economy (GDP, industrial output, major industrial sectors, number of SMEs and large companies, labor force)	△Not enough	△Not enough
4-2	Location advantages/market values	△Not enough	△Not enough
4-3	Tenant survey (tenant demand, profitability/rent payment capacity)	△Not enough	△Not enough
4-4	Interested parties (anchor companies, investors, financial institutions)	△Not enough	△Not enough
<b>5</b>	<b>FINANCIAL VIABILITY OF THE PROJECT (EXCLUDING PRIVATE SECTOR COMMERCIAL FACILITIES)</b>	<b>Cannot decide</b>	<b>Cannot decide</b>
5-1	Assumptions of income/cost estimation	△Need to check	△Need to check
5-2	Estimated result	△Change according to assumptions	△Change according to assumptions
5-3	Anticipated risk	Vacancy risk, commercial parking income	Vacancy risk, commercial parking income
<b>6</b>	<b>PROJECT TENDER SCHEDULE</b>	<b>More consultation with stakeholders needed</b>	<b>More consultation with stakeholders needed</b>

(Source) Compiled by Hashimoto

Figure 1: Presentations prepared for market sounding with potential stakeholders  
(Prepared by Ms. Maria Erasmus , Department of Marketing and Investment)

(i) Presentation for KIZOTA industrial estate

***KIZOTA-SIDO industrial park  
development with private funds  
-Creating WIN-WIN relationship through PPP-***

*Preliminary report for market sounding purpose*

Small Industries Development  
Organization (SIDO)  
Department of Marketing and Investment

15 February 2018

**REGIONAL PROFILE**

S/N	VARIABLE	VALUE	RANK
1	GDP	37688 Million TZS	13
2	Industrial Output	55960 Million TZS	
3	Number of SMEs	1850 industries	
4	Area size	41.311 billion m <sup>2</sup>	
5	Employment	5754	16
6	Companies with > 10 workers	30	12

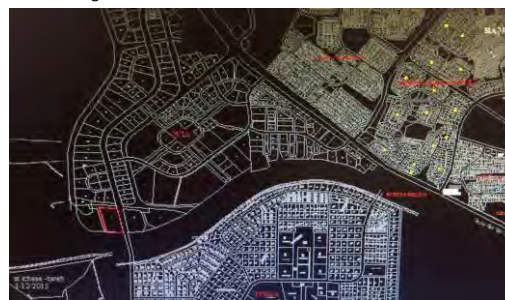
*According to Census of Industrial Production(CIP,2013)*

**Contents**

- Introduction of Kizota industrial estate
  - Regional profile
- Attractiveness
- Land information
- Infrastructure
- Supporting system
- Contact information

**KIZOTA INDUSTRIAL ESTATE**

The site is located on Plot No. 125, Western Industrial Area (WIA) in Dodoma Region



(SOURCE) "DODOMA MASTER PLAN 2010-2030", currently under revision by Land Ministry

**Attractive points**

- Most of the Government institutions and offices are currently moving to Dodoma region (Expansion of market)
- Conducive climate/environment for food processing industries
- Possibility of gaining LGA support
- Nearest to main roads connecting to large cities like Singida, Mwanza, Shinyanga and Iringa.
- Possibility of developing together with the property of Regional Office in the centre

**Land information**

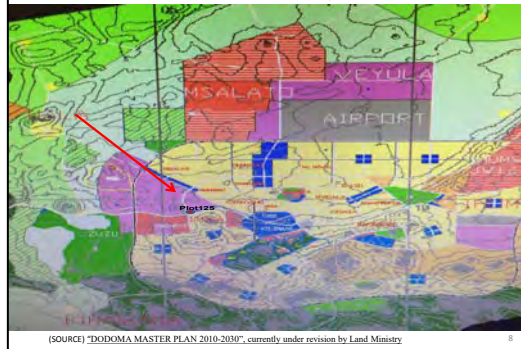
- Status of land ownership :SIDO owns the plot and they are in the process of acquiring title need
- Size of the area of industrial park: 4.37 ha. (43,700 m<sup>2</sup>)
- Areas that can be leased to the developer: 43,700 m<sup>2</sup> (\*SIDO will lease back its office space)
- Lease price: Exempted or SIDO's current rent (Considerably low compared to the market price)
- Local usage restrictions: designated industrial purpose
- Building coverage: 10- 40 %
- Floor-area ratio: 2 stories (80%) but they have consideration to investors
- Land regulations such as green area ratio: to have at least 5 trees

