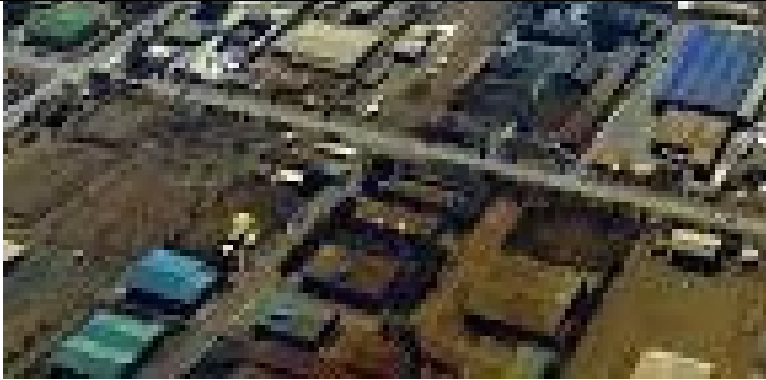


June 2024

PROJECT PROPOSAL FOR MPEMBA SPECIAL ECONOMIC ZONE



JASTAN DISTRIOLOG

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Acronyms and Abbreviations

| | |
|--------|--|
| CFS | Container Freight Station |
| CIFA | China International Freight Forwarders Association |
| COMESA | Common Market for Eastern and Southern Africa |
| DRC | Democratic Republic of Congo |
| EPZ | Export Processing Zones |
| ETU | Twenty-foot Equivalent Units |
| FIATA | Federation of Freight Forwarders Association |
| GDP | Gross Domestic Product |
| ICD | Inland Container Depot |
| ICDV | Inland Container Depot-Vehicles |
| LATRA | Land Transport Regulatory Authority |
| PPP | Public Private Partnership |
| RT | Revenue Ton |
| SADC | Southern African Development Community |
| SEZ | Special Economic Zones |
| SNCC | Societe Nationale Des Chemins De Fer Du Congo Sarl |
| TAZARA | Tanzania Zambia Railway Authority |
| TPA | Tanzania Ports Authority |
| TRA | Tanzania Revenue Authority |
| UDA | Shirika la Usafiri Dar es Salaam |
| USA | United States of America |
| WCA | World Cargo Alliance |

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Executive Summary

JASTAN DISTRILOG is a subsidiary of Jiayou International Logistics Company Limited of China. JASTAN DISTRILOG is based in Tanzania with operations in Africa, Europe and Asia. JASTAN DISTRILOG is looking into making an investment in the newly commissioned project for development of a Special Economic Zone (SEZ) at Mpemba area in Songwe region.

This project will cover over the area of about 1,800 acres and is located just 12km from the Tunduma-Nakonde road. The project at the SEZ will assist in centralization of most operations especially truck parking, clearing, and forwarding activities, government agencies offices such as Tanzania Revenue Authority (TRA), Land Transport Regulatory Authority (LATRA), Tanzania Ports Authority (TPA) etc. Other services to be hosted at the project site will include warehousing and storage facilities.

The project will have access to all major infrastructures including railway and roads. There will be a by-pass road that will direct all traffic to the project site giving the SEZ operations of ICD/CFS and container storage services a collective purpose. The ICD and CFS operations will assist in improving turn around time and that improve efficiency at the Dar es Salaam and Tanga ports thus making them the preferred ports for East and Central African countries.

The project will deliver substantial benefits to the country and the Songwe residents alike. Some of the project benefits will include:

- to create direct employment to more than 2,000 Tanzanians and indirect employment to an additional 5,000 Tanzanians when considering the 1:2.5 direct to indirect employment relationship. Employment will be through increased farming activities, employment in small and medium scale industries, employment in the SEZ, drivers, service center, restaurant operators, medical professionals, etc.

According to the Songwe Investment Guide 2019, the region has about 2,300 small scale establishments carrying various activities. These establishments will find that relocating to the SEZ being more advantageous for speeding their growth ambitions.

- Improve government tax collection initiatives. The SEZ will put together many economic activities under one roof making it easy for government officials to provide services and administer effective revenue collection through taxes, fees and charges.
- Strengthen Tanzania's balance of trade with neighboring Zambia through promotion of exports from regions where the TAZARA railways passes.



嘉友国际
JIAYOU INTERNATIONAL

Part One

1. Project Vision

1.1 Background Information

Tanzania is a country on an upward economic growth trajectory. This growth trajectory represents the government's intention to provide satisfactory economic conditions for its citizens. Among other initiatives taken by the government, establishment of Export Processing Zones (EPZ) and Special Economic Zones (SEZ) have proven to be effective in driving the government economic agenda. While EPZs are established with the primary objective of facilitating manufacturing sector, SEZs are established for other economic activities including agriculture, logistics management etc.

