



REVOLUTIONARY  
GOVERNMENT OF  
Z A N Z I B A R

Ministry of Trade and Industry

ZANZIBAR INDUSTRIAL POLICY  
2019-2029



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## ABBREVIATIONS

<b>AZASPO</b>	Association of Zanzibar Salt Producers Organizations
<b>CGCLA</b>	Chief Government Chemist Laboratory Agency
<b>COSTECH</b>	Commission for Science and Technology
<b>CRE</b>	Central Register of Establishments
<b>EAC</b>	East African Community
<b>EEZ</b>	Exclusive Economic Zone
<b>EU</b>	European Union
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic Product
<b>ICT</b>	Information and Communication Technologies
<b>ILFS</b>	Integrated Labour Force Survey
<b>MTI</b>	Ministry of Trade and Industry
<b>NTFIP</b>	National Task Force on Industrial Policy
<b>OIE</b>	World Organisation for Animal Health
<b>PEOD</b>	Pemba Essential Oil Distilleries
<b>R&amp;D</b>	Research and Development
<b>RGoZ</b>	Revolutionary Government of Zanzibar
<b>SADC</b>	Southern African Development Community
<b>SME</b>	Small and Medium Enterprises
<b>SMIDA</b>	Small and Medium Industrial Development Agency
<b>TBS</b>	Tanzania Bureau of Standards
<b>TIRDO</b>	Tanzania Industrial Research and Development Organization
<b>TVE</b>	Technical and Vocational Education
<b>UAE</b>	United Arab Emirates
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>URT</b>	United Republic of Tanzania
<b>USD</b>	United States Dollar
<b>VAT</b>	Value Added Tax
<b>VTA</b>	Vocational Training Authority
<b>WTO</b>	World Trade Organization
<b>ZAFICO</b>	Zanzibar Fishing Company
<b>ZBS</b>	Zanzibar Bureau of Standards
<b>ZECO</b>	Zanzibar Electricity Corporation
<b>ZEMA</b>	Zanzibar Environment Management Authority
<b>ZFDA</b>	Zanzibar Food and Drugs Agency
<b>ZIP</b>	Zanzibar Industrial Policy
<b>ZIPA</b>	Zanzibar Investment Promotion Authority
<b>ZNCCIA</b>	Zanzibar National Chamber of Commerce, Industry and Agriculture
<b>ZSSF</b>	Zanzibar Social Security Fund
<b>ZSTC</b>	Zanzibar State Trading Corporation
<b>ZURA</b>	Zanzibar Utilities Regulatory Authority





## FOREWORD

Zanzibar's economy has continued to register a positive GDP growth rate since 2009, achieving a peak rate of 7.7% in 2017. However, for the country to become a globally competitive and prosperous nation, an average Gross Domestic Product (GDP) growth rate of 10% per annum would be needed over the next 10 years. Inter alia, this requires restructuring the economy through industrialization in order to set the base for increasing growth rates, generation of sufficient employment opportunities, and fostering Zanzibar's integration into the global economy.

This policy document (Zanzibar Industrial Policy) has been developed through a consultative process involving the public sector, private sector, civil society, development partners and non-Governmental stakeholders. It also takes into cognizance the Zanzibar Vision 2020 aspirations, the Zanzibar Strategy for Growth and Reduction of Poverty III (popularly known as MKUZA III), the current status of Zanzibar's economy, changes and developments in the global economy, and challenges faced by the industrial sector in Zanzibar.

The policy focuses on value addition for primary goods and promoting linkages between industrial sub-sectors and other productive sectors to drive the industrialization process. It aims at providing strategic direction for the sector's development with the overarching policy objective to transform the economy into a middle-income one by expanding and developing existing as well as new priority sectors in manufacturing.

The new industrial policy is guided by five principles, namely, it is targeted, implementable, feasible, aligned and phased, and participatory. The broad policy interventions grew into four broad pillars, namely: business environment, enterprise development, sectoral development and evidence-based policy analysis and action.

The policy provides for a broader engagement within which all stakeholders, including the public and private sector, civil society and development partners will contribute and play their respective parts in industrial development. The policy also recognizes that accessibility and affordability of financial services are most critical to the acceleration of industrial growth.

The implementation of this policy is expected to result in greater involvement of Zanzibaris in wealth and job creation through value addition activities by fostering backward and forward linkages, promoting the development of value chains, and building a diversified industrial base around priority sectors. The success of this policy will to a large extent depend on the ability of the private sector to translate opportunities, which the implementation of this policy will provide, into tangible outputs.

Finally, I would like to thank all those who participated in the process of developing this industrial policy. I urge all stakeholders to strive towards its full implementation and thus spearhead the realization of Vision 2020.

**Hon. Ambassador, AminaSalum Ali**  
MINISTER FOR TRADE AND INDUSTRY  
ZANZIBAR



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**Juma H. Reli**  
PRINCIPAL SECRETARY  
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## 1.0 Introduction

This document describes the new industrial policy for Zanzibar (hereafter referred to as ‘the policy’) over the period 2019-2029. It is meant as a tool to support inclusive and sustainable industrialization as a means for realizing economic growth and poverty reduction among the population. The success of this policy hinges on assessing and leveraging local industries’ strengths as well as the opportunities provided by the socio-economic context while remaining cognizant of existing threats and weaknesses.

The earlier 1998-2008 Zanzibar Industrial Policy was developed as the main framework for industrialization with the requisite strategies and plans for implementation. In 2016, the Ministry of Trade and Industry (MTI) decided to venture into the development of a new industrial policy as the former policy no longer reflected local industries’ needs and development priorities.

Despite various ongoing challenges facing industrialization efforts in Zanzibar, the commitment to industrial development has recently taken centre stage in the policy debate in Zanzibar. Adoption of the Long-Term Perspective Plan, which advocates for industry to drive the socio-economic transformation envisioned in the Vision 2020, and the Zanzibar social and transformation strategy (2015-2020), confirm that the Revolutionary Government of Zanzibar conceives industrialization as the main catalyst to transform the economy, generate sustainable growth, and reduce poverty. The policy responds to these new directions of socio-economic development in Zanzibar.

The policy formulation process was designed to be as participatory as possible in order to help ensure the relevance of its design and subsequent success in implementation with effective participation by various stakeholders. A National Task Force on Industrial Policy (NTFIP) was formed comprising of officials from both inter-ministerial stakeholders as well as the private sector, in particular, existing manufacturing firms and their representative bodies. Various consultations were organized with key actors in all Government agencies and private sector representatives dealing with industrial policy in the wider context. A number of other institutions and councils have also been involved in order to guarantee participation and full coordination among various actors involved in the policy cycle, from the design stage to implementation and enforcement.



## 2.0 Background on industrial development in Zanzibar

### 2.1 Overview on the economy of Zanzibar

Zanzibar has achieved high and stable economic growth with a 6 to 7% average GDP growth rate in recent years. However, the country depends mainly on agriculture and service sectors, with only a small contribution from industry, especially manufacturing.

Zanzibar's GDP grew by 7.1% in 2018 when the industrial sector contributed 17.8% to the GDP, while agricultural and services contributed 21.3% and 51.3% respectively. However, the manufacturing subsector's share was limited to just 5.7% of the GDP. Major commodities in manufacturing included agro-processed/food items, such as wheat flour, bread, beverages, and dairy products.

Sector	% Share of GDP by Year				
	2014	2015	2016	2017	2018
<b>Agriculture, forestry and fishing</b>	27.8	25.8	25.7	21.5	21.3
<b>Services</b>	44.7	46.1	45.1	48.6	51.3
<b>Industry</b>	16.8	18.1	18.6	19.6	17.8
<b>Manufacturing</b>	6.3	6.7	6.9	6.5	5.7

*Source: Zanzibar Economic Survey 2018*

For the period 2014-2018, manufacturing sub-sector growth was uneven, but averaged at 6.4% annually. A negative growth rate in 2018 (see Table 2) has been attributed to low production at the Azam Dairy Factory at Fumba Free Zone due to a fall in total intra-trade exports from Zanzibar to the Mainland. However, the manufacturing sector is anticipated to grow further due to enhanced production of sugar, molasses and spirit at the Mahonda factory following successful plant renovations and sugar cane farming initiatives. These include increasing numbers of out-growers' schemes and packaging factories. The rehabilitation and expansion of the Pemba Essential Oils Distillery will also result in increased production to meet higher demands for clove stem oil and other types of essential oils in international markets.

Sector/year	Annual Growth Rate				
	2014	2015	2016	2017	2018 P
<b>Agriculture, forestry and fishing</b>	-0.4	2.5	5.7	7.9	3.7
<b>Services</b>	10.1	7.9	8.0	7.7	10.4
<b>Industry</b>	6.4	10.6	9.7	5.6	2.2
<b>Manufacturing</b>	9.9	8.8	6.2	8.6	-1.6

Source: Zanzibar Economic Survey 2018. Note: P= Provisional values.

Recent figures show Zanzibar's total imports exceeding its exports' value by over five-fold. In 2018, imports amounted to TZS 335,847 million while exports were TZS 58,187 million, increasing the balance of trade deficit by TZS 277,660 million compared with the TZS 65,657 million recorded in 2017.

The main imported goods include staple foodstuffs such as rice, sugar, wheat flour, edible oil, construction materials, petroleum products, machinery and motor vehicles. Major sources of Zanzibar's imports include India, Pakistan, Japan, Brazil, United Kingdom and other European countries. Exports in the main consist of raw agricultural produce, especially cloves and seaweed earning TZS 15,540 million and TZS 9,081 million, respectively, in total export value in 2018. Major export destinations are India, UAE and Singapore, while current exports to East African Community (EAC) countries remain negligible.

Table 3 presents data on the balance of trade between Zanzibar and Mainland Tanzania, showing a negative trend for Zanzibar over the period 2015-2018. Imports from the Mainland have risen by 285%, from TZS 94,650.3 million to TZS 269,665 million. Over the same period, exports to the Mainland have fallen by 94%, from TZS 401,219.4 million to TZS 24,291.1 million.

Zanzibar's intra-trade with Tanzania has been in decline due to a decrease in re-exports from Zanzibar, which have for several years constituted over 90% of total intra-trade exports from Zanzibar to the Mainland. Re-exports consisted mostly of imported goods from outside Tanzania and manufactured goods by private producers.

Year	2014	2015	2016	2017	2018
<b>To Zanzibar</b>	81,384.4	94,650.3	134,059.5	206,482.2	269,665
<b>To Mainland</b>	366,354.2	401,219.4	84,760.9	33,657.7	24,291.1
<b>Trade balance</b>	284,969.8	306,569.1	-49,298.6	-72,824.5	-245,374.3

Source: Zanzibar Economic Survey 2018.



## 2.2 Industrial development in Zanzibar over time

### 2.2.1 Prior to 1964

Before the 1964 Revolution, there were some 23 industries/factories in Zanzibar, most of which produced coconut-based goods such as coconut oil, coir, soap, and others producing soft drinks (soda) and lime. The table below shows the distribution of factories according to their products:

Type of Product	Number of factories
Coir	8
Soft drinks (soda)	5
Coconut oil	4
Coconut oil / Soap	2
Soap	2
Coir/ oil	1
Lime	1
TOTAL	23

*Source: Ministry of Trade and Marketing 2015*

All of the factories were small in size, catering to the small population of Zanzibar at the time. The main raw material for these factories was coconut or its by-products, and almost all products of the factories were consumed in the country with the exception of some coconut oil, copra cake and coir that were exported.

### 2.2.2 The Period Between 1964 And 1990

Following the 1964 Revolution, all twenty-three factories were nationalized and operated as the Government Industries Corporations. The revolution was followed by adoption of centralized running of the economy enshrined in the Arusha Declaration of 1967 that discouraged private ownership of all means of production. All development activities and strategies in the period between 1964 and 1986 were guided by ujamaa (socialism) philosophy that placed an emphasis on the elevation of common wellbeing and self-reliance.

It was in this period that the Government embarked on a special programme of industrialization in the country. The main objectives of the programme were:

- Attainment of self-reliance in most basic goods through import substitution;
- Diversification of the economy from over-dependence on cloves;
- Creation of employment opportunities for growing streams of school-educated youths; and
- Utilization of locally available raw materials.