## Infrastructure

- Water (water supply): water already installed in the site.
- Electricity: 3 phase electric power available and installed on the site
- Road: The site is about 2km from Dodoma Singida Road
- Train: Adjoining to the railways
- Airport: 5.2 km to current used airport  
16 km to new planned airport

7

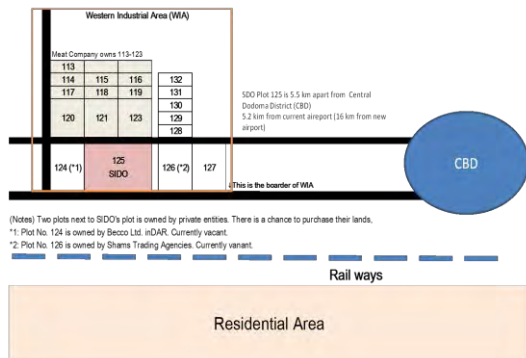
SIDO plot 125 is located close to railways, airports  
(Close to both the current and the new airports under construction)



(SOURCE) "DODOMA MASTER PLAN 2010-2030", currently under revision by Land Ministry

8

## Ownership of SIDO's neighboring lands



(SOURCE) Municipal Town Planning Office MASTER PLAN 2010-2030", currently under revision by Land Ministry

9

## Support system/ Preferential treatments

SIDO can explore the possibility of registering the project with any of the following (i)(ii) and (iii), by which incentives are provided to respective investors.

- TIC (Tanzania Investment Center),
- EPZA in Morogoro or
- SEZ in Morogoro

10

## Contact information

### SIDO Headquarters

SIDO Headquarter  
Mfaume/Fire Road, Upanga  
P. O. Box. 2476  
Dar es Salaam  
E-mail: [dg@sidogo.go.tz](mailto:dg@sidogo.go.tz)  
Tel: 022-2151948

### Dodoma Regional Office

Regional Manager: Mr. Sempeho Manongi  
Phone: +255-26-2321173  
E-mail: [dodoma@sidogo.go.tz](mailto:dodoma@sidogo.go.tz)

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## Attachments

1. SIDO's strategy for Kizota and Kihonda industrial parks development
2. LGA regional development purposes
3. List of SIDO's industrial estates in all regions of Tanzania
4. Financial model of Kizota industrial park

12

### Attachment 1: SIDO's strategy for Kizota Industrial Park

**SMALL INDUSTRY DEVELOPMENT ORGANISATION (SIDO)** is the parastatal organization authorized to promote micro, small and medium enterprises in the country.

SIDO has a lot of plots in each and every region around the country. Due to financial constraints some of these plots are not developed yet.

In order to accomplish the mandated task that SIDO has been granted by the Government to promote industrialization and support SMEs growth; Currently, SIDO in collaboration with JICA are conducting Pre F-S as a pilot survey in Morogoro and Dodoma Region to see the possibility of attracting Private investors to induce Money so that they can build industrial sheds for Metal and Engineering Cluster and Sunflower Processors in the respective regions.

13

### Attachment 2: LGA regional development purpose (TCCIA interview)

There is a big demand for constructing **FOOD PROCESSING ZONE** in DODOMA

**Reason 1:** There are a wide variety of food processing companies (mostly SMEs), such as edible oil processing (sunflower, baobab, peanut, sesame, olive, coconut), Seed processors (making flowers out of maize, sorghum, wheat, cassava roots, etc.), meat processing (dried meat and processed meat) and horticulture products (potatoes, etc.) processing. Since they are mostly small companies and are operating in unauthorized, backyard and residential areas, they are unable to meet both TFD and TBS standards.

**Reason 2:** Dodoma area is ripe in agricultural production during the rainy season, but in dry season, they cannot be processed and get rotten. Therefore, to add values to agricultural crops and make them into cash crops for farmer, it is necessary to have qualified food processing zone.