As of 2018, Tanzania had 8 gazetted SEZs in form of industrial and commercial parks. The purpose of SEZs is to promote industrial growth and services sector like tourism, logistics, agriculture, trade mining and forestry. The SEZ provide fiscal advantages over regular industrial and commercial parks in areas of taxation etc. To promote local content, the government has set a minimum investment qualifying criterion of \$ 1million turnover for a local investor.

In recognizing these initiatives, the Songwe region in the Southern Highlands of Tanzania has set aside nearly 1,800 acres of land at Mpemba area in Tunduma district. The aim is to establish an SEZ pulling local and foreign investors alike.

1.2 Business Needs

JASTAN DISTRILOG is well-established local logistics company also owned by well established foreign logistics company (Jiayou International) is intending to move its way into developing the SEZ at Mpemba area in Tunduma district.

This deliberate step is taken to show our support for the government efforts to alleviate poverty through creation of employment, increase government budgetary independence through increased tax and non-tax revenue collections and improve the nation's Gross Domestic Product (GDP) at large.

JASTAN DISTRILOG has access to financial resources adequate to meet investment requirements of the proposed SEZ and is ready to work with all relevant government authorities to the successful implementation of the project. This proposal is submitted to the authorities in the mood to express our desire to be granted rights over the Mpemba SEZ under Public Private Partnership (PPP) model. The proposal provides details of:

- the financial, management and technical capabilities
- It also provides details of social and economic impact that will be brought by the project.
- It details benefits the government of Tanzania and the Songwe residents will reap out of the SEZ upon commencement.
- The proposal also provides details of the infrastructure required for successful implementation of the project in relation to the existing infrastructure.

Part Two

2. Profiles of the Promoters

The project is being promoted by JASTAN DISTRILOG, a subsidiary of Jiayou International Logistics Company Limited of China. JASTAN DISTRILOG is based in Tanzania with operations in Africa, Europe and Asia. Below is the detailed profile of Jiayou International Logistics.

2.1. Jiayou International Logistics Co., Ltd

Jiayou International is a logistics company based in China with global outreach especially in Africa and Asia. Jiayou International was founded in 2005 and was listed in the Shanghai Stock Exchange in 2018 with ticker number 603871. The company has operations in more than 60 countries in Asia, Europe, North America and South America. Jiayou is a member of International Federation of Freight Forwarders Association (FIATA), China International Freight Forwarders Association (CIFA) and World Cargo Alliance (WCA).

In Africa, Jiayou has presence in Congo DRC, Zambia, Tanzania, Mozambique, South Africa, Zimbabwe and Angola while in other countries, the company has operations in Singapore, Malaysia, Serbia, Turkey, the USA, Chile etc. In the DRC, the company has signed a 25-year Public Private Partnership (PPP) agreement for operation of the Sakania border post since January 2023, Mokambo boarder and access road to Mokambo and Sakania borders since January 2023. The company has developed the infrastructure including all-in-one border post office building, bonded warehouses and distribution hubs. The Sakania border post is built on a 144ha land with 80ha of parking space having the capacity to accommodate 5000 trucks. The Mokambo border post is built on a 20ha land with 5ha of parking space that can accommodate 1000 trucks.

In Zambia, the company has built access road to the Sakania- Ndola boarder and the Sakania-Zambia-Mokambo border. All the infrastructure is being developed under PPP and includes basic infrastructure such as office buildings, public bonded warehouse, distribution hub and railway marshalling hub.