In that regard, and apart from the nationalized factories, the Government set up some twenty-six factories mainly at Maruhubi Industrial Area and Amaan Industrial Park with others scattered in other areas of Unguja and Pemba.

During the eighties, and in parallel to the Government, the private sector also began to invest in the industrial sector when Cotex Textile Mill (fabric manufacturer), Banco Afro-chem (production of mattresses) and Changuu Soap Factory were established.

The combined efforts in industrialization indicated above resulted in substantial annual contributions by the manufacturing sector to the GDP and employment generation in the eighties when many factories were in operation. However, by 1985/86 many factories had accumulated vast amounts of debt in the form of operating costs, and it became evident that the public sector could not sustainably run the factories. It was then agreed that economic reforms were inevitable, and, as a strategy, recourse was made to the concept of private investment as a viable approach to diversify and restructure the economy.

By the early 1990s, most public sector factories were struggling and operating at huge losses due to the following reasons:

- ▶ The factories relying on copra or other coconut-based products as their raw material were in a losing battle with a rapidly growing population, since dwindling annual coconut harvests were worsened by felling down of coconut trees for farming and residential purposes;
- ▶ Out-dated management skills and lack of management professionalism;
- ▶ The factories producing soft drinks (Potello brand) could not compete with more prominent brands of Coca Cola and their more efficient production methods;
- ▶ Other factories were hard hit by the foreign exchange crunch, high interest rates and price control policies;
- ▶ Frequent power outages;
- ▶ Persistent problem of over-employment in the factories;
- ▶ Stiffer competition from a higher volume of imported goods following economic liberalization policies of the mid 1980s; and
- ▶ The technologies used in manufacturing industries were designed for small-scale production, hence, a lack of potential for achieving economies of scale from large-scale production.

### **2.2.3 Economic Reform (1986 Successes and Challenges)**

The country embarked on an economic liberalization drive through the enactment of the Zanzibar Investment Promotion and Protection Act Number 2 of 1986, establishing the Zanzibar Investment Promotion Agency (ZIPA) to facilitate inward private investments. It was during this period that larger projects such as Afro-chem, Cotex, and Changuu Soap factories etc. were established with private capital, but these too soon closed shop due to a myriad of competitiveness constraints.

The reforms embarked in 1986 resulted in a fast rise in Zanzibar's trade (mainly in the import/re-export subsector), transportation (land, sea and air), and tourism activities, mainly in the construction of hotels, restaurants and other tourism related services. In fact, the economic reforms of 1986 transformed the local economy from one based on agriculture

and manufacturing to one led by services. By 1996, almost all state-owned industries had been privatized, except for a few strategic industries like the sugar factory at Mahonda and Pemba Essential Oil Distilleries at Wawi.

By 1990s, it became evident that most private investments were in trade and in services such as tourism, hospitality, transport etc. Very few investments were forthcoming in the field of manufacturing at the time when the public sector was disengaging from industrial operations or entered into joint ventures with private investors.

### **2.3 Potential for industrialization in Zanzibar**

The industrial sector is an important pillar to sustainable economic growth for many countries in the world, inter alia, due to its contribution to the GDP and employment creation function.

Zanzibar is a democratic country and her people have enjoyed peace and tranquillity since the Revolution of 1964. The archipelago is world-renowned for its strategic location for trade in the Indian Ocean and as a staging post for trade with adjacent and regional countries. The people of Zanzibar are blessed with an entrepreneurial culture and amiability.

The population of Zanzibar represents a limited local market for industrial production of a sizeable scale. Nevertheless, with reliable sea and air links to Tanzania Mainland and neighbouring countries, this challenge can be overcome.

Despite major economic and institutional reforms over many decades, Zanzibar has failed to fully undergo structural transformation, and, as a result, has continued to rely on the export of raw agro-products. One of the reasons for this state of affairs is the apparent reluctance of the local business community to invest in more risk-prone industrial projects as opposed to relatively safer trade in goods.

The strategic location of Zanzibar provides an opportunity to access the growing African market. Zanzibar, as a part of The United Republic of Tanzania (URT), is a member of EAC and Southern African Development Community (SADC), and can benefit from ongoing regional integration initiatives through greater ease of movement for locally produced goods. Moreover, Zanzibar has the opportunity to expand its export basket by targeting manufacturing value addition to spices, herbs, essential oils, perfumery, seaweeds and dairy products, and by processing low cost sodium chloride (table salt) obtained through natural evaporation of seawater.

Zanzibar is not endowed with many mineral resources like other developing and small island nations. As an island economy, Zanzibar is faced with limited arable land resources, and therefore has to focus on potential high value agro-products for industrialization. However, it is heavily dependent on products from the primary sector (such as agriculture, forestry and fishing) together with services (tourism in particular) for economic growth. While it is important to further develop the current lead sectors, Zanzibar needs to diversify further into manufacturing and value addition for local agro-products in order to gain robust and sustainable economic growth.

Tourism is an industry with important economic potential for Zanzibar. The number of tourists visiting the isles has been increasing in tandem with the development and improvements in tourism-related infrastructure like air and seaports, some trunk roads to prominent tourism locations, hotels, restaurants, resorts and other tourism facilities. These efforts have resulted in steady inflows of foreign and domestic investments in the sector to cater for both high end and budget tourists.

The tourism sector presents an opportunity for developing and marketing of food and non-food products of interest to tourists. However, these products would be required to be of unique character (made in Zanzibar) and of high quality and value. The policy aims to commercialize specific industrial products geared to this market segment based on conditionalities related to local content. The focus should be on enhancing benefits to a large number of local producers through linkages of the sector to the local economy in an inclusive manner.

In conclusion, industry in Zanzibar exhibits a significant number of untapped industrial opportunities with the potential to strengthen local production capacities and boost export competitiveness in selected sectors, and thus contribute to the country's economic development.

### 3.0 Situation Analysis

The need to have a revised Industrial Policy stems from the fact that recent attention given to the industrial sector has not been satisfactory, though some notable progress has been realized. A better understanding of the state of the economy, more particularly in regard to measures to enhance industrial production and competitiveness, requires some important baseline information. This is essential for any new policy, as it informs on the interventions needed in order for Zanzibar to realize its planned structural transformation.

Most business entities in Zanzibar are micro in size and informal. As of 2018, there were four industrial enterprises with more than a hundred employees. These include the Zanzibar Milling Corporation Ltd, Azam Dairy Products Ltd, Zanzibar Sugar Factory and Zainab Bottlers Ltd. According to the 2016 Comprehensive Update of the Central Register of Establishments (CRE), the number of establishments increased significantly from 23,355 in 2012 to 27,281 in 2016, which is equivalent to a growth rate of 16.8% over the five-year period. The number of establishments rose in parallel with the number of persons engaged in those establishments, which has shown a 44.3% growth rate, increasing from a total of 125,331 in 2012 to 180,792 in 2016.

The Central Register of Establishments revealed that the manufacturing sub-sector accounts for 3% of total employment in Zanzibar whereas the education sub-sector employs 29%, security and defence 19%, and accommodation and food services activities employ 17%. This calls for more investment in the manufacturing sub-sector to raise its national contribution by creating more job opportunities and, consequently, more Government revenue.

#### 3.1 State of the business environment

The business environment is the set of all external and internal factors that influence a business lifecycle, and that can affect the operation of a business. Among others, these factors include political, macroeconomic, microeconomic, institutional, social and technological factors and the like. A conducive business environment depends on a complex mix of friendly and stable laws, regulations and tariffs. These include interest, wage and currency rates; and consumer confidence, discretionary income, savings rates, etc. Other influential factors include market size, demand and supply, relationships with suppliers and distribution chains, and technological innovations.

The World Bank's 2019 Ease of Doing Business report, which also provides qualitative measures on national and local regulations, ranked Tanzania 144 out of 190 economies while the country's ranking on the ease of starting a business was 163rd. The report also shows that Tanzania ranked 183, 150 and 146 for trade across border, construction permits and registering of property, respectively. Conclusions of the World Bank report indicate that Tanzania and Zanzibar were not favourable in ease of doing business, and need to develop a more conducive business environment. It identified the need for improvements such as in implementing business and economic reforms, and addressing corporate governance challenges.

**3.1.1 Business registration:** Companies and businesses are registered under the Zanzibar Business and Property Registration Agency (BPRA), which is a Government agency established under the Zanzibar Business and Property Registration Agency Act No. 13 of 2012. BPRA is responsible for all matters relating to registration activities ranging from commercial/business entities to properties. An online registration system has been introduced for compilation of online services including registering business entities, business names, online payments and online information services. Other procedures to be taken into account in starting a business or a manufacturing enterprise include obtaining an investment certificate, a Taxpayer Identification Number (TIN) Certificate, a Value Added Tax (VAT) certificate and a business licence. Major concerns that need to be taken into consideration are the need to introduce standard checklists of documents required, the introduction of mobile banking services to ease payments, increased security to protect cyber-crime and hacking of information, and simplification of approval procedures.

**3.1.2 Regulations, licensing fees and levies:** A 2011 analysis of the business-licensing regime in Zanzibar revealed a multiplicity of burdensome and costly regulations, licences, fees, permits and certification rules administered by multiple authorities having different procedures. Per Act No. 13 of 2013, the Business Licensing Regulatory Council was formally established with the aim of putting in place uniform and simplified procedures and, overall, a transparent, effective, efficient and low-cost licensing system. With respect to levies and fees, reforms will have to be introduced, such as the abolition, combination or harmonization of fees. Furthermore, a single authority and/or focal point for business people should handle all licensing and registration matters. There is a need to speed up the operationalization of reforms and to simplify related regulations.

**3.1.3 Port infrastructure:** Cross-border trade comprises a main share of businesses in Zanzibar's economy including both imports and exports. The main merchandise imports of Zanzibar come from China and the Far East, Persian Gulf Countries, India and some European countries. The major exports leaving Zanzibar's port facilities are cloves, seaweed and other locally produced goods going to other countries. The main entrance for imports and exports in East Africa is the port of Malindi, which is one of the oldest ports in the region, and has an advantageous location along key trade routes.

The port's container-handling facilities present some shortcomings. Due to limited space, container cargo handling and other trade-related operations take place in a congested manner. Infrastructure limitations together with operational inefficiencies cause major delays during the peak season for imports and clove exports. Often, the presence of a large volume of imports such as rice, sugar, cooking oil and cement in the terminal makes container-handling operations difficult. Some big vessels pass through the port of Mombasa and discharge Zanzibar's cargo there, where it has to wait to be shipped to Zanzibar by smaller vessels. As such, improving customs and port operations will be vital to increasing trade flows, granting access to imported goods and facilitating exports of locally manufactured products to foreign markets.

**3.1.4 Electricity:** Infrastructure services, particularly electricity and water, are essential for business and industrial development to flourish around the world, and Zanzibar is no exception. A poorly managed, unaffordable, and unreliable electricity supply undermines firms' productivity and investment growth. Zanzibar is currently connected to the national (Mainland Tanzania) power grid through a submarine cable with a capacity of 150MW. Likewise, the island of Pemba is connected through a submarine cable from Tanga (Mainland Tanzania) with a capacity of 20MW, and has standby diesel oil-run generators with a capacity of 5MW. The estimated costs required to complete procedures for connection to the electrical grid is shown in table 5 below. Payments for the cost of electricity installation can be made through banks or cash at counters, and electricity bills are paid at the headquarters, working station or through E- payment.

**Table 5: Electricity Connection Fees**

S/N	Descriptions	Est. Cost in Tzs
1	Single phase 5 – 49 meters	402,260 – 609,232
2	Separate meter in single phase	279,068
3	Three phase 5 – 25 meters	841,454 – 959,454
4	Separate meter in three phases	659,734
5	Single phase with 1 – 4 wood poles	1,519,644 – 4,186,733
6	Three phases with 1 – 3 wood poles	2,470,957 – 4,432,631
7	Three phases with 4 – 15 wood poles	6,743,955 – 19,880,075
8	Transformer with accessories 50kVA – 315kVA	21,579,840 – 45,120,580

Source: ZECO (2018).