**Reason 3:** Processed food markets will become large in DODOMA

1. Government agencies are moving into DODOMA
2. Foreign companies which get services from the government are also moving into DODOMA
3. Hotels to serve foreigners will be constructed
4. According to the above, the middle class consumers' market will expand rapidly in DODOMA

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Attachment 3: List of SIDO's industrial estates as of 3 NOV. 2016(Current under revision)

	REGION	DISTRICT	WARD	PLOT; BLOCK	Suitable area (ha)	Developed/ Occupied area (ha)	No. of units	Partially Dev'd/ unoccupied area	Undeveloped area (ha)	Establishment	IE registration	Tenant companies' industries
1	ARUSHA	ARUSHA M.	UNGA	42-47, 72-85; E	4.56	4.56	14			1979	1979	Food processing, metal, floor, pavement, block
2	ARUSHA	KARATU	MTO WA MBU		8.00	0.00			8.00			
3	DAR ES SALAAM	LILALA	VINGUGUTI	24-27; INDUSTRIAL	5.19	4.47	29	0.72		1977	1977	Plastic, metal, food, chemical, wood, etc
4	DODOMA	DODOMA M.	UHINDINI MASHARIKI	1; W	small (N.A)	small (N.A)						Metalwork, services, woodwork, etc
5	DODOMA	DODOMA M.	KIZOTA	125; -	4.37	0.00			4.37			
6	GEITA	GEITA	KALANGALALA		2.70	0.00			2.70			
7	GEITA	CHATO	ITARE		17.00	0.00			17.00			
8	IRINGA	IRINGA M.	KIBWABWA, RUJAH AREA	49; -	5.46	2.83	11	2.63		1973	1973	Metal, carpentry, tailor
9	IRINGA	IRINGA M.	KIBWABWA		5.50	0.00			5.50			
10	KAGERA	BUKOBA M.	RWAMISHENYE	16, B	0.68	0.08	4	0.6		1987	1987	Wine, natural fiber, soap, leather, etc
11	KAGERA	MISENYI	KYAKA		6.80	0.00			6.80			
12	KAGERA	BUKOBA M.	BUHEMBE	17, 19, 21, 23, 24; F	N.A.				N.A.			
13	KIGOMA	KIGOMA-UCHIJI M.	MASANGA, KASULURD.	33-94; B	12.33	11.33	160	1.00		2004	2004	Palm kernel oil, soap, woodwork, hardware, etc
14	KILIMANHARO	MOSHI M.	MOSHI, KARANGA	6, 8A; JJJ, SEC.V	8.26	6.30	17	1.96		1979	1979	Metal, block, packaging, etc
15	KILIMANHARO	ROMBO	ROMBO MUKUU	36/2; C	0.72	0.02	1	0.70		2008	Not registered	
16	KILIMANHARO	MWANGA	KIRONGWE	-	3.00	1.00		2.00				
17	KILIMANHARO	MWANGA	KISANGIRO	-	N.A.				N.A.			
18	KILIMANHARO	MWANGA	SERENI, KIKWANI, UGWENO	-	N.A.				N.A.			
19	LINDI	LINDI M.	JAMFURI	155; JJ	9.40	5.80	8	3.60		1973	1973	Metal, cashew, etc.
20	MANYARA	BAPATI M.	NEGAMSI	610; X	3.90	0.30	2	3.60		2010	Not registered	
21	MARA	MUSOMA M.	BARUTI ST., NYAKATO	7; C	6.88	2.29	14	4.59		1979	1979	Food processing, soap, leather, etc.
22	MBEYA	MBEYA CITY	MWANJELWA	54; U	8.48	8.48	210			1982	1982	Rice, sunflower oil, animal feed, etc.

