

Kilombero 2005



AGENDA

Kilombero Sugar Company

Kilombero Business Linkages Project

Kilombero Community Trust

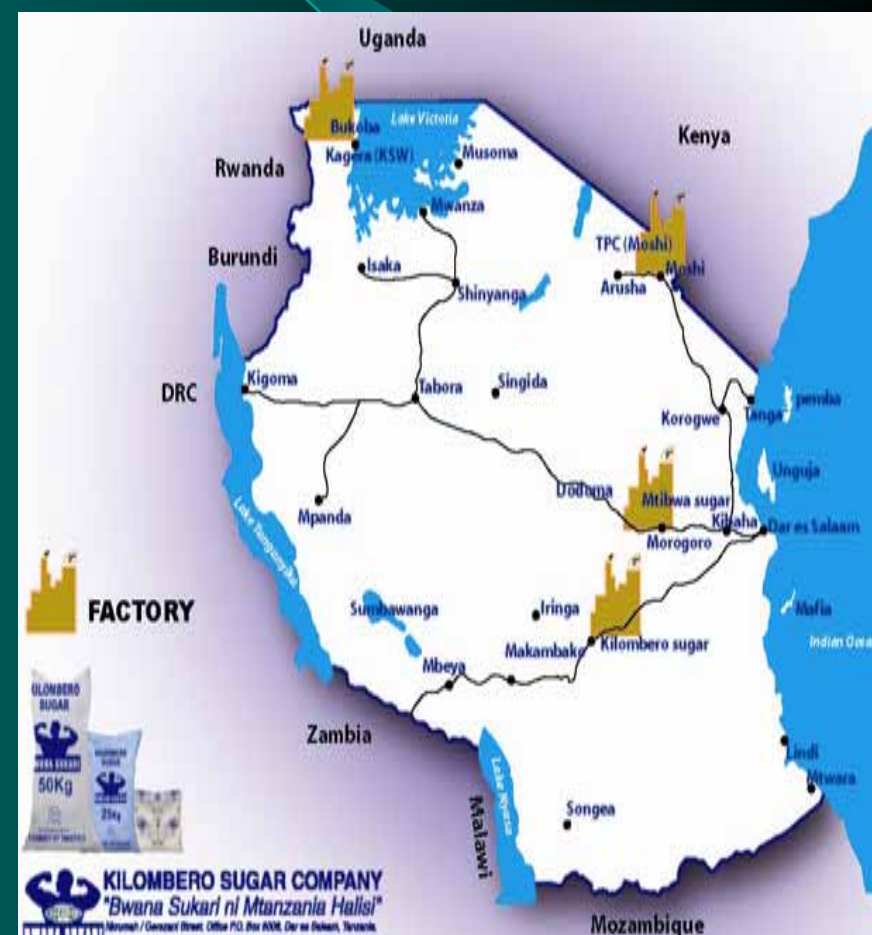
Kilombero Sugar Company

Kilombero Sugar Company Ltd (KSCL) operates 2 mills – K1 & K2 at Kidatu in Tanzania's Morogoro region

KSCL privatized in April 1998

Shareholders:

- Illovo Sugar (ISL) 55%
- Govt of Tanzania 25%
- EDF&Man 20%



Kilombero Investment Mission

- Increase sugar production from 29 000 in 97 to 180 000 (currently reaching 130 000t - any further increase dependant on market conditions)
- Build internal capacity for self sufficiency in sugar production
- Become the market leader in the region
- Low cost producer of good quality product to satisfy customers needs



KSCL Company Vision

- Be welcomed in the community in which we operate
- Become an efficient market leading company within the regional sector
- Become a profitable low cost producer, producing acceptable returns on shareholders investments through innovative technology and participation of employees
- Values – Be a Moral, Performance focused company with proud people, challenged to go the “extra mile”



Illovo KSCCL Investments

- 1998 US\$ 50 million Mill rehabilitation
- 1998 – 2004 US\$3.5+ million into infrastructure, staff housing, schools, health centers +
- 2003- 2005 KBLP Partnership project with IFC & establishment of Kilombero Community Trust
- 2004 US\$ 5.5 million Refinery