The major challenges affecting electricity supplies for industrial development include:

- i) Delays in processing of applications, assessment and connection;
- ii) Overloading of transformers causing lower voltages due to the large number of customers;
- iii) Lack of awareness on electricity tariffs (unit cost) by many customers; and
- iv) Regular power cuts that cause damage to electrical appliances.

**3.1.5 Labour Market Regulation:** The Doing Business studies measure the flexibility of regulations for employment, specifically as relates to the areas of hiring, working hours and redundancy. Doing Business also measures several aspects of job quality such as the availability of maternity leave, paid sick leave and the equal treatment of men and women at the workplace. The Immigration Department and Labour Commission process residence and work permits respectively, and social security is dealt with by the Zanzibar Social Security Fund (ZSSF) and other Funds that may support industry operations. Applications for Work and Residence Permits for a post to be filled by a non-citizen must be submitted in writing to ZIPA or other respective authorities. Such applications must include all necessary documents and pay the prescribed fees for the issuance of work or

residence permits. Among major concerns to be taken into consideration are the online application of residence and work permits and availability of a database of local skilled workers that investors can access. The Ministry of Empowerment and Labour has started developing a database of workers.

**3.1.6 Roads Infrastructure:** Roads are essential for economic growth and the competitiveness of a vibrant economy. They also increase agricultural productivity and feed raw materials into industrial development areas. Zanzibar has about 1,600 kilometres of roads, of which 85% are tarmac or semi tarmac. Tarmac roads cover most of investment areas including manufacturing. The remaining (15%) are earth roads, which are rehabilitated annually to make them passable throughout the year (investment guide 2017). Condition of the existing road network on the Island reflects some of challenges in road maintenance including climate and natural resource conditions, and insufficient funding for construction and maintenance of roads through existing mechanisms.

**3.1.7 Transport and Communications:** Transport and communications infrastructure are essential to the economic development of any country. For industrial development in Zanzibar, machinery and raw materials can be imported from other countries through shipping and air transport. The telecommunication system in Zanzibar is effective for both local and international calls. Advanced mobile phone technology is available, and the country is well served by telecommunication companies operating not only in United Republic of Tanzania but also in the East African region and beyond. Information and Communication Technologies (ICT) are increasingly being recognized as powerful enablers for economic, industrial and social development. ICT can advance economic growth, enhance social inclusion, increase enterprise growth, increase health and education services, and improve governance at all levels.

**3.1.8 Education and Skills:** Education is an essential tool to eradicate poverty, reduce child mortality, and curb population and economic growth. Therefore, curriculum modifications must be enhanced with modern teaching instruments. Zanzibar's economic growth largely depends on technological improvement and on its scientific and technical work force. Technical education therefore has a crucial role in speeding up industrial development. It provides one of the most potent means for development of a skilled work force as required by various sectors in the country. A more diverse infrastructure for scientific and technical training will make important contributions to the country's scientific and industrial development. Technical and vocational education (TVE) needs to be an integral part of national development strategies in many societies because of its impact on knowledge accumulation processes, productivity and economic development. Technical education should be a planned program of courses and learning experiences that begins with exploration of career options, supports basic academic and life skills, and facilitates achievement of high academic standards, leadership, preparation for industry-defined work, and advanced continuing education. Technical education has a major role to play by providing a much-needed skilled workforce in several areas of manufacturing industries including engineering, science and related fields. Without the availability of such skills, local industry would find it rather impossible to flourish.



## 3.2 State of enterprise development

Enterprise development services require much investment in time and capital in order to help people establish, expand and/or improve their businesses. As such, they comprise one of the crucial management tools of capitalism and a necessity for those seeking success in entrepreneurship. To be effective, such services require a survey of enterprises for future monitoring and evaluation of the effectiveness of adopted industrial policies.

The 2016 survey on industrial data revealed that the highest concentration of manufacturing establishments was in Mjini Magharibi with 362 establishments equivalent to 40.5% of the total followed by Kusini Pemba with 227 (25.4%), Kaskazini Unguja with 119 (13.2%), Kaskazini Pemba with 114 (12.8%) while Kusini Unguja had 72 (8.1%). Around 7,090 employees (96.8 % of the total) worked for establishments that were wholly owned by nationals; while 6 establishments (0.7%) with 170 workers (2.3%) were wholly foreign owned, and four establishments (0.4%) with 64 workers (0.9%) were under joint venture ownership.

The majority of the establishments (96%) were in the manufacturing sector. The amount paid by industrial establishments as compensation to employees was TZS 20,038 million while the total gross output or total value of goods and services produced was TZS 133,025 million and total cost of production (Intermediate Consumption) was TZS 71,653 million. The total added value was TZS 61,372 million, of which manufacturing had the largest contribution of TZS 60,459 million (98.5%).

## 3.3 State of sectoral development

There are a number of sectors that Zanzibar can target for industrialization based on the existing production structure and promising export markets. The following describes the main sectors in which industrial development has already been achieved in the past. These sectors will need further policy support for development while industrial development may also focus on new and improved products in new sectors as well as in existing ones. The sectors listed below will become subject to the industrial policy, not individually, rather in the form of a macro-sector development approach.

### 3.3.1 Salt industry

A lengthy evaporation process whereby seawater is pumped and stored in fabricated inland pans is used to produce Zanzibar salt. The high temperature along these coastal pans evaporates the water, leaving behind unrefined salt. In Pemba alone about 3000 metric tonnes of natural evaporated salt are formed yearly, of which 4 metric tonnes, equivalent to 0.4%, are for industrial use and the rest for edible consumption. Nevertheless, all salt produced is consumed unrefined, unbranded and sometimes unpacked.

The structure of the Zanzibar salt industry has changed throughout the years. In 2016, 56 salt producer groups were confirmed as engaged in salt-producing activities in the country. The 2018 production total was 6,152 MT with a market value of TZS 2.46 billion.

However, market competition, labour costs and small-scale production capacity were reported to be major causes of downsizing of the industry.

The potential to expand this industry is big considering that Zanzibar is endowed with virtually unlimited raw materials to develop the salt industry, namely seawater and solar energy. Furthermore, Zanzibar as a part of URT, is a member of EAC and SADC where there are opportunities to export the refined sea salt to the nearby land locked countries. Indeed, it is vital for the Government to support the restructuring process of the Association of Zanzibar Salt Producers Organizations (AZASPO) to become a vibrant business entity in order to tap into these potentials. Initiatives taken by the Revolutionary Government of Zanzibar (RGoZ) through the Ministry of Trade and Industry resulted in a newly registered company for processing the salt for local and export market.

### 3.3.2 Clove stems, essential oils and spices industry

The clove stems and essential oils distillery owned by the State Trading Corporation (ZSTC) and located at Wawi – Pemba, was established in 1982 as a turnkey plant with the rated installed capacity to process 3,000 metric tonnes of dried clove stems per year.

The Pemba essential oil distillery (PEOD) diversified its feeder to include lemon grass, cinnamon leaf, eucalyptus and sweet basil to raise the low utilization capacity of the plant. A project to revamp PEOD is to be undertaken accompanied with the scaling up of feedstock production at the Factory’s Mtakata farm to meet the expected rise in raw material needs of the factory. Mtakata farm covers an area of 251.90 ha, of which 35% has been developed and planted with eucalyptus, lemon grass and cinnamon.

The production of essential oils fluctuates from year to year. Annual production of clove stem oil averages at 20 tonnes with the exception of 2017/2018 when production reached up to 71.3 tonnes. The production of other essential oils is in small quantities with less than 100 kg per year for some of them.

**Table 6: Clove Stems and other Essential Oils Production over 2011/12 - 2017/2018**

Year	Clove stem oil (Kgs)	Lemon-grass oil (Kgs)	Cinnamon leaf oil (Kgs)	Eucalyptus citriodora oil (Kgs)	Eucalyptus camaldulensis oil (Kgs)	Basil oil (Kgs)	Clove leaf oil (Kgs)
2011 / 2012	28,888.5	48.2	11.4	719.5	554.5	18.9	-
2012 / 2013	18,231.0	46.8	104.5	253.5	454.0	7.0	1,258.5
2013 / 2014	14,901.0	48.8	42.8	635.5	472.5	6.45	2,042.5
2014 / 2015	21,900.0	45.97	140.0	659.0	-	7.0	1,266.0
2015 / 2016	13,347.0	40.2	-	124.2	242.5	10.8	948.9
2016 / 2017	29,662.0	94.72	12.0	304.0	426.0	5.7	2,032.2
2017/ 2018	71,390.0	139.45	25.2	633.3	11.0	11.9	852.5

Source: Zanzibar State Trading Corporation (2018)

The domestic market provides competitive prices especially for lemon grass clove stem and clove leaf essential oils, but the local market consumes only a small portion of the factory's production. The bulk of essential oils produced at PEOOD are sold in the international markets, especially in Europe and Asia. To be competitive in those markets, it is important to lower production costs and increase production to realize greater profits. Apart from its essential oil business, the Zanzibar State Trading Corporation is also engaged in developing the organic spice industry and branding of the Zanzibar spice products to foster further industrial growth in the archipelago.

### **3.3.3 Fish and anchovies industry**

Fishing is a key economic activity in Zanzibar, generating a variety of benefits, including nutrition and food security, livelihood, employment, exports and foreign currency. It is also related to conservation and biodiversity values that are of critical significance. According to Zanzibar Economic Survey report of 2017, fisheries sector contributed 5.7% to the GDP in 2016. In 2012, the sector was ranked third in contribution to the national economy at 7.1% of GDP after agriculture and tourism. Total fish production in Zanzibar was estimated at 29,000 MT in 2012 (RGoZ, 2016). Fisheries in Zanzibar are mainly composed of artisanal fishing units, mostly operating in inshore waters of both Unguja and Pemba Islands. Fishing takes place along the entire coastlines (about 880 km) of both islands, generally within a few kilometres from shore in depths less than 20-30 m (RGoZ, 2016).

The number of fishermen is currently estimated to be 49,332, which include 15,464 involved in catching anchovies and using traditional fishing gear and vessels including small boats, dhows, canoes and outrigger canoes. About 8,600 fishing crafts were recorded during the last frame survey, in 2010. Of those, only a few (10-15%) were fitted with outboard or inboard engines. The outrigger canoes mainly target near shore species such as snappers, emperors, rabbit fish, and groupers, whereas the dhows and bigger boats catch the offshore larger fish such as marlin, kingfish, sailfish and tuna, and the small and medium pelagic in deeper waters. Most of the fishing craft lack cooling facilities. Currently there are 30 fish landing sites used to collect information in Zanzibar. It is estimated that there are over 5,000 people indirectly employed in fishing and related activities e.g. boat construction, fish processing and marketing.

Most of the fish catch is locally consumed on the same day as caught. Only a small amount of the pelagic catch and those landed late in the day are preserved using refrigeration. The total catch landed is estimated to be 29,000 MT per annum with existing potential for increased production (RGoZ, 2016). Fishing activities are expected to expand due to increasing demand for fish especially from neighbouring countries such as the Democratic Republic of Congo, Rwanda, Burundi and South Sudan. However, there are very limited fish processing activities in Zanzibar in spite of recent support provided by the fishery administration to construct fish markets in collaboration with the communities. The most common methods of fish processing are salting, sun drying and smoking. About 80 to 90% of anchovies are boiled before drying while only 10 to 20% is dried directly under sunlight without boiling.

Fishing and processing of anchovies are traditional income-generating activities in Zanzibar. Usually, the landed anchovies are first mildly boiled and then spread for sun-drying on mats, fabrics, nets placed on hangers, or sometimes directly on the ground.

In recent years, the anchovy business has become a prime economic activity, spreading widely in almost all parts of Zanzibar, and employing more people, women in particular. The expansion of the business is spurred by rapid growing demand and popularity of the dried sea anchovies in neighbouring countries where more than 1,971 metric tonnes were exported to the Democratic Republic of Congo and Zambia or transferred to Tanzania Mainland in 2016. It is estimated that over 10,000 people are directly engaged in the anchovy value chain countrywide.