	REGION	DISTRICT	WARD	PLOT; BLOCK	Suitable area (ha)	Developed/ Occupied area (ha)	No. of units	Partially Dev'd/ unoccupied area	Undeveloped area (ha)	Establishment	IE registration	Tenant companies' industries	Land survey (land title)
23	MBEYA	MBEYA CITY	MWANJELWA	61; O	10.51	10.51	490						TPC
24	MBEYA	ILEJE	ISONGOLE	86-89; D	1.40	0.00			1.40				Done (The current "Songwe")
25	MBEYA	MOMBA	CHITETE	-	3.08	0.00			3.08				Not yet (The current "Songwe")
26	MBEYA	MBEYA RURAL	MBALIZI	-	10.00	0.00			10.00				Not yet
27	MORO GORO	MORO GORO M.	KHONDA	79; E	5.96	0.00			5.96				
28	MTWARA	MTWARA M.	KISUTU, MDENGA	38, 3 & -; GG	8.65	1.73	4	6.92			Registered (when?)	Cashew gasifier	
29	MWANZA	ILEMERA	NYAKATO	128; -	2.70	2.70	21		0.00	2003	2003	Food, metal, mouff pressing, frozen fish	
30	MWANZA	KWIMBA	NGUDU		1.60	0.00			1.60				
31	NJOMBE	NJOMBE M.	SIDO AREA	33; O	0.32	0.32	6		0.00	1973	Not registered	Carpentry, fabrication, bamboo	
32	NJOMBE	NJOMBE M.	SIDO AREA	45; O	5.80	1.45	3	4.35					Commercial and residential, 95 plots
33	PWANI	KISARAWI	MWAMBISI	1087; -	9.08	0.00			9.08				Developed in the past, completely
34	RUKWA	SUMBAWANGA	KALANDALA	6; R	7.72	6.04	10	1.68		1973	1973	Rice, maize	
35	RUVUMA	SONGEA	MFARANYAKI	54; Y	0.92	0.92	23			1978	1978	Metal, carpentry, fod, soap, leather	
36	RUVUMA	SONGEA	COM-SONGEA	30-40; F	0.57	0.57	26						Commercial, residential Plus.
37	SHINYANGA	SHINYANGA M.	IBINZAMATA	1-2; Y	6.00	0.60	4	5.40		1985	1985	SF oil, mattress, metal, soap	
38	SINGIDA	SHINGIDA M.	UTEMINI	-; X	8.60	4.30	19	4.30		1975	1975	SF oil, metal, carpentry, garage	
39	SINGIDA	MANYONI	MANYONI MAJENGO	82-88; MM	4.75	0.00			4.75				
40	TABORA	TABORA M.	USULE, MBUGANI	64; -	9.17	2.29	4	6.88		1979	1979	Furniture, honey, sunflower oil	
41	TANGA	TANGA M.	GOFU CHIRI	194; -	3.68	2.94	11	0.74		1980	1980	Oil, fish, metal, furniture, dairy, etc.	

(NOTES) As of 3 NOV. 2016. Yellow highlights need clarification. Numbers in red are estimated figures

### Facilities Offered

- Processing Facilities

S/N	Building Type	Premise Name	Dimension	Qty
1	Industrial Shed No 1	Processors/Crushers Type A	10 x 20m	20
		Processors/Crushers Type B	20 x 30m	11
2	Industrial Shed No 2	Refinery	20 x 50m	2
3	Industrial Shed No 3	Warehouse for Seeds/Stockist	20 x 50m	2
		Warehouse for Seed Cake	20 x 30m	1
4	Industrial Shed No 4	Packers	20 x 30m	2
		Display/Marketers	20 x 30m	2

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### Facilities Offered Cont...

- Shared Facilities

S/N	Building Type	Premise Name	Dimension	Qty
1	Comon Building	Comon Laboratory	5 x 10m	1
		Meeting Space	10 x 10m	2
		Service Vendors	10 x 10m	3
		Offices	5 x 6.1m	20
		Restaurant/Canteen	10 x 15m	1

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### Facilities Offered Cont...

- Other Support Facilities

S/N	Building Type	Premise Name	Dimension	Qty
1	Building No. xx	Administration Building	20 x 12m	2
2	Parking No. 1	Truck Parking	1,500sqm	25
3	Parking No. 2	Tenants Car Parking	300sqm	50
4	Parking No. 3	Guest/Common Car Parking	1,100sqm	183

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### Model Assumptions

- Rental rent for processing facilities, meeting rooms and laboratory is USD 4/sqm/month
- Rental rates for service vendors, office and administration building is USD 7/sqm/month
- Rental rate for restaurant/canteen is USD 12/sqm/month
- Rental rate for guest parking is USD 120/car/month while for tenants and trucks is free
- All rental rates are Tax inclusive i.e. VAT 18% and withholding tax 10%

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### Model Assumptions Cont...

- Property tax is 0.02% of property value while insurance of the property is 0.125% of property value
- Management fee is 5% of turnover
- Depreciation rate is 2% and 12% for building and fixtures and fittings respectively
- Interest rate on loan is 17% while discount factor is 11.44%
- Equity/Debt ration is 40:60, grace period on debt is 1 year during which interest will be capitalised
- Marketing expenses is 0.05% of turnover
- Exchange rate USD/TZS is 2,250
- Project construction period is 9 - 12 months.