Development at Kilombero

6 Years ago, prior to these investments...

- Production had declined to 29 000
- The company could not meet its tax obligations
- The work force was on half pay
- Out grower deliveries had dropped below 100 000 tons

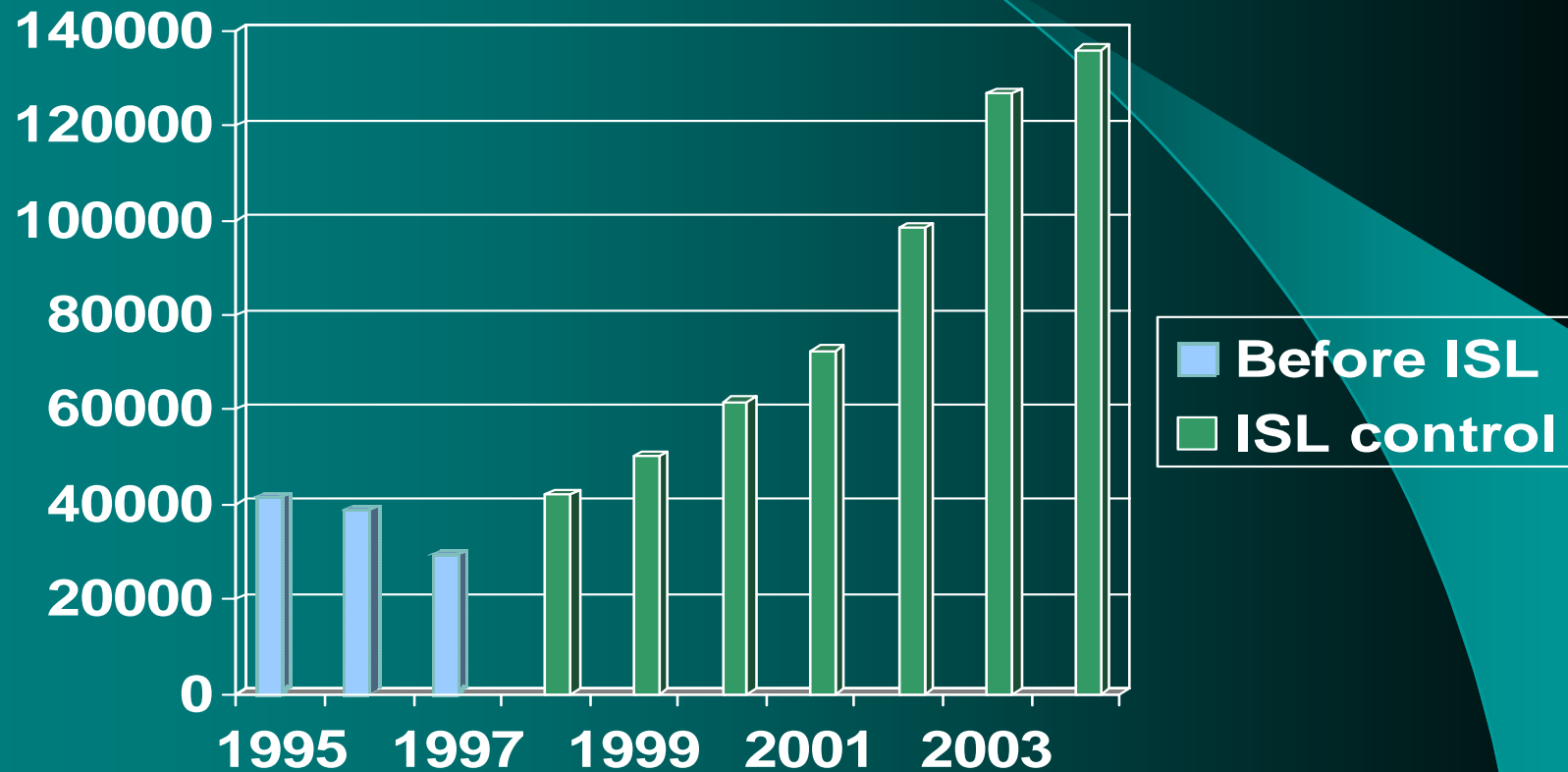


2005 KSCL Highlights

- Current production 126, 000 t last year
- Potential for production to grow to 180 000
- Refinery capable of 65 000 tons per year
- KSCL currently employs 6000 people at peak season
- Capable of exporting 50 MWhr p/day to TANESCO
- Maintains > 800 kms road
- Contributed Tshs. 30bn to Govt tax revenues 99/04
- Tshs. 11 bn to community in cane payment and related services



KILOMBERO PRODUCTION HISTORY (Tons Sugar Per Year)



Social Responsibility

Since privatisation, KSC has invested over Tshs 3.5 billion, (equiv.US \$3.5 million) into social development through schools and hospitals on the estate and in assistance to outgrowers.

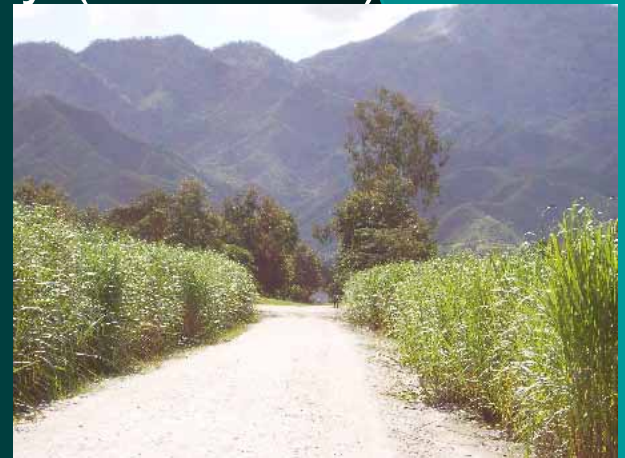
KSCL currently provides:

- Housing for employees, 43 Teachers and 56 Police personnel