### **3.3.4 Seaweed industry**

Zanzibar annually produces about 16,000 tonnes of dried seaweed that is exported raw without any value addition. The seaweed sector is among major economic activities in Zanzibar. Estimates indicate that between 12,000 to 25,000 farmers engage in the sector, of which around 80% are women.

The world seaweed market is very competitive leading to discouragingly low prices, which brings an untenable income to local farmers. The situation calls for a need to diversify uses of seaweed including its value addition. Currently, a small fraction of the seaweed produced locally is ground into a powder form that attracts a higher value compared to the raw product. Seaweed powder is used in the production of soap, body creams, lotions and some food varieties especially seaweed cake, seaweed salad and other products.

Expansion of Zanzibar's seaweed output depends on crop diversification, improvements in farm productivity, and the development of new value added products for new markets. However, there is a need to support innovative capacity in Zanzibar for undertaking such tasks. In addition, very little seaweed processing is done in Zanzibar because no serious investment has been made in processing technology or the development of seaweed products and markets.

### **3.3.5 Dairy industry**

The Dairy sector is among emerging sectors in Zanzibar, pushed by higher demand from the tourism sector. To meet this growing demand, it is critical to promote more investments throughout this sub-sector's value chain. According to the 2012 census, there were 176,000 cows, 4,500 of which were lactating and produced 36,000 litres of milk per day. Zanzibar's cattle-counting census of 2018 calculated a total of 950,000 local zebu and dairy cows. The above statistics show a promising expansion in the sector. Currently, there is one dairy factory having a minimum capacity of processing 30,000 litres per day and a maximum capacity of 200,000 litres.

### **3.3.6 Furniture, decoration and handicraft industries**

Zanzibar is famous for innovative wooden products and carvings. It has a great competitive advantage to serve the booming tourism industry with furniture, beds and decorated or otherwise carved wooden doors. Currently, there are about 1,306 people engaged in carpentry and woodwork.

Due to their creative potential, local carpenters can also organize and take part in Government initiatives to supply school desks, office furniture and other needs.

### **3.3.7 Jewellery and lapidary industry**

Making high quality jewellery and accessories on the island of Zanzibar takes its inspiration from the island's cultural melting pot of African, Arabian and Indian influences, borne out of years of trading across the Indian Ocean. The local skilled jewellers can scale up their production activities with imported raw materials from the Mainland or abroad, and sell their products to Middle Eastern and Asian markets and also to the tourists in Zanzibar.

### **3.3.8 Oil and gas industry**

The Revolutionary Government of Zanzibar has embarked on oil and gas exploration in its territory. Even though it is still early to speak about the outcome of ongoing activities in this sector, initial findings are very encouraging. Oil and gas exploration are accompanied with a range of requirement for goods and services. While specialized capital goods will have to be imported, there are many opportunities in supplying locally sourced consumer goods like food, furniture, staff uniforms and various services to these projects.

Working on the sectors mentioned above should be continued with a strategic approach that combines development efforts in sub-sectors requiring similar capabilities and productive resources, and addresses emerging challenges. In light of this, the policy document centered in on four macro sectors:

- i) Light manufacturing: Usually commodity-based and low-capital-intensive consumer goods industries.
- ii) Agro-industry: Production of unique and exotic agricultural products that add higher value, for instance spices and essential oils.
- iii) Blue economy industry: A set of economic activities that sustainably explores and preserves the marine environment, such as sustainable fisheries.
- iv) Emerging industries: New industrial sectors that could have important linkages with established activities and foster new ones promoting structural change in Zanzibar. Some opportunities could be in the oil and gas sector or information and communications.

## **3.4 Environmental issues**

Environmental concerns play a crucial role in industrial development and shall be taken into account in all development initiatives. Among others, it is necessary to address challenges related to conservation, as it strives towards attaining ambitious development goals. Industries require and use energy and water in huge quantities, and in the process produce other by-products that are hazardous to the environment, such as carbon, smoke, chemicals, noise etc. Industrial investments should be pursued cautiously to ensure sustainable use of the Island's natural resources and in the choice of environmentally friendly technologies that make efficient use of energy.

### 3.5 Social issues

Zanzibar still faces major development challenges including high population growth rates with the population projected to double by 2050. The population is estimated to have reached 1.5 million people in 2018 with an annual growth rate of 2.8%.

Poverty in Zanzibar remains at high levels, being more pronounced in rural areas than in urban ones with women being most affected. According to the Zanzibar Household Budget Survey (2014/2015), 30.4% of Zanzibar lives below the basic needs poverty line, with 10.8% living below the food poverty line in the same period.

Zanzibar's unemployment rate, as reported by the 2014 Integrated Labour Force Survey (ILFS), has almost tripled between 2006 (5.5%) to 2014 (14.5%), while during the same period rural unemployment has increased fourfold from 1.6% in 2006 to 7.5% in 2014, with rural women being more severely affected at 12.1%. The ILFS (2014) also shows that the unemployment rate for the youth (aged 15-24) was 27%. Within this group, young women were more than twice as likely to be unemployed than young men with a women's unemployment rate of 38%, compared to 16.4% for young men. Overall, the group with the highest unemployment was women between the ages for 20-24 with an unemployment rate of 41.2%.

Industrial activities, particularly manufacturing, have been at the core of structural change that consistently creates higher levels of output and employment, and thus leading to unprecedented growth in incomes and social welfare for society. Rising incomes due to expanding manufacturing activities lead to greater demands for manufactured goods, which in turn translate into a relative decline in households' share of spending on agricultural products. Accompanying these changes are shifts in the labour force and population from an agrarian economy into manufacturing in urban areas and services. For a developing economy like Zanzibar that aims at maintaining growth while sustaining job creation, manufacturing would offer an excellent opportunity not only for rebalancing the economy towards higher value-added sectors, but also to provide a relatively wide employment base with higher labour productivity that leads to accelerated socio-economic development.

### 3.6 SWOT Analysis for a New Industrial Policy for Zanzibar

Zanzibar, being an island with a limited land area, has its share of strengths, weaknesses, opportunities and threats, as summarized in Table 7 below:

<b>Table 7: SWOT Analysis for Industrial Policy</b>	
<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>• Availability of easily trainable work force at low cost</li> <li>• The existence of industry development strategy and selected priority sectors</li> <li>• Availability of incentives to attract local and foreign investment, and increased trend of investment in the sectors</li> <li>• Growing number of enterprises of all sizes Improving role of the private sector</li> <li>• Entrepreneurial culture</li> <li>• Political stability and amiable population</li> <li>• Geographical position as a staging post to the East African Region</li> <li>• Use of Zanzibar as a brand</li> <li>• Streamlined investment approval and facilitation mechanism and general business environment</li> <li>• Reliable and cost-effective air and sea links with larger neighbouring markets</li> </ul>	<ul style="list-style-type: none"> <li>• Inadequate supply and value chain management</li> <li>• Inadequate joint planning, coordination, and collaboration among different public and private institutions</li> <li>• Limited capacity of existing institutions to implement policies and strategies</li> <li>• Limited strategic linkage between industry and agriculture</li> <li>• Lack of strong marketing strategy at the national and sectoral levels</li> <li>• Limited quality service delivery by public institutions</li> <li>• Limited FDI flow as compared to the need for industrialization</li> <li>• Weak transport and logistics services</li> <li>• Limited capacity of existing technical Institutions and R&amp;D Institutes to train qualified professionals and specialists for industry</li> <li>• Inadequate alignment of the training system with the demands of the manufacturing sector</li> <li>• Slow growth in the graduation of existing SMEs</li> <li>• Lack of machinery maintenance, rehabilitation, modification and replacement</li> <li>• Insufficient land for cultivation of industrial produce and availability of raw materials</li> <li>• Lack of some sector-specific skills</li> <li>• Relatively low manufacturing incentives</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>• Transformation of an agrarian economy into an industrial one</li> <li>• Relatively large regional market</li> <li>• Improved relationship with the private sector and international development partners</li> <li>• Abundant opportunity to supply locally produced goods to the tourism industry</li> <li>• Exploitation of marine and development of aqua culture, fishing and fish processing industry</li> <li>• Developing improved and FDI attracting infrastructure (transport and logistics, water and power supplies and telecommunications)</li> <li>• Creation of conducive environment for investment</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing costs of import-export transportation and logistics</li> <li>• Relatively slow development of social overhead capital (SoC) compared to the urgency for industrialization</li> <li>• Global climate change</li> <li>• Difficult to access the local(mainland) and regional markets</li> <li>• Existence of low-price competition</li> <li>• Penetration of undervalued, under-declared, counterfeit or otherwise substandard or used goods through customs and unofficial entry point.</li> </ul>





## 4.0 Policies and regulations aligned to industrial development

Zanzibar has implemented several well-defined policies and strategies aimed toward achieving economic growth and industrial development.

### 4.1 Vision 2020

The goals of Vision 2020, amongst others, include developing strong, diversified, resilient and competitive agriculture, industry, tourism and other productive socio-economic sectors to cope with the challenges of changing market and technological conditions in the world economy. The Vision set to achieve an economy that is diversified and semi-industrialized by year 2020, with the combined shares of tourism, trade, manufacturing and construction sectors targeted to reach over 60% of the GDP.

The Vision's policy on the industrial sector and industrialization process is to create specialized, economically efficient, financially strong and profitable industrial enterprises that produce high quality goods for domestic use and export. The Vision's objectives for the industrial sector and industrialization include:

- To establish a comprehensive industrial sector policy.
- To establish an industrial sector for specialized activities, generate income and employment, increase and diversify the sources of export earnings, and ensure efficiency in the use of resources and environment.
- To develop and promote efficient agro-based, small and medium size industries to broaden the industrial base and encourage rural industrialization.
- To develop industries that support other sectors, increase capacity utilization and produce basic and essential requirements for the people of Zanzibar.
- To ensure the promotion and protection of both domestic and foreign investments through fiscal, legal and regulatory mechanisms.
- To ensure the promotion of industries that boost employment.
- To have a specific policy for the promotion of both local and foreign investments.

### 4.2 The Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP III)

A modern manufacturing sector is a crucial pillar of economic development, achieved through backward and forward linkages to local and international value chains. Improvements in this sector are expected to lead to sustained employment creation and increased volume and value of trade. However, the country has yet to take full advantage of the sector. Zanzibar's manufacturing sector constitutes only 8% of GDP (2015), and manufactured goods represent only 20.4% of exports, most of which were originally manufactured elsewhere. As in the agricultural sector, ZSGRP III aims to facilitate the modernization of the manufacturing sector toward higher value addition. It is important for the Government to support research and development institutions to deliver improved services, while encouraging light manufacturing through establishing attractive incentives for industrial projects.

To achieve the outcome, a number of programmes and projects have been designed. These include upgrading of light industries, exploration of oil and gas, and strengthening standard bodies.

### **4.3 Strategy for Sustainable Social and Economic Transformation (2015-2020)**

The strategy is described as a “Twin Engine Economic Transformation” promoting a “Heritage-Centric Experience” and “Agro-Community and Light Manufacturing” (Cluster Development for Light Manufacturing in Food, Aesthetics and Beverage). Among others, this document provides a basic review of the economic performance in major strategic sectors. The review found that sectors such as agriculture and manufacturing had not seen substantial growth over the previous three years due to a lack of development support. For example, investment promotion was pursued inadequately and without a focus on industry. In addition, the investment targets established seem to be too prohibitive to attract foreign investors. Many countries have more favourable and highly attractive investment eligibility programs. A committee set up by ZIPA must approve tax exemption for imports of materials. The process is lengthy and causes delays in manufacturing.

### **4.4 Industrial Policy**

The first Zanzibar Industrial Policy (ZIP) of 1998 was formulated when the state was retreating from running commercial entities directly, and focussed instead on the establishment of a conducive environment for greater private sector participation in economic activities. The Policy was ideally to be implemented for a period of ten years, and therefore now, after some twenty years, with almost all state-owned enterprises privatized, the economic situation has changed substantially, and needs a thorough review as is being done in developing this new Industrial Policy.