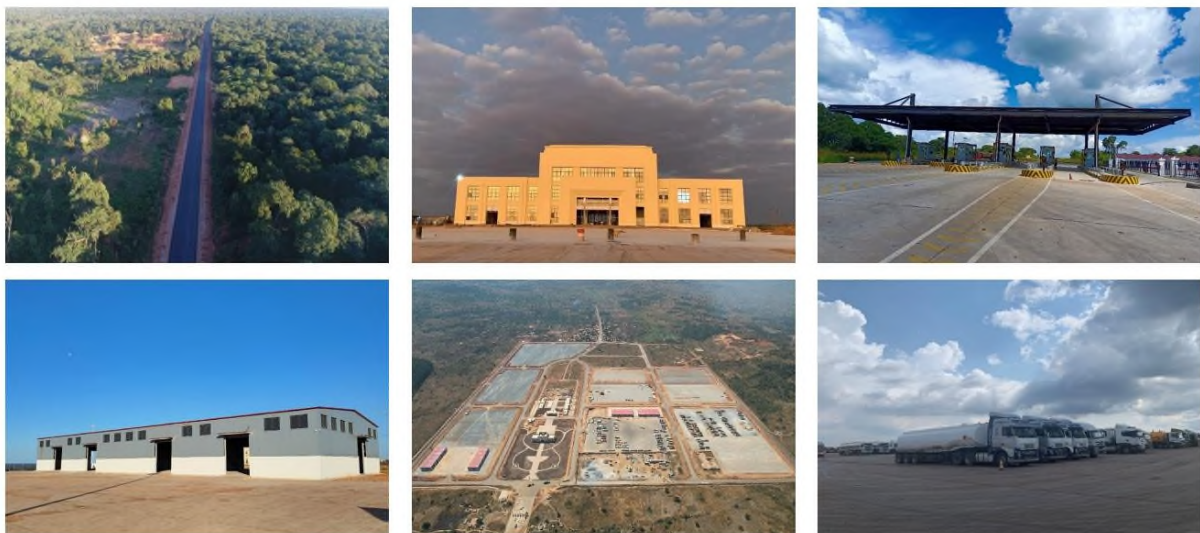


Figure 1: DRC infrastructure (toll road and border post)

Jiayou has focus in overseas logistics, supply chain systems in Mongolia (supply of coking coal), Central Asia and Africa. In its global perspective, the company is focusing on international multimodal transport, bonded warehousing, supply chain management and others.

In the year 2023, Jiayou handled more than 6700 Twenty-foot Equivalent Units (ETU) and 350,035 Revenue Ton (RT). The company has worked with many corporations including Kamo, FQM, Commus, Kambove, Jiangxi Copper, LCS, Deziwa, Huaxin, Jinjucheng, Kefel and CCR- Kalongwe to mention a few. Some of equipment and materials hauled include copper smelters, heavy machinery and yellow equipment, steel structure and mining equipment.

The company's copper belt interests are in leasehold properties and infrastructure including warehouses and storage facilities, BV inspections, DRC customs

declaration post, BV transfer, third – party payment facilitation and transportation. The company operation strategy and engagement is shown below.

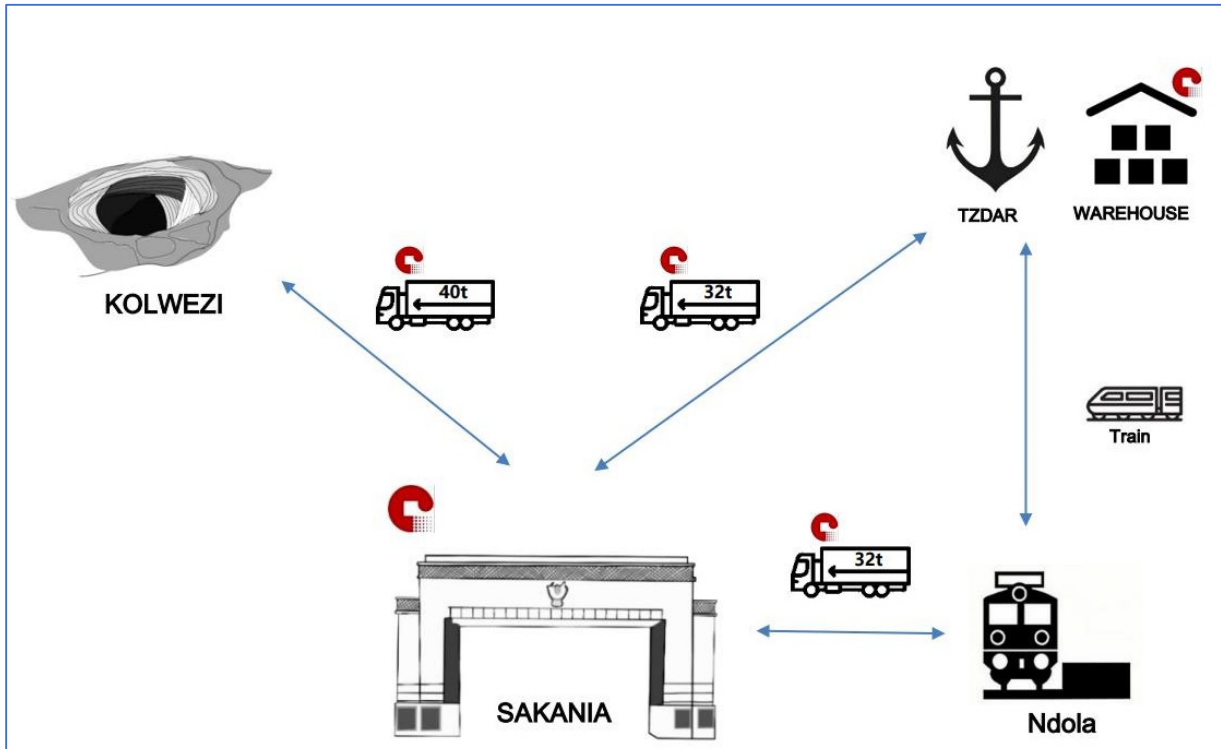


Figure 2: Jiayou Operating Ecosystem

In the bid to expand its ecosystem, the company is now eyeing operations in Tunduma for upgrade project opportunity; Tanga port for corridor investment project and Sakania for dry port operations.