- Health clinic & hospital for 10 000 patients per year
- Buildings and maintenance for 6 x primary schools, 4 x day care centers
- 12 buildings for primary courts
- Potable water supplies



Environment

- Reforestation program plants indigenous species on company land, as well as provides thousands of free seedlings to community
- Pilot Nursery established on Vidunda slopes responds to village requests for specific species and to Vidunda village distribution challenges
- Improving pollution standards
- Programs for safety (NOSA) and quality (ISO 9002)



Power Generation

Since privatisation, KSC has reconfigured the electrical distribution system enabling interconnection between the two factories as well as the National grid.

Current Situation

- Independent of TANESCO whilst in operation
- Capable of 50MWHrs/day co-generation

Future Possibilities

- Marginal modifications to increase to 250MWHrs/day (\$10m ?)
- Installation of new 40MW power island (\$120m ?)



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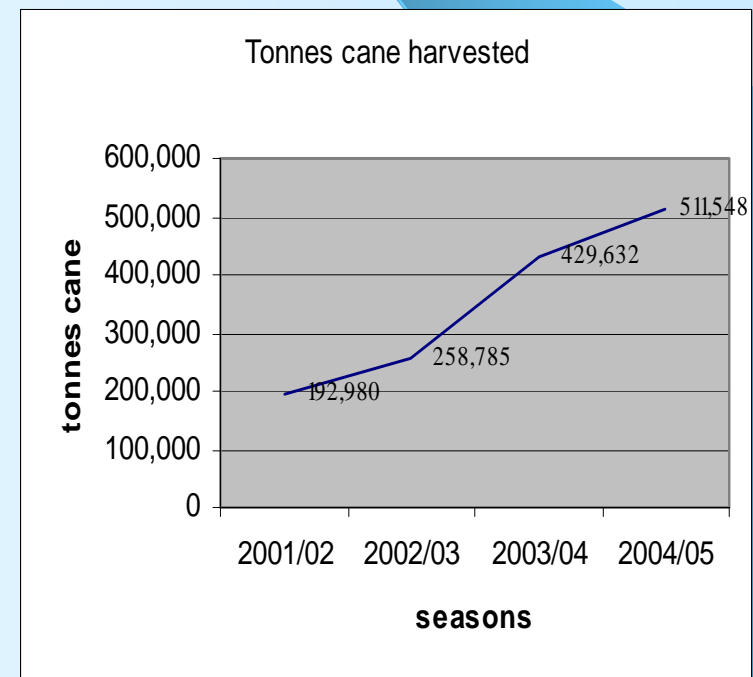
Kilombero Sugar Company