The Revolutionary Government of Zanzibar developed this new Industrial Policy to open up a new phase of industrial development and unlock a number of productive opportunities for Zanzibar to move towards a more inclusive and sustainable growth model. The aim is to transform the economy utilizing the locally available or imported raw materials using technology that is more efficient. In that regard, the ZIP recognizes the indispensable need to fully engage citizens and the private sector in particular, in the industrialization process that would encompass optimal utilization of human and natural resources of Zanzibar. It has also suggested action plans on how development obstacles can be best addressed in the context of the current socioeconomic situation in Zanzibar.

## 4.5 Related Policies

While the Zanzibar Industrial Policy is sector specific, it supports linkages and synergies between other productive activities that are necessary in the industrialization process. In that regard, Zanzibar Industrial Policy recognizes the presence and relevance of other interrelated policies such SME development policy, trade policy, agricultural, fisheries, livestock, forestry, youth, women and employment related policies, to name but a few. The policy is also aware that private sector institutions, particularly ZNCCIA, have taken some initiatives in organizing and developing capacities of entrepreneurs, which have resulted in having a broad spectrum of the informal sector involved in productive activities.

### 4.5.1 SME Policy 2006

SME Policy identified strategic and potential sectors for adding value to the natural resources and traditional crops of Zanzibar, generating foreign earnings, providing significantly increased employment opportunities and spreading benefits to various regions of Zanzibar. The Government recognizes the need to direct substantial public resources in promoting production and value addition of crops, products and services with comparative and competitive advantage and market access potential. Therefore, emphasis is given to certain special agricultural products, tourism, fishing, business services, manufacturing and food processing.

In order to develop vibrant SMEs in the country, the SME Policy 2006 recommended the establishment of incubation centres that provide technical support in a hands-on approach through relevant trainings on techniques of value addition of agro products and entrepreneurship. Moreover, the Policy proposed the establishment of a packaging scheme for SMEs in order to provide proper and affordable packaging materials to improve the quality of locally produced goods for local and export markets. The review of the SME Policy 2006 currently underway emphasizes the need for more support to the MSME sector for sustainable growth and poverty alleviation.

### 4.5.2 Zanzibar Investment Promotion and Protection Authority Act (2018) and Zanzibar Investment Guide (2017)

The Act established the Zanzibar Investment Promotion Authority (ZIPA) as a focal point for promotion and facilitation of investment and business. The authority shall function as a one-stop centre providing services to approved investors. The Act also provides for protection against compulsory acquisition of property and dispute settlement. Identified priority sectors for investment promotion include tourism, manufacturing, fishing, infrastructure, transport and agriculture, among others.

In order to expedite operations in industrial projects, investors prefer to make use of built-up premises, rather than engage in a lengthy construction exercise of factory buildings, which usually results in land acquisition issues. ZIPA as custodian of the Free Economic Zone readily offers plots and sheds for lease/rent to potential investors.

Investments under ZIPA enjoy tax incentives such as exemptions from corporate taxes and import duties for imported capital goods and raw materials. Such incentives, however, require approval by the Minister responsible for finance. Eligible projects in operation or pre-operation stages under the ZIPA regime enjoy a 75% exemption from duty and VAT on capital goods, construction materials, raw materials, machinery, equipment and other inputs. However, tariff and taxation exemptions on imported goods and foodstuffs (including fish and poultry products) discourage the production and consumption of local fishery products.

#### **4.5.3 Zanzibar Trade Policy (2006)**

The Zanzibar Trade Policy emphasizes a community-based development approach with a view to encourage social cohesion and investment in the country, and adoption of modern practices and systems. Also, the Policy calls for improvements in public and private sector performance while discouraging importation of counterfeit or otherwise substandard or used goods through customs and unofficial entry points. The advent of the Zanzibar Bureau of Standards (ZBS) is expected to mitigate the influx of defective and illegal imports, and to raise the quality of locally produced goods.

#### **4.5.4 The East Africa Community Customs Management Act (2004)**

The East African Community has the mandate from the partner states to ensure economic, social and economic integration in the East African Region. To achieve a fully-fledged customs union, EAC Customs Management Act 2004 was enacted to facilitate the implementation of customs matters. As part of the East African Customs Union, Tanzania imposes the EAC common external tariff on goods from non-EAC countries. The tariffs range from zero for raw materials to 10% for industrial used goods, and 25% for consumer goods. As of January 1, 2010, there are no tariffs on EAC-origin goods from countries within the union.

The Government in compliance with EAC decisions has taken several measures including reduction of duties to manufacturers whereby raw materials are not charged, semi-finished goods are charged 10% and finished goods are charged 25%. However, the benefits from these exemptions scarcely trickle down to the targeted consumers due to apparent routine abuses by some traders against the Government's good intentions. The abuset sometimes results in undermining local producers of similar products, resulting in discouragement of local production.

#### **4.5.5 The Public Procurement and Disposal of Public Assets Act (2016)**

The Act provides preference scheme for improving the economic and social policy of the Government and for meeting international obligations. Preference shall be given to domestically manufactured goods, Zanzibari contractors and consultants in order to promote their development by giving them competitive advantage when competing for public procurement contracts with foreign manufactured goods, foreign contracts and foreign consultants.

#### **4.5.6 Zanzibar Standards Act 2011**

The Zanzibar Standards Act of 2011 was enacted to establish the Zanzibar Bureau of Standards (ZBS). It is mandated to undertake measures for quality control, quality assurance and certification of commodities, services and environment of all descriptions and to promote standardization in industry and trade. Specifically, the ZBS sets the standards to assist local firms and entrepreneurs toward improving the quality and competitiveness of locally produced goods, and for controlling the quality of imported goods.

The Act emphasizes on testing commodities and products for conformity to standards before they reach the consumers. Non-conforming goods shall neither be exported nor released for domestic use and shall be disposed of accordingly by the Bureau in collaboration with other relevant authorities. In order to accelerate market access, it is necessary for the firms to work closely with the ZBS, which in turn has signed a memorandum of understanding on mutual recognition with Tanzania Bureau of Standards (TBS) in order to facilitate trade between the two parts of the United Republic.

#### **4.5.7 The Zanzibar Foods, Drugs and Cosmetics Act (2006/2017)**

The Government had established the Zanzibar Foods and Drugs Agency through the Zanzibar Foods, Drugs and Cosmetics Act, No.2 of 2006 as amended in 2017, with the mandate to certify foodstuffs, cosmetics and drugs for human consumption as well as for animal feed. In its jurisdiction, ZFDA regulates standards of quality for all products included under this Act that are manufactured, or intended to be manufactured or imported into or exported from Zanzibar. The Act imposes restrictions on importation of food, cosmetics and drugs, prohibiting any person from carrying on the business in the concerned products without prior registration and approval of the agency.

In carrying out its functions, ZFDA operates laboratories and performs safety checks and analyses relating to foods, cosmetics and drugs, packaging materials and raw materials used in the food manufacturing and all other activities in relation to the quality of these mentioned products. Non-conforming products are condemned and designated to be destroyed under the supervision of the agency in collaboration with other relevant authorities.

The Agency advises or otherwise assists local firms and entrepreneurs in improving quality and safety of their locally produced goods as an important aspect in the industrialization process. In performing its functions for inspecting and testing quality and safety of the locally produced food or other chemical products, there has been overlap or duplications with other authorities conducting related functions such as the Zanzibar Bureau of Standards and the Chief Government Chemist. Hence, there is a need for coordination and harmonization of inspection procedures, test results and decisions.

#### **4.5.8 Chief Government Chemist Laboratory Act (2011)**

Beside the ZFDA and ZBS, the Government of Zanzibar has established the Chief Government Chemist Laboratory Agency (CGCLA, established by the Chief Government Chemist Laboratory Act No.10/2011) for testing foods, beverages, and medicines to determine compliance with prescribed quality standards. The Agency has the role of car-

rying out tests on industrial and consumer chemicals and chemical products. The three testing bodies (i.e. ZBS, ZFDA and CGCLA) work very closely in promoting the competitiveness of local manufacturers, and more importantly, in safeguarding the health and welfare of local consumers.

#### **4.5.9 Zanzibar Vocational Education and Training Policy (2005)**

The policy aims at promoting Vocational Education and Training, including the establishment of Skills Development Centres, according to the needs, within the framework of overall socio-economic development plans and policies. The policy also aims to contribute significantly to imparting essential skills for employability, entrepreneurship and self-employment of youths. Moreover, the policy emphasizes improvements in utilization of the country's human resources. It ensures, through training, upgrading and updating, that the demand for skilled labour is met in accordance with current and anticipated technological, economic and social needs of Zanzibar.

#### **4.5.10 Vocational Training Act of 2006**

The act established the Vocational Training Authority (VTA) with the function of supervising and coordinating vocational training in Zanzibar. VTA establishes, runs and regulates vocational centres in Zanzibar. Currently, there are three vocational training centres; two in Unguja and one in Pemba operated by VTA. Two additional vocational centres are under construction, ensuring that there will be a vocational training centre in each of the five regions of Zanzibar. In addition, there are about fifty private vocational training centres registered and regulated by VTA. To spearhead skills development initiatives in the country, a joint public/private special fund known as the Skills Development Levy (SDL) was established, and is now operational. The fund is being used to facilitate development of skills needed by private enterprises or for self-employed entrepreneurs.

#### **4.5.11 Education Policy of 2006**

The Policy states that one way of getting skilled workers in the country is by providing them with technical and vocational education/training. Technical and vocational education/training is a necessary ingredient towards poverty reduction as it provides opportunity for self-employment. Therefore, the Policy emphasizes that technical education and vocational education and training shall be designed in line with labour market demands. To align with Policy demands, one institution currently provides technical education at ordinary diploma level, and another provides Bachelor of Engineering programmes in Zanzibar. The ordinary diploma programs span for three academic years. During the study period, the students are required to conduct practical industrial training in industries or working places related to their fields of study.

#### **4.5.12 Employment Policy (2008)**

The policy has the objective of stimulating national productivity, to attain fully and freely chosen productive employment in order to reduce unemployment and underemployment rates, and enhances labour productivity. It acknowledges the role of agriculture (including fisheries and aquaculture) as an important source of employment for the rural community, especially women and youth. The purpose is to ensure use of the available active workforce through formal employment or self-employment.

#### **4.5.13 Zanzibar Fisheries Policy (2016)**

The policy emphasizes private sector investment in the production and marketing of traditional and non-traditional products to increase income and employment opportunities in the sector. The Policy aims at promoting growth in the post-harvest fishery sector including increasing fish supply and value addition. It also seeks to improve the quality of fishery products in line with food security requirements of the population of Zanzibar, and to meet international standards in fish trade. Hence, processing factories are vital for the development of the sector.

#### **4.5.14 Land Policy (1995)**

Land is critical in economic, social and cultural development in Zanzibar. The National Land Use Policy provides demographic information such as on population, human settlement and community resources. It also provides planning recommendations for land use related to forestry, agriculture, tourism, industry, and coastal and marine resource management. The Plan recognizes the role of agriculture as a major land user, absorbing about 60% of Zanzibar's total land area.

#### **4.5.15 National Forest Policy for Zanzibar (1999)**

The policy has the goal to protect, conserve and develop forest resources for the social, economic and environmental benefit of present and future generations of the people of Zanzibar. Its goals are to increase national revenues, alleviate poverty, and protect the environment. It envisages, among others, community forestry for production and income generation, increased supply of forest products, and improved rural incomes by promoting and supporting suitable and participatory forest activities at the community level. It also protects Zanzibar's remaining natural forests and wildlife as part of an integrated effort to conserve the nation's biodiversity and increase the production of forest resources at suitable levels. Furthermore, it aims to improve the efficiency and profitability of forestry activities to improve the supply of forest products for national consumption. The policy shall be a key component of Zanzibar's industrial development.

#### **4.5.16 National Water Policy (2004)**

Water is an essential resource for most industries specifically to those engaged in manufacturing. Industrial water is used for a variety of purposes such as in cleaning or dissolving substances, fabricating, processing, diluting, cooling, transporting, smelting and refining, and in industries producing chemicals, food and paper.