2.1.1 Customer Base

Some of the key customers we have landed include:

- a) Glencore Services Pty Ltd (one of the world's largest globally diversified natural resource companies),

- b) China Civil Engineering Construction Corporation (CCECC – business scope expands from international contracting for railway construction to civil engineering design & consultancy, real estate development, trading, industrial investment, and hotel management as well),
- c) Salex Limited (a leader in the trading of physical commodities and specializes in supply chain and logistics management services),
- d) Impala Terminals (a joint venture between Trafigura and IFM Investors – a renowned trader and provider of global freight forwarding and multimodal transportation services for Trafigura and third-party clients),
- e) C. Steinweg Group (a service provider in the fields of storage, handling, forwarding, chartering and other related logistics services),
- f) Poseidon Operations S.A (Pty) Ltd (offers an end to end, turnkey logistics solution),
- g) China Nonferrous Metal Mining (Group) Co., Ltd (CNMC – a Chinese state-owned enterprise dealing with mining of non-ferrous mineral resources).

GLENCORE



World Food Programme



中国土木工程集团有限公司

CHINA CIVIL ENGINEERING CONSTRUCTION CORPORATION



C. Steinweg Group



BLUE DEEBAJ



中国有色集团
CNMC

Part Three

3. Mpemba Project Description

Songwe region has recently embarked on an aggressive project that aims at establishing the Mpemba Special Economic Zone (SEZ). The SEZ will be developed at Katenjele, Mpemba in Tunduma area, Songwe region. This project will cover over the area of about 1,800 acres and is located just 12km from the Tunduma-Nakonde Highway. The project at the SEZ will assist in centralization of most operations especially truck parking, clearing, and forwarding activities, government agencies offices such as Tanzania Revenue Authority (TRA), Land Transport Regulatory Authority (LATRA), Tanzania Ports Authority (TPA) etc. Other services to be hosted at the project site will include warehousing and storage facilities.

In addition to ICD/CFS services, the SEZ will also provide space for small and medium industries, fuel stations, vehicle service stations, container storage facilities (staffing and stripping facilities). These facilities are designed to support in easing congestion at the Dar es Salaam port and also to quicken the import and export business thus improving on the government revenue.

The project will also host trading center where smallholder farmers will get the opportunity to collectively trade for export and locally distributing their farm produce to far more areas of the country.

The proposed project location is ideal for the special economic zone as it is expected to pull all the trucks traffic plying between Tanzania and Zambia by way of using the designated parking space at the SEZ and the by-pass bridge for services to be offered at the SEZ. The map below shows the project layout plan on the surveyed 300-acre land out of the 1,800-acre land where the project will be developed.