Outgrowers

Kilombero Community Trust

Outgrower History

- Cultivation of sugarcane at Kilombero began in the 1920's
- 1962, set up of KSC, OGs supplied 17,000 tons of cane
- 1976, set up of K2 factory OG supply grew to 103,000 tons
- 2004/5 season OGs deliver approx 535,000 tons



Impediments to growth

- Access to finance and loan conditions
- SMEs for support services / lack of skilled contractor network
- Outgrowers infrastructure
- Skills deficiencies
- Weak representation
- High farm plot fragmentation
- Access to health, education, clean water
- Access to new technology, varieties, irrigation



How growth was achieved...

KSC took an active role in strengthening OG supply chain:

- Reliable cane payments system
- KSC OG Department
- KSC supports: retention fund/bulk input supply; infrastructure assistance
- Division of Proceeds and Cane Supply Agreements
- Strategy to reduce 'handouts' and increase self sufficiency of OGs

KSC engaged in partnership projects for OG and community development:
Kilombero Business Linkages Project & donor partnership initiatives

The KC Trust & the Trust Farm was set up as a permanent mechanism for providing ongoing support



Kilombero Business Linkages Project

IFC, KSCL & Outgrower partnership - 2002-2005

- Increase access to finance
- Capacity building for growers, associations & SACCOS
- Mapping & Management Information System
- SME development
- Infrastructure development
- Kilombero Community Trust
- Fundraising, external technical assistance
- Assist new farmer groups



KBLP's overarching objective is "to improve the quality of life of the wider community through the development of sugar cane farming both horizontally and vertically and the development of SMEs to provide supporting services".

Kilombero Business Linkages Project

Access to finance was improved by:

- Working with DANIDA supported CRDB & PASS – Sonjo Project
- Strengthening local SACCOS
- Conducting training & awareness raising campaigns

Capacity building needs were address by:

- Conducting training needs assessment
 - Donor funded training program DAI PESA to support Kilombero.
- Included: Agriculture, Business & Leadership training.

SME development was supported via:

- Business skills training courses
- Business Forum event
- Business Alliance network

Kilombero Business Linkages Project

OG planning and information management improved by:

- Aerial Mapping
- Set up of a Kilombero OG Management Information System (KOMIS)