Most of the water used by industry is not consumed and can be returned to the water supply. Some industrial wastewater contains hazardous material such as heavy metals or acids. These need treatment before entering the water supply and legislations relating to the environment provides for treatment of this wastewater so it can be safely re-used by the population.

The mission of Zanzibar Water Policy is to develop and provide a potable, adequate, affordable water supply and sewerage services in a sustainable and environmentally friendly manner to all consumers.

The policy also provides for the responsibilities of various sectors in the implementation of water sector policy. The institution responsible for the industry is required to provide an up-to-date inventory of industries, both existing and planned, as well as on the amount of water, water related activities and by-products used by such industries.

There is a need to collaborate with the department responsible for water in ensuring that any launch of new industries takes into consideration the availability of adequate water supply and wastewater treatment.

#### **4.5.17 Zanzibar Energy Policy (2009)**

The energy policy is relevant to industrial development in that it provides manufacturing companies with a framework for accessing affordable, reliable and feasibly clean energy. While energy supply is a part of the energy policy, there are also issues with the electricity infrastructure that impede companies from accessing electricity conveniently.

For commercial and industrialization transformation, the policy foresees among others that Zanzibar shall encourage efficient end-use technologies and good practices by businesses and institutions. This includes businesses like bakeries and restaurants as well as institutions such as schools, hospitals and prisons whose utilization of wood-fuel is substantial.

Other strategies include stimulating and promoting the opening up of electricity power markets for competition, and granting access to distribution networks by independent power producers. Currently, the Zanzibar Sugar Factory at Mahonda generates 2MW of electricity using bagasse for the factory's own use. In addition, there is an ongoing study to assess the potential for wind and solar power generation in Zanzibar under EU sponsorship.

#### **4.5.18 Zanzibar Environmental Policy (ZEP) of 2013 and Zanzibar Environmental Management Act of 2015**

The overall objective of Zanzibar's Environmental Policy (ZEP) is to pave the way for the protection, conservation, restoration and management of local environmental resources. The policy is based upon guiding principles, including the availability of mitigating or greener technologies that reduce waste generation, emissions, and exploitation of natural resources. It aims at improving waste management systems in the country, reduce negative environmental and health impacts, and control environmental contamination and pollution from hazardous substances.

The Zanzibar Environmental Management Act of 2015 established the Zanzibar Environmental Management Authority (ZEMA), which is mandated to coordinate environmental impact assessment processes and environmental audits in respect of any activity or investment being carried out in Zanzibar. ZEMA is responsible to carry out environmental monitoring to support proper management and conservation of environment that is crucial for industrial development.



#### **4.5.19 Agricultural Sector Policy (2003)**

The policy emphasizes the need to modernize and commercialize the agricultural sector to increase productivity and rural incomes while ensuring an ecologically sustainable environment. The Policy also places emphasis on promoting primary processing and to provide agricultural raw materials for agro-processing and agro-based industries.

The thrust is placed on broadening institutional capacities to specifically provide services related to value addition and agro-processing such as quality assurance, inspection and certification, and to take concrete steps to enhance knowledge and information sharing amongst the relevant stakeholders on agro-processing and value addition.

#### **4.5.20 Zanzibar Livestock Policy (2011)**

The Zanzibar Livestock Policy emphasizes adoption of recent innovations in livestock sector development through provision of better extension services. The issues of marketing, standards and linkages with tourism and export sectors receive due consideration along with the promotion of small-scale processing plants. The Policy seeks to improve zoo-sanitary standards, and promote value addition of livestock products for local industry, set up modern abattoirs fit for export markets, and to strengthen livestock research and extension services for increased production and productivity.

The important policy guideline is the related Agricultural Marketing Policy of 2012 whose objectives include improving marketing infrastructure for broader participation of different segments of stakeholders, to enhance market access opportunities along the value chain, and at the same time to increase competitiveness in value addition and agro-processing for domestic and export markets.

Despite having a number of policies and regulations governing various sectors' specific development, these have not substantially triggered industrial growth.



## 5.0 Zanzibar Industrial Policy 2019-2029

History has repeatedly shown that the single most important factor that distinguishes rich countries from poor ones is their higher capability in industrialization and manufacturing. Apart from employment creation for college and school graduates and the youth in general, the development of the industrial sector stimulates demand for more and better services like banking, insurance, communication and transport. Industrialization thus plays a catalytic role in transforming the economic structure of agrarian societies.

Despite various efforts made for industrial development in the past twenty years, the stark reality is that the pace of industrialization remains slow in the country. The basic building blocks for the success of the sector are in place. These include the existence of local, regional and international markets for Zanzibari products, a vibrant tourism sector, a notable rise in production of agricultural cash crops, and MSME activities in the country, all anchored by the political will of the Government.

However, in order to reap the benefits, it is essential to create a reliable, industry friendly atmosphere along with realistic and practical policies and programmes alleviating specific factors that obstruct the pace of industrial development in the country.

This new and comprehensive Industrial Policy is necessary in order to utilize opportunities arising from changes occurring in the economy, such as globalization, revolution in the information technology sector, new production technologies and the prominence of the services sector in the country's economy.

### 5.1 Principles of policy design

Based on an analysis of problems in the design and implementation of the former industrial policy that proved to be donor driven, with insufficient focus on sectoral and sub-sectoral development challenges and limited targeting of beneficiaries, the following key principles were developed to guide the design of a new industrial strategy:

- **Principle 1: The new industrial policy for Zanzibar is TARGETED**  
While this new policy provides a vision of the industrial transformation path Zanzibar wants to pursue, it is very selective and focused. As such, it targets specific and critical areas of intervention such as agriculture, infrastructure facilities, incentives and other issues of relevance to industrial development. Its detailed implementation strategy also identifies the implementing stakeholders.

- **Principle 2: The new Industrial Policy for Zanzibar is IMPLEMENTABLE**  
The new policy is not simply limited to stating general design principles and strategies; it focuses on the specific instruments, measures, institutions and regulatory reforms that should be put in place in order to achieve the targeted objectives.
- **Principle 3: The new Industrial Policy for Zanzibar is FEASIBLE**  
Given the targeted objectives and related interventions, each specific objective has been assessed in terms of its feasibility. This assessment has taken into account the financial, human and natural resources available as well as the existing political direction. Based on this assessment, a strategic choice is made to identify the most feasible high impact action.
- **Principle 4: The new Industrial Policy for Zanzibar is ALIGNED AND PHASED**  
Given various existing policy measures, incentives, regulations and institutions, the policy optimizes complementarities and reduces misalignments, especially given the limited amount of resources available. This alignment has taken into account both static and dynamic considerations, i.e., it has considered short, medium and long-term objectives that are feasible and targeted. Hence, the policy shall be phased and synchronized over time.
- **Principle 5: The new industrial policy for Zanzibar is PARTICIPATORY**  
Given the complexity of tasks and conflicting claims of different interest groups, the policy is participatory and has emerged from an open dialogue between the different Government ministries, but also between the Government and the private sector in its different articulations and constituencies.

## 5.2 Vision

Zanzibar becomes a hub for the production of agro-, marine and light manufacturing products of special characteristics and high value sustaining the local economy, and providing income and employment while preserving the archipelago's pristine environment and culture.

## 5.3 Mission

Zanzibar to proactively promote thriving and sustainable agro-, blue economy, light manufacturing and emerging industries by ensuring a more enabling business environment and the engagement of investors to the extent that businesses in the industrial sector are competitive, profitable, inclusive and environmentally safe.

## 5.4 Objectives

The main objective of the Zanzibar industrial policy is to expand and develop existing and new manufacturing industry priority sectors in order to transform the country into a middle-income economy.

The policy is designed to achieve the following specific development objectives:

- To raise the value added from locally available raw materials and traditional products and reduce post-harvest losses of agricultural produce.
- To raise the contribution of the industrial sector, and manufacturing in particular, in the country's GDP and balance of trade.
- To create more employment and decent job opportunities for the youth and women and actively reduce poverty.
- To raise the volume and quality of exports of manufactured and value-added products.

## 5.5 Policy measures for industrial development in Zanzibar

In line with the rationale and data presented above, the specific policy measures to be enacted for Zanzibar's industrial development fall under four main pillars, as follows:

### **Pillar 1: Business Environment**

The business environment is often challenging in Zanzibar. For the custodian of the Industrial Policy 2019-2029, the Ministry of Trade and Industry, it is not easy to change such conditions for conducting business as the mandate lies across various Government institutions. Therefore, to ensure sustainable industrial transformation, there is a need to strengthen the linkages and collaboration with other ministries, development agencies and sectoral organizations. In addition, the successful implementation of the industrial policy must be achieved in close collaboration and coordination with the implementation of other related sector policies, strategies and plans.

## **Target issue 1.1: Weak legal mechanisms to facilitate and regulate industrial activities.**

### **Problem Statement:**

Currently, applications for investment in industrial projects, as in all other private ventures, are approved by ZIPA that oversees facilitation of all projects during their launch phase. During the operation phase, these projects are transferred to their sector-relevant regulating authority. This is the case with almost all types of projects except for the projects of industrial or manufacturing nature that remains under ZIPA for direct supervision and regulation even at the operational phase. Industrial and SME projects that choose not to operate under ZIPA regime obtain their approvals and licences from local Government authorities using the Trade Act. This is because industrial licensing and registration is a Union matter, and the laws governing it do not seem to be operational in Zanzibar. Hence, Local Government Authorities, which for all practical purposes have no technical capacity to oversee or regulate industrial projects, have to fill the vacuum.

### **Policy Statement:**

The Revolutionary Government of Zanzibar and the Government of United Republic of Tanzania will rationalize the licensing processes for industrial operations under the National Industries (Licensing & Registration) Act (Cap 46. R.E 2002) and thus ease the regulatory burden on enterprises.

### **Policy Measures:**

- i. Rationalize the licensing regime for industrial operations.
- ii. Strengthen the One-Stop-Centre by stationing competent staff with decision-making powers in all institutions required for registrations at ZIPA to facilitate the industrial project application process.
- iii. Support informal businesses to register and enter into formal operation.
- iv. Implement efficient, consistent, transparent and timely processing of applications for tax exemptions.

## **Target issue 1.2: Insufficient protection for fragile and infant domestic industries**

### **Problem Statement:**

The production costs of local industries are relatively high compared to other countries. This is due to the costs of utilities and raw materials, lack of specialized industrial skills, use of poor/obsolete production technologies, insufficient logistical infrastructure, and a lack of R&D. In this situation, local industries find it difficult to compete with imported products. There are a few policies and tariff related measures to nurture and/or protect industries with a potential for growth and profitability from unfair competition by imports in the context of globalization. Meanwhile, some of the imports are under-invoiced to avoid payment of statutory taxes or are shipped in through one of the multiple unofficial entry points.

### **Policy Statement:**

The Government will strengthen collaboration among agencies dealing with trade to curb illegal and unfair competition and improve tariff regulations to promote fair competition.

### **Policy measures:**

- i. Reduce taxes on imported raw materials in order to lower costs of production for local industries.
- ii. Revise current regimes for use of industrial facilities (rationalize incentives of processing against trading).
- iii. Limit the import of products competing with similar ones produced locally.
- iv. Protect local manufacturers against illegal practices and unfair competition.

### **Target issue 1.3: Limited access to industrial land**

#### **Problem Statement:**

Land as a factor of production is of great importance in the promotion of industry. In Zanzibar, land is public property and application for land acquisition can be made after obtaining a licence for establishing an industry. Currently, the land rental fees for industrial undertakings are relatively high, especially for foreign investors. As a result, industrial enterprises have limited access to land. There are zones earmarked by the Ministry of Trade and Industry, and ZIPA for industrial development for each district in Zanzibar. However, these remain underdeveloped, and lack the requisite infrastructure (industrial sheds for outright occupation and good roads) and utilities (water and electricity).