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### Project cost

Item	Qty/Rate	Total Cost (Fig. in TZS)
Main building - Measured works	37,290	11,257,500,000.00
Add		
External Works	3%	337,725,000.00
Day Works	2%	225,150,000.00
Prime Cost and Provisional Sums	4%	450,300,000.00
Preliminaries	3%	337,725,000.00
Add: Land Value 5.7Ha/13.19 acres/57,000SqM		-
Add: Professional Fees	5%	630,420,000.00
<b>TOTAL ESTIMATED PROJECT COSTS</b>		<b>13,238,820,000.00</b>

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### Proposed Financing Plan

Item	Qty/Rate	Total Cost (Fig. in TZS)
<b>Equity</b>		
Equity from M/s SIDO	0%	-
Equity from Other Investor(s)	40%	5,295,528,000.00
<b>Total Equity</b>	<b>40%</b>	<b>5,295,528,000.00</b>
<b>Bank Loan</b>		
Term Loan From Financial Institutions	0%	7,943,292,000.00
<b>Total Loan</b>	<b>60%</b>	<b>7,943,292,000.00</b>
<b>Total Investment Costs</b>	<b>100%</b>	<b>13,238,820,000.00</b>

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### Viability Results

Financial Viability Indicators	Base Case
Net Present Value (NPV)	TZS 3,928,700,000.00
Internal Rate of Return (IRR)	16.0%
Average Return on Investments (ARoi)	15.7%
Payback Period - Normal (PBP - N)	6.88 Years
Payback Period - Dynamic (PBP - D)	8.93 Years

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### Project Implementation Period

S/N	Item	2018		2019		2020		2021		2022			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Pre-FTS Completion	x											
2	Engagement of Public/Private Investors	x	x										
3	Tender for FS and ESIA		x										
4	Tender Evaluation and Award for FS and ESIA		x										
5	Execution of FS and ESIA		x	x									
6	Tender for Contractor and Consultant			x									
7	Tender Evaluation and Award for Contractor and Consultant			x									
8	Construction Works: 9 - 12months				x	x	x	x					
9	Marketing and engagement of SMEs in the Sector			x	x	x	x						
10	Tender for Property Manager				x								
11	Tender Evaluation and Award for Property Manager				x								
12	Project Operation					x	x	x	x	x	x	x	x

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### KIZOTA DESIGN



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(ii) Presentation for KIHONDA Industrial estate

**KIHONDA-SIDO industrial park development with private funds**  
 -Creating WIN-WIN relationship through PPP

*Preliminary report for market sounding purpose*

Small Industries Development Organization (SIDO)  
 Department of Marketing and Investment

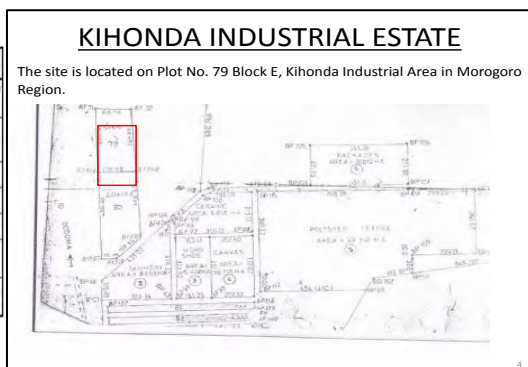
15 February 2018

Contents

- Introduction of Kihonda industrial estate
  - Regional profile
- Attractiveness
- Land information
- Infrastructure
- Supporting system
- Contact information

**REGIONAL PROFILE**

Item	Value	Remark
Gross Domestic Product (GDP)	1,137,317	Fig. in TZS Million based on 2009 Economic Survey Report
Percapita Income	1,132,972	For year 2015 Based on Regional Socio Economic Survey 2017
Population	2,515,976	2017 Population Estimates
No. of SMEs/Industries	3,077	CIP, 2013 Analytical Report
No. of Employment	24,001	CIP, 2013 Analytical Report
No. of SMEs/Industries with at least 10 Employees	48	CIP, 2013 Analytical Report
Industrial Output	1,499,583	Fig. in TZS Million based on CIP, 2013 Analytical Report