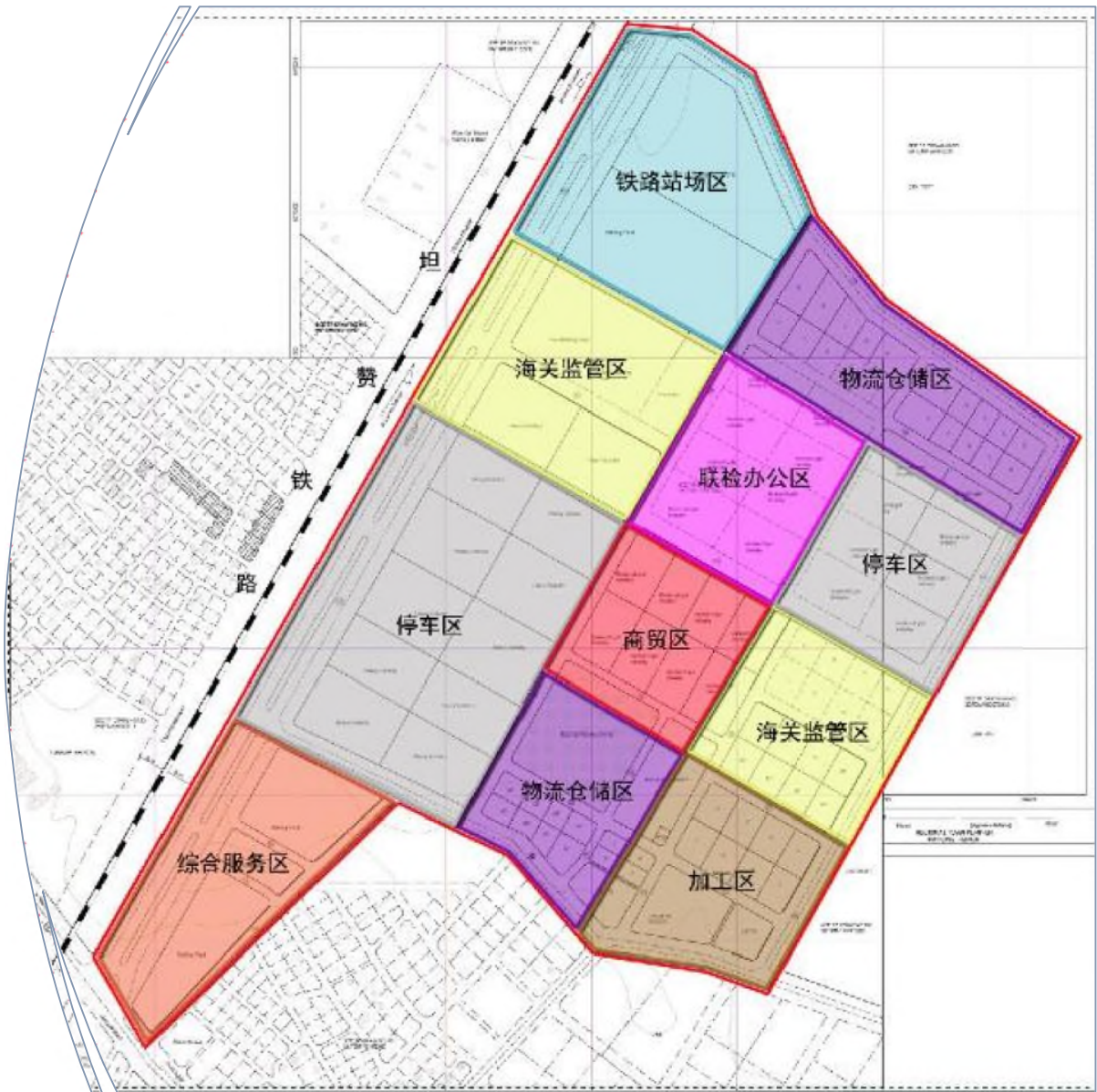


Figure 3: Project Layout Plan

The project site has already received a permission from the government and officially visited by the Deputy Minister for Transport in April 2024.



Figure 4: Deputy Minister Kihenzile on the Mpemba SEZ visit

3.1 Infrastructure Development

To make proper use of the project location, there will be both road and railway access to the project. The by-pass highway will be constructed 12kilometers off the current Tunduma highway. Road to the SEZ will be expanded as well.

It will direct all trucks to the project site. This will allow for proper utilization of infrastructure at the site including parking, fueling, service, use of ICD and CFS services in a government designated location and other services. The by-pass will also assist in easing long queues currently experienced at Tunduma border post. This creates improved efficiency and translates to incremental revenue due to shorter turn-around-times. With improved efficiency and shorter TATs, Dar es Salaam and Tanga ports will become effectively competitive and preferred port of choice.

As stated, the project will also have access to the TAZARA railway. This will increase the use of TAZARA infrastructure including wagons and other services thus improving TAZARA revenue through payment of access fees and renting of wagons. The developer plans to acquire own wagons to facilitate transportation by rail. Details of the plan is being developed in the financial feasibility report.

3.1.1 Road Connectivity

Songwe region is an important link between Tanzania and Zambia because it hosts the popular Tunduma-Nakonde border. This road connection is mostly used by trucks hauling cargo between Tanzania and Zambia. It is estimated that over 900 trucks cross the border per day creating unpleasant congestion and customs challenges due insufficient infrastructure. The current parking services are offered by private space owners who operate under on a yearly basis license granted by the municipal. The situation creates challenges with management of consignment, security and other compliance issues.

Noticing these issues, the Tanzanian government embarked on a project of upgrading the Igawa-Uyole- Songwe- Tunduma road. A whopping 218km stretch and the 48-km Uyole- Songwe by-pass. This project is underway and will decrease

congestion along the current trunk road that ends at Tunduma border post and will help in reducing truck travelling time.