For example, 100 hectares of land reserved for industrial establishments in Fumba Free Economic Zone is underdeveloped and devoid of basic physical infrastructure including roads, water and power supplies. Meanwhile, there are industrial enterprises, workshops, and production facilities of informal businesses that are most likely not being able to move to the demarcated industrial zones because they lack the financial capacity and/or need to be close to markets and family labour. For such cases, decentralized options need to remain. Further, certain industries such as processing facilities for marine or agricultural products need to be located close to the sources of primary production. Special demarcated zones need to be developed for such sectors.

#### **Policy Statement:**

The Government will develop a comprehensive special zoning plan for industrial enterprises of a certain nature and size across Zanzibar while preserving options for existing industrial enterprises remaining at certain established sites. For the special zones, land titling will be ensured, infrastructure development will be ensured and plans with fiscal incentives will be developed for the relocation of industrial enterprises.

#### **Policy measures:**

- i. Demarcate land for industrial enterprises following a general master-zoning plan.
- ii. Develop infrastructure for demarcated industrial zones.
- iii. Support industrial enterprises to relocate to industrial zones with conducive incentives.



## **Target issue 1.4: Deficient infrastructure for industrial operations**

### **Problem Statement:**

Many industrial enterprises find it difficult to conveniently access electricity and water while others are compelled to use roads and port and market infrastructure. All these factors contribute to elevate costs of production and lower the competitiveness of businesses.

### **Policy Statement:**

The Government will improve the provision of infrastructural services, develop the necessary infrastructure for industrial activities in every district in the country to enable establishment of industrial businesses. This includes access to reliable and affordable power and water supply, efficient operational sea and airports, suitable roads to handle traffic of goods and people, access to suitable working premises such as industrial sheds for rent or/ and serviced plots for industries.

### **Policy measures:**

- i. Improve quality, reliability and affordability of water and electrical power supply.
- ii. Improve cargo trans-shipment, handling, transport and storage facilities.
- iii. Improve road network to access the industrial production areas.
- iv. Develop industrial premises for rent and serviced plots.
- v. Improve accessibility, spatial organization, (cold) storage facilities and sanitary conditions at wholesale and retail markets (especially fish and other food products but also for handicraft and tourist items)

## **Target issue 1.5: Limited capacity to comply with quality and standards**

### **Problem Statement:**

The required compliance infrastructure with testing laboratories and certification agencies is not adequately developed for industrial businesses to comply with food sanitary and quality standards. There is insufficient effort to support industrial businesses to learn how to improve quality and adhere to various quality requirements and standards. Also, there are no registration and certification processes in place so that potential buyers, especially in foreign markets, can purchase and import products (e.g. the case for marine products). In addition to that, producers have inadequate knowledge and skills (know-how) on production and handling processes, and use out-dated methods and technologies resulting in substandard products.

### **Policy Statement:**

The Government will ensure the development of practical norms, the availability of adequate testing facilities and certification of industrial enterprises through its various standards compliance agencies (e.g. ZBS, ZFDA, CGCLA).

### **Policy measures:**

- i. Train employees of industrial businesses on norms and procedures to improve quality and food safety of products.
- ii. Support the development of quality and standards compliance infrastructure including testing facilities and laboratories and ensuring their accreditation.
- iii. Ensure the development and updates of national norms and standards for the production of industrial products.
- iv. Develop sector-specific programmes for companies to upgrade production facilities and processes to be able to register and certify.

## **Pillar 2: Enterprise Development**

Enterprise development initiatives aimed at stimulating entrepreneurship and developing businesses that create jobs and reduce poverty, mainly focused on programs to foster the adoption of sustainable and responsible enterprise practice. Based on ASIP 2016, conformity to the regulatory and policy environment is a definite handicap to the upgrading and growth of SMEs that thus tend to remain informal. The regulatory hurdles to attempt to operate formally turn into an obstacle race that only the most determined and better off SMEs attempt and finish.

### **Target issue 2.1: Inadequate skills and capacities among the local workforce that can be deployed for existing and emerging industries.**

#### **Problem Statement:**

The industrial sector in Zanzibar is largely characterized by low levels of entrepreneurial and engineering skills due to inadequate vocational training institutions and linkages to the science, technology and innovation system. The technical needs of one type of processing industry may differ from the needs of another industry, and therefore through their general curricula, technical higher learning institutions and vocational training centres cannot meet the requirements of every type of industry. Instead the practice is for these institutions to produce graduates with general engineering skills or related fields, and who can quickly be trained in or learn the specific requirements of an industry.

There is limited cooperation between industries and vocational and technical institutions to enable students to perform practical industrial training. Besides, there is limited cooperation among vocational and technical institutions and the industrial sector in developing the curricula. Industries need a work force with the technical know-how to increase production. Further, there are virtually no incentive programs for potential and existing industrial employees to undertake on-the-job training. There is also a lack of joint programs for awarding certification between businesses and vocational and technical institutions. This situation results in an inadequately trained labour force and insufficient skills among the workers, administrators and managers in industry.

Creation of a well-trained labour force for industries requires exposure of students and employees to actual best practices. This is achieved during the practical attachment of students and employees to best practices in factories and production units. For the attachments to be effective in building confidence and professional learning, the students and workers need to be involved as much as possible in appropriate industrial production, including the running of the machineries and other technical tasks.

**Policy Statement:**

The Government will strengthen collaboration between public training institutions and key stakeholders in industry to implement joint programs in order to improve labour skills and capacities. This includes workers, employees and managers in the formal and informal sectors.

**Policy Measures:**

- i. Introduce incentives for certified on-the-job training schemes (e.g. labour-content conditionality for technical and skills development) in areas of operation of processing facilities, administration and entrepreneurship.
- ii. Develop appropriate curricula and training courses at training centres and training of trainers that would deliver training corresponding to the curricula.
- iii. Roll out capacity building and training courses that are on the one hand general with relevance to various industries, and on the other hand, specific to certain industrial sectors and operations. Trainings shall be gender sensitive and target especially women workers and entrepreneurs.
- iv. Foster cooperation between industrial enterprises and technical institutions or vocational training to train staff with the requisite skills.
- v. Encourage the attachment of local technical staff to foreign professionals with the prospect to take over their posts.

## **Target issue 2.2: Lack of access to, and limited adoption of improved technologies and innovation**

### **Problem Statement:**

The industrial sector in Zanzibar is characterized by a low degree of investment in modern technologies and equipment. Many enterprises find it difficult to acquire the necessary funds and the knowledge to invest in appropriate technologies that would increase their productivity and product quality. The Government agencies responsible for identification, promotion and transfer of appropriate technologies often lack the technical knowledge on how to operate appropriate technologies.

Often, enterprises are not informed on the economic benefits that upgrading of new machinery and equipment would bring to them. They may therefore be unable to accommodate appropriate technologies in businesses and investment plans. This also applies to packaging technologies that would ensure quality. In consequence, the level of productivity and quality of most industrial products is low, and production costs remain high while processes remain labour intensive.

Furthermore, the use of new information and communication technology remains low despite the latter's large potential to improve business processes. Potentials of newer technologies in the vein of the 4th industrial revolution and industries such as remote sensing and the Internet remain practically untouched, though they would be important to stay abreast with the development of industry worldwide and to remain competitive.

### **Policy Statement:**

The Government will strengthen the capacity of its agencies responsible for technology promotion and transfer, and develop programmes that aim to develop and make use of new technologies in industry.

### **Policy Measures:**

- i. Train staff of technology promotion agencies such as Small and Medium Industrial Development Agency (SMIDA) to acquire and transfer knowledge to enterprises including the informal sector on appropriate technologies best suited to the local context.
- ii. Develop programmes to promote new packaging solutions to increase quality and reduce the perishability of products.
- iii. Develop programmes for demonstration, technical learning, and "machinery use against fee" at technology incubators (at universities, research institutes, science parks and SMIDA etc)
- iv. Develop programmes to foster linkages between industry and technical and research institutions/universities such as Tanzania Industrial Research and Development Organization (TIRDO), Commission for Science and Technology (COSTECH) to develop, try out and promote new technologies. Where possible, intellectual property (IP) shall be developed for technological solutions.
- v. Develop programmes for training and promotion of ICT use in businesses.

### **Target issue 2.3: Limited access to finance**

#### **Problem Statement:**

Often industrial enterprises in Zanzibar are underfunded in terms of working and investment capital, and therefore operate on low levels of capacity utilization and productivity. Finance is usually expensive and not targeted to the short, medium and long-term financial needs of business. Meanwhile business and investment plan development capacities are often limited among administrators and managers of enterprises, and in consequence, no bankable business plans get delivered to existing finance institutions. As a result, businesses remain underfunded in terms of working and investment capital and operate on low levels of capacity utilization and productivity.

#### **Policy Statement:**

The Government will introduce and strengthen credit schemes for industrial enterprises able to access finance for working and investment capital and support enterprises in developing bankable business plans to access such finance.

#### **Policy measures:**

- i. Develop credit schemes for specific industrial sectors.
- ii. Develop guarantee schemes for financial institutions to lay out loans for industrial enterprises.
- iii. Train commercial and development banks and other financial institutions on the financial requirements of industrial enterprises so that they are able to evaluate business plans with regard to their financial feasibility and business risks beyond the common practice of de-risking loans by use of collaterals.
- iv. Support SMEs in developing bankable business plans.

## **Target issue 2.4: Limited access to market information and engagement in product development to target specific markets**

### **Problem Statement:**

Few industrial enterprises in Zanzibar dispose of sufficient information on opportunities for marketing their products, domestically and abroad, outside their established commercialization channels. They are often not skilled enough to access market information that might be available online or from market surveys. Also, information on consumer preferences in terms of quality, size, packaging and branding products is scarcely available and used. As a result, enterprises neither engage in developing products that can target existing and new markets nor are they aware of low or even inexistent demand for their products.

This is particularly true for products that can be commercialized in the large and growing tourism sector. Many of the final products for the tourism industry still lack quality in design, finishing and packaging to market them at higher value and in greater quantities. Furthermore, there is limited use of modern marketing and commercial tools such as e-commerce.

Incubators at technology and research institutes and universities provide little support in developing product samples that can be sent out to potential buyers and tested by consumers. Further, business opportunities are not fully realised in the frame of local content management, which is an arrangement between companies and hotels and other tourism businesses to ensure that a certain share of their supplies and services are procured from local producers. While the quality of locally produced goods remains inferior to imported goods, businesses could be engaged in defining the quality that local products must reach so that they would be able to purchase them and help producers to actually reach this quality. In conclusion, the products of industrial businesses do not target existing market potentials, and sales remain limited to existing channels of lower-value products.

### **Policy Statement:**

The Government will support market foresight and product development for testing on existing and new markets as well as e-commerce and local content management to boost trade capacity for industrial products.

### **Policy measures:**

- i. Develop market intelligence capacity at MTI in collaboration with institutions specialized in market research.
- ii. Conduct market foresight studies covering main products in sectors prioritized by the industrial policy 2019-2029, and actively disseminate information on potential markets and buyers to local producers.
- iii. Establish programme-supporting enterprises to develop new products at existing incubators (technical institutes and universities) and test them in domestic and international markets.
- iv. Initiate programmes for joint marketing via marketing consortia benefiting from larger economies of scale and making use, among others, of opportunities of e-commerce and online marketing.
- v. Establish local content management arrangements that would require investors in hotels and other businesses to include domestic goods & services in their procurement practices.

## **Target issue 2.5: Insufficient promotion of domestic and foreign investments in industry**

### **Problem Statement.**

While investment promotion functions are being pursued under the Zanzibar Investment Promotion and Protection Authority Act, industry-specific information is not collected or channelled to potential investors in a sufficient manner. Such information would include data on the current scope of industry-specific activities, number and type of actors engaged in the sector, costs of production, types of products and potential for marketing and profits.

### **Policy Statement:**

The Government will set up an industrial intelligence function to collect, analyse and package investment-related information that can be used to proactively promote industrial sector-specific investment opportunities.

### **Policy measures:**

- i. Strengthen the unit at MTI that gathers and processes information necessary to promote industrial investment.
- ii. Develop investment profiles for specific industrial sectors (e.g. seaweed, anchovies, spices, jewellery, furniture, decoration items, handicrafts, etc.).