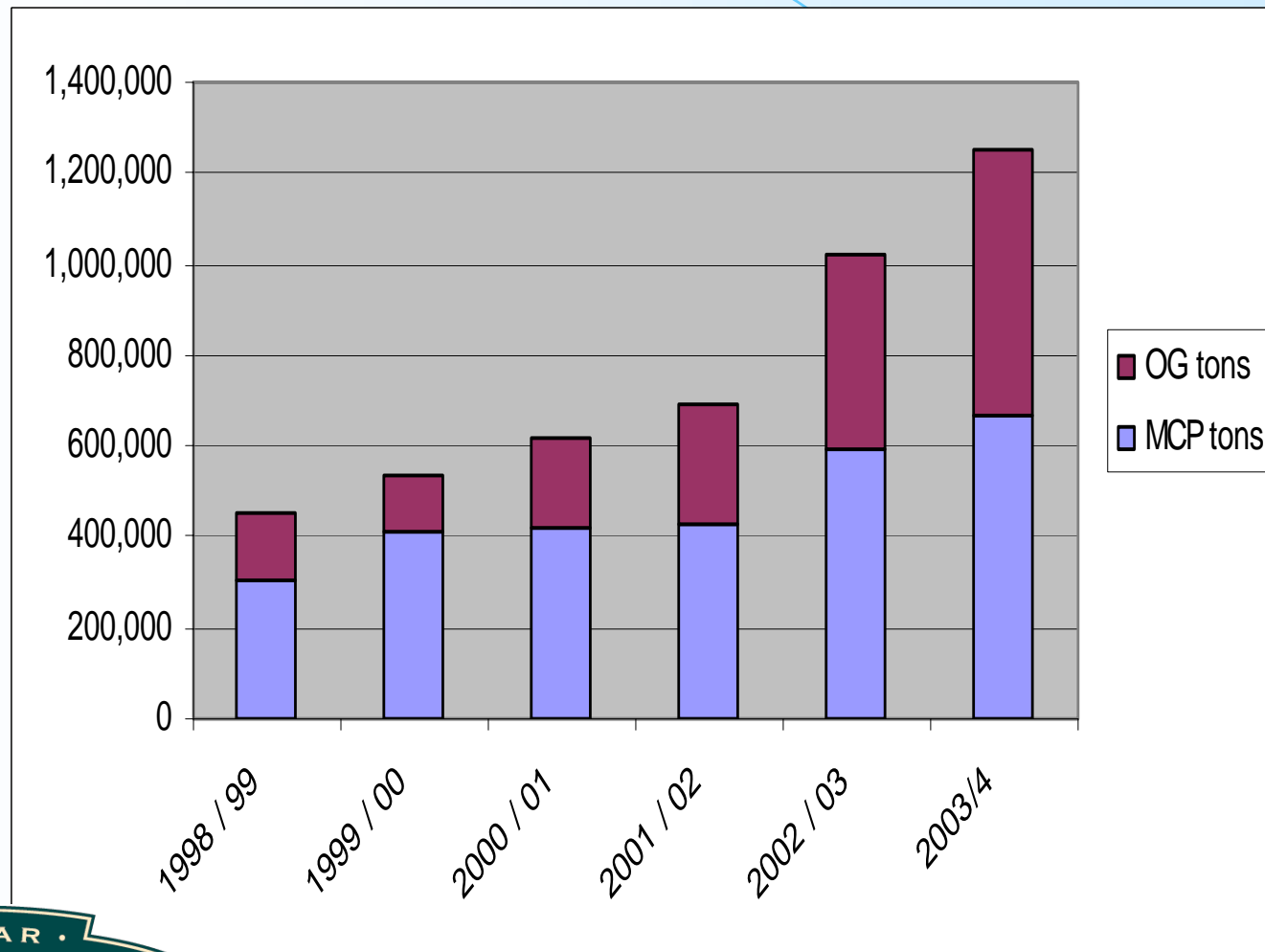
Infrastructure problems have begun to be addressed by:

- Establishing OG Road Fund
- Attracting donor support from Swiss Agency for Development Cooperation (SDC)

External partnerships and and OG/community support efforts made possible by establishment of:

- The Kilombero Community Trust

Ratio of OG cane to McP

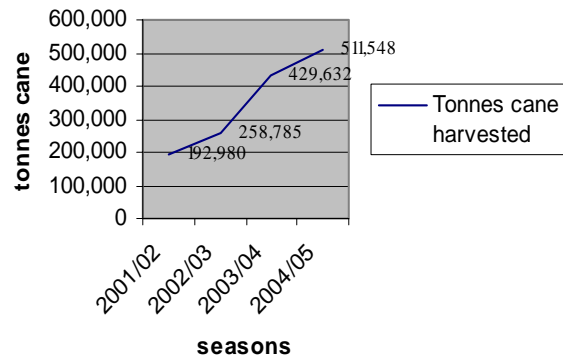


Outgrower Expansion

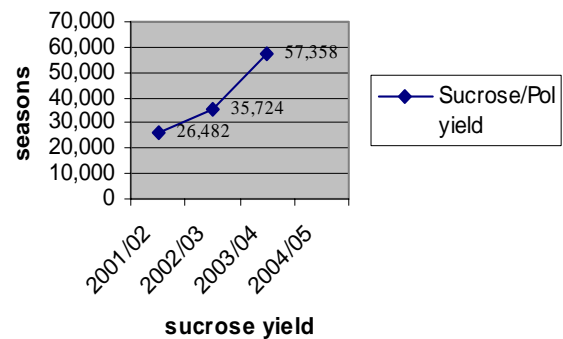
Constant growth each year:

- Tonnes delivered p/year
- Area under cane
- Number of growers
- Sucrose/Pol yield

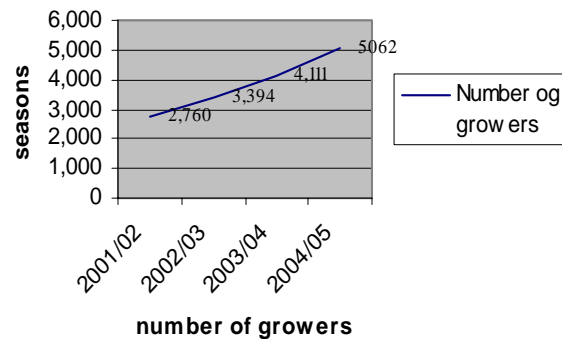
Tonnes cane harvested



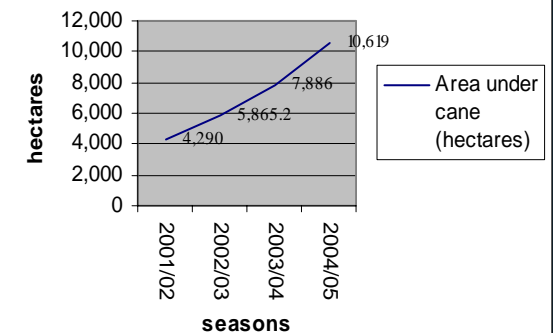
Sucrose/Pol yield



Number of outgrowers



Area under cane (hectares)



Development outcomes

- Payments to community
- Reliable source of income for farmers and contractors
- Access to finance and training for cane farmers & local entrepreneurs
- New markets for other crops
- Increased incomes are enabling more people to afford better education and health services
- Flow on effects on road improvements



KBLP – The KC Trust

KBLP finished March 2005 and linkages between KSC & OGs were seen to have strengthened.

However, given the continuing need for:

- Ongoing capacity building support
- External community development assistance



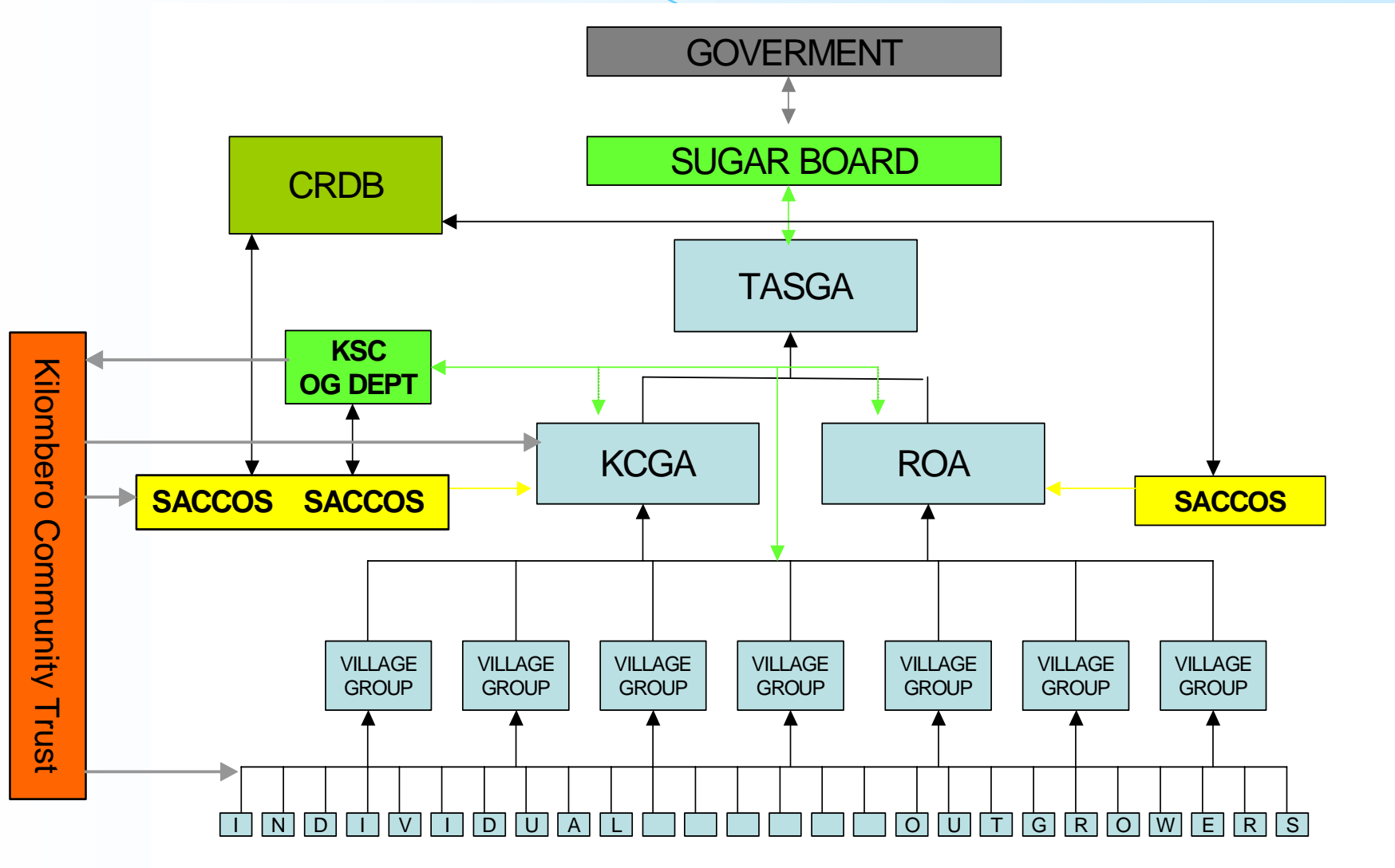
Coupled with the fact the KSC's social funding is aimed at the >6000 employees living on the estate (i.e. health centers, schools)

A sustainable, revenue generating model was developed that could

- FUND outgrower & community development projects
- COORDINATE projects
- Identify and work with PARTNERS that could provide technical and financial assistance

= **Kilombero Community Trust**

Outgrowers



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Aim: “undertake projects to develop outgrower cane farming activities and...use funds available to the Trust for the benefit of the Kilombero Community”

-The Kilombero Community Trust Farm

-1200 hectare cane farm

-Profits for OG & Community development projects



Projects and Partnerships

- 2003/4 SDC funded infrastructure development on KCT Farm.
- Training programs in agricultural husbandry, business, management, leadership – US AID & ADF
- DFID funded SACCOS computerization and training program
- Recent Developments:
 - Mobile Health Clinics: Rotary International
 - Comprehensive Infrastructure Development of Cane Haulage Networks: Swiss Agency for Development Cooperation (SDC)



KCT Projects - Infrastructure

- SDC/ITECO supported surveying and planning
- OG Road Fund
- OG & Community consultation process
- 3 Year Action Plan drafted
- OG Road Fund + KCT profits funded Yr1 work
- Still many priority areas to address!



KCT Projects – Health Clinics

- 2 mobile clinics proposed
- Visit major outgrower village centers
- Primary health care
- HIV/AIDS services
- User-pays system



The Kilombero Community Trust - 2005

- Ramp up of Infrastructure program
- Start up of KOMIS
- Start of Mobile Clinics
- Currently exploring potential new projects:
 - Reforestation
 - Education
 - Water & Sanitation
 - SME development
- Invitation of external proposals

**The Kilombero
Community
Trust**

Thank you for your attention