3.1.2 Railway Connectivity

In addition to road connectivity, Songwe region is connecting Tanzania and Zambia through the Tanzania Zambia Railway (TAZARA). The TAZARA railway line is designed with a 1067mm-gauge, which allows through traffic operations with other Southern African railways, such as Spoornet of South Africa, Botswana Railways, National Railways of Zimbabwe, Zambia Railways Limited Namibia Railways, Mozambique Railways and Societe Nationale Des Chemins De Fer Du Congo Sarl (SNCC) of the DRC. Essentially, all railway networks in the Southern part of Africa can be accessed by TAZARA. With a designed capacity of five (5) million tonnes of freight per annum, TAZARA has been handling traffic for the Southern African Development Community (SADC) as well as the Common Market for Eastern and Southern Africa (COMESA), thereby providing a vital regional link amongst Southern, Eastern and Central African regions with the rest of the world through the port of Dar es Salaam.

TAZARA also has modern cargo terminus, complete with gantry cranes and other handling facilities at New Kapiri Mposhi, Kasama, Makambako and Dar es Salaam stations. These facilities provide a quick and efficient means for exporters and importers from different regions of Africa to load and offload cargo onto and from TAZARA wagons. New Kapiri Mposhi handles cargo to and from the Southern and Central African regions, whilst Kasama covers the Great Lakes region. Similarly, Mbeya and Makambako cater for cargo from Malawi and some parts of the Great Lakes. With such spread of the TAZARA terminus, cargo is easily relayed from region to region. In addition, there is a privately owned trans-shipment facility at Kidatu that handles the transfer of cargo from the wider gauge (1,067mm) wagons of TAZARA onto the narrower gauge (1,000mm) wagons of the Tanzania

Railways Corporation (TRC) facilitating interconnectivity amongst Southern, Central and East Africa.

Despite huge opportunities, the TAZARA line has been highly inefficient. Between 2018 and year 2023, the line hauled just 1.8million tons of cargo from Dar es Salaam to Zambia while annual Zambia imports through the port of Dar es Salaam are marked at nearly 2million tons per annum. In January 2023, the line purchased a 200-ton Well-Wagon, which is used for transporting Out- of- Gauge or abnormal loads such as turbines and other components for the Julius Nyerere Hydro Power Plant from Dar es Salaam to Fuga Station. The wagon was purchased at a cost of US\$ 1 million.



Figure 5: The 200-ton TAZARA wagon

3.2 Operational Management

JASTAN DISTRILOG is willing to apply for a long-term investment on the SEZ under Public Private Partnership (PPP) with government for better and more efficient border crossing. It will make Tunduma town as a central hub for neighboring countries.

Part Four

4. Social and Economic Impact of the Project.

Our investment in the project will have satisfactory social and economic impact to various stakeholders. These include the government of Tanzania through its various agencies such as TPA, TRA, LATRA, WMA etc. through trading with Zambia, and the Tanzanian trading community at large.

4.1. Impact to Government of Tanzania

For many years, Zambia and Tanzania have had a stable balance of trade and motion has been set for the two countries to strengthen their trade and investment relations. For example, in 2022, Tanzania exported \$148 million worth of goods to Zambia, mainly sawn wood, nitrogenous fertilizers, and glass bottles. Zambia's imports from Tanzania include machinery, building materials, and processed foods. This is an improvement from Zambia exports of just above \$71.4 million worth of goods in 2013 to Tanzania. The goods were mainly agriculture products and copper.

Through improvement in utilization of the TAZARA railway, Tanzania exports to Zambia including transit goods will increase. This will have an impact on improving the balance of trade through narrowing the current gap. During 2022, Zambia had a large net trade with Tanzania in the exports of Foodstuffs (\$24M), Vegetable Products (\$21.4M), and Metals (\$15.6M) and therefore, the project is expected to provide the government of Tanzania with arms to reduce the trade gap as data show that in 2017, Tanzania had a large net trade with Zambia in the exports of Chemical Products (\$20.3M), Wood Products (\$11.8M), and Mineral Products (\$10.1M).

4.1.1 Opportunities offered by Zambia to Tanzania Economy

In March 2024, Zambia reached an agreement with its creditors to restructure its \$ 3.3 billion Eurobond debt that has been long overdue. The historic achievement opened doors for investor trust on the country economy. The Zambia Gross Domestic Product (GDP) grew by an average of 5.7% for the past four years. Progress on debt restructuring, including a recent agreement in principle with bondholders accepted by official creditors and the IMF, is paving the way for exchange rate stability, which is expected to bolster macroeconomic stability and reduce inflation. With increased population, food demand in Zambia is expected to triple to \$ 25billion by 2030 thus creating export opportunities for Tanzania. Since Zambia is a landlocked country, the port of Dar es Salaam plays a crucial role in supporting Zambian imports which derives revenue to the government.