- Attractive points**
- Nearest to main roads connecting to larger cities like Dar es Salaam, Dodoma, Mbeya and Iringa
  - Construction of Standard Railway Gauge from Morogoro to Dar es Salaam.
  - Linkage with other institutions like Sokoine University of Agriculture(SUA) that can be used in conducting Research
  - Possibility of gaining LGA support

- Land information**
- Status of land ownership :SIDO owns the plot and they are in the process of acquiring title need
  - Size of the area of industrial park: 5.9 ha (59,000m<sup>2</sup>)
  - Areas that can be leased to the developer: 59,000m<sup>2</sup> (\*SIDO will lease back its office space)
  - Lease price: Exempted or SIDOs current rent (Considerably low compared to the market price)
  - Local usage restrictions: designated industrial purpose
  - Building coverage: No restriction
  - Floor-area ratio: No restriction
  - Land regulations such as green area ratio: No restriction (suggested planting on the boundary)

**Infrastructure**

- Water (water supply): water already installed in the site.
- Electricity: 3 phase electric power available and installed on the site.
- Road: The site is about 3 km from Msamvu junction along Morogoro – Dodoma and about 0.3 km from Morogoro-Dodoma Road
- Train: The site is about 7 km from Morogoro Railway station
- Airport: 190 km away
- Port: The site is about 198 km away from Dar es Salaam Port

**Support system/ Preferential treatments**

SIDO can explore the possibility of registering the project with any of the following (i)(ii) and (iii), by which incentives are provided to respective investors.

- (i) TIC (Tanzania Investment Center),
- (ii) EPZA in Morogoro or
- (iii) SEZ in Morogoro

### Contact information

**SIDO Headquarters**  
 SIDO Headquarter  
 Mfaume/Fire Road,Upanga  
 P. O. Box. 2476  
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 Tel: 022-2151948  
**Morogoro Regional Office**  
 Regional Manager : Ms. Jacqueline Mbawala.  
 Phone :+255767322907  
 E-mail: [morogoro@sido.go.tz](mailto:morogoro@sido.go.tz)

### Attachments

1. SIDO's strategy for Kizota & Kihonda industrial parks development
2. List of enterprises in the district/region
3. List of SIDO's industrial estates in all regions of Tanzania
4. Financial model of Kihonda industrial park

Attachment 1: SIDO's strategy for Kizota Industrial Park

**SMALL INDUSTRY DEVELOPMENT ORGANISATION (SIDO)** is the parastatal organization authorized to promote micro, small and medium enterprises in the country.

SIDO has a lot of plots in each and every region around the country. Due to financial constraints some of these plots are not developed yet.

In order to accomplish the mandated task that SIDO has been granted by the Government to promote Industrialization and support SMEs growth; Currently, SIDO in collaboration with JICA are conducting Pre F-S as a pilot survey in Morogoro and Dodoma Region to see the possibility of attracting Private investors to induce Money so that they can build industrial sheds for Metal and Engineering Cluster and Sunflower Processors in the respective regions.

Attachment 2: List of enterprises in the district/region

Total Number of Enterprises registered by TCCIA is 535.  
 Excluding companies that provide service the leading sectors are,  
 Metal and Engineering 16.9%  
 Food processing 18.9%  
 Some of the registered companies are:

S/N	Metal and Engineering	Food Processing
1	Al Am Machinery & Tools	Weston Mtokambali
2	BSK Eng Byoma 1shengoma	Severa Dotto - 0020
3	General Auction Mart	Beef & Dairy Cluster
4	Tasneem Autoparts	Umoja wa Wauza Nyama Morogoro
5	Morogoro Auto parts	Abood Group Inc
6	Ndaki Auto Spares	Esther Natai -
7	Msouth Autospares	Onesmo ikongo
8	Amiwi Tunda	Ahmad M. Rubajuma
9	Goodluck Michael	Thabit M. Islam
10	Lucas M. Lugembe	Omar Ismail - 0047
11	John Engineering	Makusu Mzee

Source: TCCIA Morogoro

Attachment 4: Financial model of Kihonda (Metal & Engineering rental factory for SMEs)