According to Zambia Import Statistics, Zambia top 10 import commodities in 2021 were Nuclear Reactors, Boilers, Machinery (13.9%), Mineral Oils & Fuels (9.72%), Vehicles (8.28%), Fertilizers (7.69%), Plastics & Its Articles (5.39%), Electrical Machinery & Equipment (5.08%), Pharma Products (4.51%), Chemical Products (4.51%), Raw Iron & Steel (2.94%) and Iron & Steel Articles (2.68%) Figure below shows top 10 Zambia imports for 2022 and shares of each trading partner.

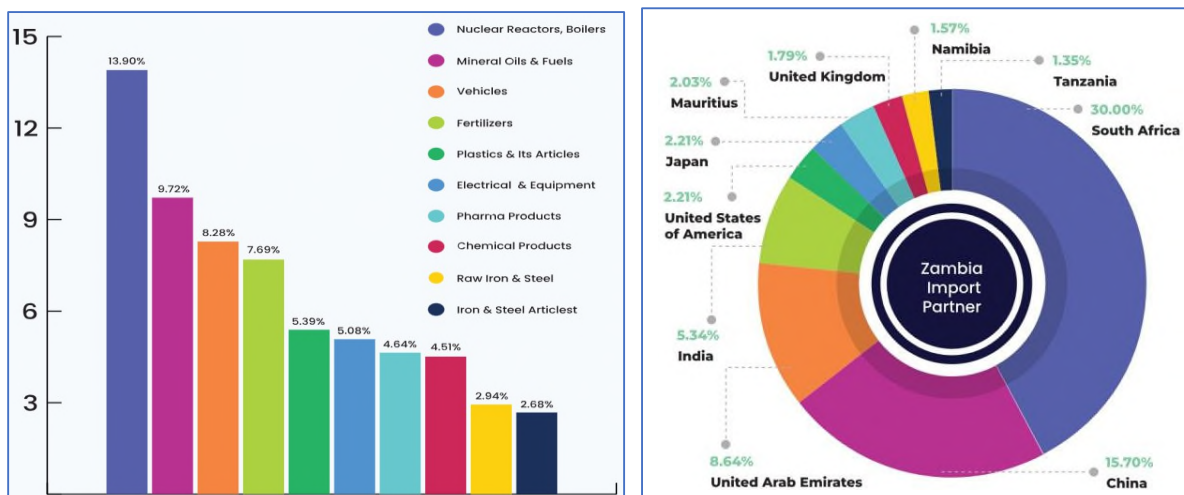


Figure 6: Zambia Imports and Trading Partners for 2022

The figures above show that China and South Africa are Zambia’s biggest trading partners with share of 15.7% and 30% respectively while Tanzania has only 1.35% share. This means, improvement of the TAZARA railway, the Mpemba border post and SEZ and other initiatives taken by the two countries will enhance Tanzania’s visibility in the trading bucket with Zambia.

Operations of the ICD/CFS will facilitate Zambia export trade while supporting revenue generation for Tanzania government. According to the Bank of Zambia Direction of Trade Report 2023, Zambia exports were USD 2.7bn in the third quarter of the year. Tanzania’s piece of the pie was USD 108.1million in which mining business was USD 43.1million. it is estimated that at Zambia uses Dar es Salaam port for at least 80% of its trade. Major business that Tanzania gets from Zambia includes:

- Mineral fuels, oils and products,
- Vehicle parts and accessories,
- Nuclear reactors, boilers and mechanical appliances,
- Fertilizers,
- Plastics,
- Salt, sulfur, earth and stone etc.

Top products, destination and values (USD millions) of Zambia exports for Q3 2023 are shown in the table below

| Product | Destination | Q3 2022 | Q3 2023 | % Change |
|---------------------|--------------------|----------------|----------------|-----------------|
| Copper | Switzerland | 976.1 | 1158.8 | 18.7 |
| Sulfur, Salt etc | DRC | 145.6 | 85.4 | -41.3 |
| Mineral fuels etc | DRC | 27.2 | 21.6 | -20.5 |
| Vehicles, parts etc | DRC | 8.1 | 62.4 | 671.8 |
| Ores, slag etc | Switzerland | 48.7 | 21.8 | -55.2 |

Table 1: Zambia Top Exports for Q3 2023

During that same period, it is estimated that more than 884,000 trucks crossed the Zambia- Tanzania border between January 2023 and May 2024 of which 603,000 trucks were imports (export and transit for Tanzania) Table below shows the number of trucks passing through the border during that period.