### Facilities Offered

- Processing Facilities

S/N	Building Type	Premise Name	Diamension	Qty
1	Industrial Shed No 1	Shared Facilities	30 x 100m	1
		Material Suppliers	30 x 30m	2
		Medium Size Manufacturers	30 x 20m	2
		Medium Size Manufacturers	30 x 20m	5
2	Industrial Shed No 2	Medium Size Manufacturers	30 x 20m	5
3	Industrial Shed No 3 - 5	Small Size Manufacturers	30 x 10m	30

### Facilities Offered Cont...

- Shared Facilities

S/N	Building Type	Premise Name	Diamension	Qty
1	Comon Building	Comon Laboratory	5 x 10m	1
		Meeting Space	10 x 10m	2
		Service Vendors	10 x 10m	3
		Offices	5 x 6.1m	1
		Restaurant/Canteen	15 x 32m	1

### Facilities Offered Cont...

- Other Support Facilities

S/N	Building Type	Premise Name	Diamension	Qty
1	Building No. 1	Administration Building	20 x 12m	2
2	Building No. 2	Food Cluster		1
3	Parking No. 1	Truck Parking	20	1
4	Parking No. 2	Tenants Car Parking	70	1
5	Parking No. 3	Guest/Common Car Parking	150	1

### Model Assumptions

- Rental rent for processing facilities, meeting rooms and laboratory is USD 4/sqm/month
- Rental rates for service vendors, office and administration building is USD 7/sqm/month
- Rental rate for restaurant/canteen is USD 12/sqm/month
- Rental rate for guest parking is USD 120/car/month while for tenants and trucks is free
- All rental rates are Tax inclusive i.e. VAT 18% and withholding tax 10%

### Model Assumptions Cont...

- Property tax is 0.02% of property value while insurance of the property is 0.125% of property value
- Management fee is 5% of turnover
- Depreciation rate is 2% and 12% for building and fixtures and fittings respectively
- Interest rate on loan is 17% while discount factor is 11.44%
- Equity/Debt ratio is 40:60, grace period on debt is 1 year during which interest will be capitalised
- Marketing expenses is 0.05% of turnover
- Exchange rate USD/TZS is 2,250
- Project construction period is 9 - 12 months.

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### Project cost

Item	Qty/Rate	Total Cost (Fig. in TZS)
Main building - Measured works	44,361	11,905,425,000.00
Add		
External Works	3%	357,162,750.00
Day Works	2%	238,108,500.00
Prime Cost and Provisional Sums	4%	476,217,000.00
Preliminaries	3%	357,162,750.00
Add: Land Value 5.7Ha/14.73 acres/59,620SqM		-
Add: Professional Fees	5%	666,703,800.00
<b>TOTAL ESTIMATED PROJECT COSTS</b>		<b>14,000,779,800.00</b>

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### Proposed Financing Plan

Item	Qty/Rate	Total Cost (Fig. in TZS)
<b>Equity</b>		
Equity from M/s SIDO	0%	-
Equity from Other Investor(s)	40%	5,600,311,920.00
<b>Total Equity</b>	<b>40%</b>	<b>5,600,311,920.00</b>
<b>Bank Loan</b>		
Term Loan From Financial Institutions	0%	8,400,467,880.00
<b>Total Loan</b>	<b>60%</b>	<b>8,400,467,880.00</b>
<b>Total Investment Costs</b>	<b>100%</b>	<b>14,000,779,800.00</b>

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### Viability Results

Financial Viability Indicators	Base Case
Net Present Value (NPV)	TZS 3,686,000,000.00
Internal Rate of Return (IRR)	15.5%
Average Return on Investments (ARol)	15.6%
Payback Period - Normal (PBP - N)	6.37 Years
Payback Period - Dynamic (PBP - D)	8.85 Years

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### Project Implementation Period

S/N	Item	2018		2019		2020		2021		2022			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Pre-F/S Completion	x											
2	Engagement of Public/Private Investors	x	x										
3	Tender for FS and ESIA		x										
4	Tender Evaluation and Award for FS and ESIA		x										
5	Execution of FS and ESIA		x	x									
6	Tender for Contractor and Consultant				x								
7	Tender Evaluation and Award for Contractor and Consultant				x								
8	Construction Works: 9 - 12months					x	x	x	x				
9	Marketing and engagement of SMIs in the Sector			x	x	x	x						
10	Tender for Property Manager					x	x						
11	Tender Evaluation and Award for Property Manager					x							
12	Project Operation							x	x	x	x	x	x

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### KIHONDA DESIGN



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END