| Month | Export trucks | Import trucks | Total trucks |
|--------------|----------------------|----------------------|---------------------|
| Jan-23 | 14,535 | 31,682 | 46,217 |
| Feb-23 | 13,638 | 28,762 | 42,400 |
| Mar-23 | 16,617 | 35,411 | 52,028 |
| Apr-23 | 13,821 | 30,123 | 43,944 |
| May-23 | 15,931 | 36,359 | 52,290 |
| Jun-23 | 16,446 | 36,767 | 53,213 |
| Jul-23 | 17,647 | 36,467 | 54,114 |
| Aug-23 | 18,330 | 38,829 | 57,159 |
| Sep-23 | 18,894 | 38,926 | 57,820 |
| Oct-23 | 18,814 | 40,143 | 58,957 |
| Nov-23 | 17,718 | 38,468 | 56,186 |
| Dec-23 | 16,962 | 37,384 | 54,346 |
| Jan-24 | 17,175 | 35,957 | 53,132 |
| Feb-24 | 15,773 | 32,178 | 47,951 |
| Mar-24 | 16,890 | 36,293 | 53,183 |
| Apr-24 | 14,924 | 31,962 | 46,886 |
| May-24 | 16,821 | 37,648 | 54,469 |

Table 2: Truck traffic Data for Tunduma Border

4.2. Impact to Mpemba and Songwe Region

Agriculture is a major economic activity in the Songwe Region of Tanzania, employing around 75% of the household population. Songwe is one of the top 7 agricultural producers in the country. Several food crops, including maize, paddy, beans, sorghum, sweet potatoes, bananas, and potatoes, are grown in the region. Songwe is also rich in natural resources such as rare earth metals, gold, lime and coal. Its proximity to Zambia, makes Songwe an ideal region for maize and other exports. Songwe region is also well-known producer of cash crops.

Coffee is the most popular cash crop grown in Songwe. Others include sesame and sunflower.

| Crop | 2011 | 2012 | 2013 | 2014 | 2015 | Total | Annual Average | Percent |
|--------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|--------------|
| Coffee | 42,530 | 22,561 | 21,694 | 29,717 | 30,943 | 147,445 | 29,489 | 37.9 |
| Pyrethrum | 770 | 823 | 1,608 | 1,866 | 1,982 | 7,049 | 1,410 | 1.8 |
| Sunflower | 11,060 | 27,610 | 11,578 | 18,160 | 24,285 | 92,693 | 18,539 | 23.8 |
| Sesame | 19,208 | 27,449 | 20,866 | 35,226 | 15,375 | 118,124 | 23,625 | 30.4 |
| Tobacco | 277 | 588 | 800 | 5,352 | 1,065 | 8,082 | 1,616 | 2.1 |
| Groundnuts | 4,782 | 2,552 | 2,501 | 2,709 | 3,159 | 15,703 | 3,141 | 4.0 |
| Total | 78,627 | 81,583 | 59,047 | 93,030 | 76,809 | 389,096 | 77,819 | 100.0 |

Table 3: Cash Crops Production Trend for Songwe Region

The 2019 Songwe Investment Guide mentions establishment of dry ports being one of the key investment priorities for the region. JASTAN Distrilog will be able to do that.

Generally, the project is expected:

- to create direct employment to more than 2,000 Tanzanians and indirect employment to an additional 5,000 Tanzanians when considering the 1:2.5 direct to indirect employment relationship. Employment will be through increased farming activities, employment in small and medium scale industries, employment in the SEZ, drivers, servicemen, restaurant operators, medical professionals etc. According to the Songwe Investment Guide 2019, the region has about 2,320 small scale establishments carrying various activities. These establishments will find that relocating to the SEZ being more advantageous for speeding their growth ambitions.
- Improve government tax collection initiatives. The SEZ will put together many economic activities under one roof making it easy for government officials to provide services and administer effective revenue collection through taxes, fees and charges.

- Strengthen Tanzania's balance of trade with neighboring Zambia through promotion of exports from regions where the TAZARA railways passes.

Part Five

5. Project Management

5.1 Management Capabilities

JASTAN DISTRILOG has extensive experience in the logistics and value chain management. We will bring its extensive experience in running similar operations in Zambia and DRC where several PPP projects have been accomplished and are ongoing.

5.2 Financial Capacity

JIAYOU INTERNATIONAL LOGISTICS have substantial net-worth and well-defined financial means, through the holding companies has thus developed superb means of access to financial services.

Hence, JIAYOU INTERNATIONAL LOGISTICS is capable of raising financial resources required for the project construction, operation, maintenance etc. dwelling on the financial strength of the holding companies.