## **Target issue 2.6: Insufficient environmental management in industries**

### **Problem Statement:**

Unregulated methods, processes and improper or obsolete technologies used in industrial production often results in environmental contamination and degradation. While current levels of industrial pollution in Zanzibar remain low due to a scarcity in the volume and range of production, it is important to institute measures to prevent a growing industry causing environmental hazards in the future. Presently, there are no adequately effective measures for managing solid, liquid and gaseous municipal and industrial waste. Further, the use of energy efficient and cleaner production technologies remain insufficient.

### **Policy Statement:**

The Government will introduce effective measures for managing industrial wastes of all forms at common facilities (private or publicly managed). It will initiate also energy efficient and cleaner production technologies via its technology promotion functions.

### **Policy measures:**

- i. Promote the introduction of environmentally safe technologies to be used in industrial enterprises.
- ii. Encourage production and use of clean energy technology (e.g. electrical power from renewable, industrial, and municipal waste).
- iii. Promote the establishment of recycling industries thus reducing the effects of contamination.

## **Pillar 3: Sectoral Development**



The industrial policy 2019-2029 prioritises four macro sectors for programme development: manufacturing, agro-industry, blue economy industry and emerging industries. The rationale is that certain development measures can be best delivered in packages that target common issues jointly within the four prioritized macro sectors. This, however, does not preclude other industrial sectors from receiving support to business development. Businesses outside the macro sectors shall also receive support on a case-by-case basis.

### **A) Light Manufacturing**

Light manufacturing is usually less capital intensive than heavy industry, and is more raw-material-oriented, as it typically produces smaller consumer goods. The products are usually produced for end users rather than as intermediates for use by other industries. Light industry facilities typically have less environmental impact than those associated with heavy industry. For that reason, zoning laws are more likely to permit light manufacturing industry near residential areas. An additional common feature of Zanzibar's light manufacturing sector is that enterprises are mostly informal and organized in clusters. Most of the inputs used in light manufacturing need to be imported. Typical products of light industries in Zanzibar include leather products, plastic items, garments and home textiles, beauty and personal care items, kitchen and dining products, household appliances, furniture, decoration items, jewellery and handicrafts.

#### **Target issue 3.1: Inefficient business development capacity for value addition in the light manufacturing sector**

##### **Problem Statement:**

Light manufacturing businesses in Zanzibar are often of small size and lack the required professionalism in production, organization of supplies, application of quality control measures, administration, human resource management, and marketing. Many businesses operate on an ad-hoc basis and do not engage in business planning. The equipment used is often sub-standard and quality of products is low, preventing them from being sold to higher value markets.

##### **Policy Statement:**

The Government will set up a programme for enterprise development in light manufacturing.

##### **Policy measures:**

- i. Assist light manufacturing enterprises in the development of business and investment plans and marketing strategies.
- ii. Promote improvements in manufacturing processes and the use of improved equipment among manufacturing enterprises.
- iii. Foster cluster development in specific light manufacturing industries (e.g. furniture, jewellery, etc.)

## **B) Agro-industry**

Currently, there are few agro-products to feed sustained industrial production in Zanzibar. Taking into consideration the land size, climate and Zanzibar as a brand name, some exotic spices and essential oils stand to have the potential of fetching high prices in international markets. In order to effectively commercialize potentially high value agricultural activities, there is a need for increasing agriculture productivity to provide adequate raw materials to feed the agro industries. However, there are many constraints in primary production, which remains dominated by low-input, small-scale farming.

Likewise, the Zanzibar livestock sector operates well below its potential due to many constraints including poor quality and low productivity of local animal and bird breeds, non-commercial rearing of animals due to limited pastureland, relative higher cost of keeping more productive animals of hi-breed varieties, and infancy of local breeding services. The absence of animal feed production resulting in expensive imports negatively influences the profit margins of animal and poultry farmers. Other challenges facing the poultry industry include high costs of food supplements, low economies of scale, basic technology and low prices offered by hotels and restaurants coupled with late payments for the products purchased from local farmers. At the same time, the local poultry subsector in particular faces stiff competition from imports of commercially produced poultry from such industrialized countries as Brazil and USA that provide high subsidies to their exporters.

The agroindustry sector in Zanzibar relies on the production of primary agricultural and livestock products. Typical products of the sector include processed grain flour, processed oils, dried and ground spices and spice mixes (masalas), sauces and chutneys, dried fruits, fruit mixes, juices, dairy products and meat products.

### **Target issue 3.2: Inefficient business development capacity for agro-industry products**

#### **Problem Statement:**

Value addition of locally produced agricultural and livestock products require substantial and continuous supply of raw materials. The current availability of most crops and livestock products is seasonal, which is too short to provide enough raw materials to achieve the requisite economies of scale that would make local production competitive. In the processing industry, equipment is often rudimentary and does not qualify to comply with food safety standards or processing protocols at factories. The processing units are frequently deficient, and the resulting products are of low value and quality. Agro-industry businesses are often of small size and lack the required professionalism in production, organization of supplies, application of quality control measures, administration, human resource management, and marketing. Many businesses operate on an ad-hoc basis and do not engage in business planning.

#### **Policy Statement:**

The Government will set up a programme for enterprise development in agro-industry.

#### **Policy measures:**

- i. Help agro-industry enterprises to develop reliable relationships with suppliers in the form of contract farming and other contractual arrangements that will ensure a stable supply of primary materials and pre-financing of production.
- ii. Assist agro-industry enterprises in the development of business and investment plans and marketing strategies.
- iii. Promote improvement in processing facilities and application of appropriate processing protocols that raise the quality of final products and productivity in the process.

### **C) Blue economy industry (processing fishing and aquaculture products)**

Fisheries and aquaculture products are of current and future strategic importance for Zanzibar's economy, as recognized in the Zanzibar Development Vision 2020 and the successor strategy. Enormous perspectives lie in the blue economy, which not only includes fish and traditional seaweed production for carrageen, but also multiple other algae products that can be used for a broad range of industrial uses. While international research and development moves rapidly onto new technologies to make the sea a source of food, feed and industrial materials, Zanzibar is challenged to keep pace with the global development. While local science and R&D capacities may be too limited to keep Zanzibar in the race for the new blue economy, external investors may help to bring in the necessary innovative potential and knowledge.

#### **Target issue 3.3: Inefficient business development capacity for value addition of blue economy products**

##### **Problem Statement:**

Currently, common features in the processing of fisheries and aquaculture products are (with some exceptions) that supplies are not stable, processing facilities are of a very limited standard for food grade and quality products, and marketing efforts are limited by problems of guaranteeing quality and being able to invest and reach out to buyers abroad with higher quality products at greater quantity.

##### **Policy Statement:**

The Government will set up a programme for enterprise development in blue economy industries. It will also strengthen the R&D works for developing products and processes for new blue economy industries and seek to attract investments in those.

##### **Policy measures:**

- i. Assist light fish and aquaculture product processing enterprises in the development of business and investment plans and marketing strategies.
- ii. Promote improvement in processing and the use of improved equipment among fish and aquaculture enterprises.
- iii. Support companies to improve quality and safety of products to better access regional and international markets.
- iv. Strengthen safety and quality policies in order to comply with overall sanitary requirements and safety of fish products according to e.g. OIE WTO and FAO Codex.
- v. Create regional reference laboratories that meet the norms for main markets and other related infrastructure.
- vi. Build the capacity of the actors of the value chain.

## **D) Emerging industries**

Emerging industries in Zanzibar can be related to opportunities to develop the oil and gas sector where feasibility studies are currently underway and if positive a larger range of local service provision businesses can be set up ranging from civil works, transport and catering to ventures into adding value to the petrochemical sector in the form of plastics, lubricants and others. They may also relate to the information and communication sector where application programming and digital solutions for a number of uses can be envisaged.

Mobility, waste collection, purchasing supplies and marketing of products can all be revolutionized in an approach of “smarter islands” (borrowing from the commonly used approach of “smarter cities”). Transport sharing, planning of supplies and logistics, e-Government solutions for industry, as well as e-commerce may all be coming up in a society that becomes more and more digitally connected.

The related telecommunications infrastructure would need to expand. Logistics and parcel handling at ports and courier services would need to be substantially upgraded. It is difficult to picture what exactly would be coming to Zanzibar in terms of emerging industries, however, the country must prepare to be able to engage in the upcoming opportunities and mitigate possible negative social and environmental effects right from the start.

**Target issue 3.4: Potentials for industry development in emerging sectors are not sufficiently realised.**

### **Problem Statement:**

The magnitude of development opportunities in emerging industries is difficult to evaluate and both their positive and negative effects on environment and society are difficult to foresee. The Government needs to provide guidance on how to promote its engagement for the benefit of its people and mitigate eventual adverse effects on society and environment. It also needs to pave the way for e-Government solutions that can facilitate regulations and procedures for the Government.

### **Policy Statement:**

The Government will commission studies on the opportunities and social and environmental effects in emerging industries and develop action plans to promote their inclusive and sustainable development.

### **Policy measures:**

- i. Conducting dependent studies that inform contracts with international investors so that the cleanest technology is used in the development of the oil and gas sector as well as arrangements that will provide maximum benefits to the local population (oil and gas through the cleanest technology).
- ii. Conduct studies on the use of ICT in Zanzibar industry to evaluate potential opportunities, their associated risks and the need for policy action.
- iii. Foster the development of ICT infrastructure in order to adopt ICT solutions such as e-commerce, “smarter island” applications and public e-Government solutions for industry.

## **Pillar 4: Evidence-based policy analysis and action**

### **Target issue 4.1: Limited availability of industrial sector information and statistics**

#### **Statement of problem:**

Statistical information on industrial operations in Zanzibar is scarce, incomplete and in many cases its existence needs an improvement. This includes information on the number of enterprises per industrial sector and subsector, inputs into industrial operations and imports, sales, exports and employment (possibly gender segregated). The Office of Chief Government Statistician together with the Ministry of Trade and Industry is responsible for collecting the information and upload it into the national statistics database based on registrations data and surveys. However, little effort has been made recently in this area to complement the existing information.

This is also due to the limited funding available for such endeavours on the side of the Government administration and the limited number of Government staff trained in statistical data collection and data entry into statistical databases. As a result, information on trends in industrial development is often inaccurate or often simply not available. This is aggravated by the fact that much of the MSMEs in industrial sector remain informal, for much of which no statistical information is available. Little effort has been made so far to capture information on the informal sector. However, this information is important in order to assess trends and design policy measures towards the development of the informal sector.

#### **Policy Statement:**

The Government reinforces its efforts to collect industrial data to set up a sufficient basis for statistical analysis and evidence-based policymaking. It also attributes staff to this task and ensures they are sufficiently trained.

#### **Policy measures:**

- i. Train MTI staff on data collection, data entry and management of statistical information.
- ii. Work with local authorities to capture information from registered companies in industries.
- iii. Conduct surveys in the formal and informal industrial sectors.
- iv. Collaborate with OCGS in collecting and entering data into the national statistics database.
- v. Mainstream gender considerations in industrial sector development.

#### **Target issue 4.2: Limited analytical capacity to analyse industrial information and statistics**

##### **Problem Statement:**

Once sufficiently robust industrial statistics are available, the resulting indicators and information should be processed and analysed in various ways to identify development opportunities and negative trends and inform policy decisions that can foster development. Updated information on industrial development trends within this period is usually not used to revise industrial policy decisions made in the past.

##### **Policy Statement:**

The Government develops an evidence-based policy function within an industrial intelligence unit at MTI, and allocates professionally trained staff that provides regular policy analyses on issues of pertinence using up-to-date information.

##### **Policy measures:**

- i. Train staff on policy analytical tools and use of indicators (e.g. in areas of competitiveness analysis, export promotion, foreign direct investment, technology use, gender balance in industrial employment, etc.)
- ii. On a continuous basis, use the industrial intelligence unit to conduct ad-hoc studies on specific issues of industrial development using industrial statistics indicators.

#### **Target issue 4.3: Deficient monitoring of progress in industrial development and effectiveness in policy implementation**

##### **Problem Statement:**

Information on progress in industrial development in response to changes caused by policy measures is not available. In this situation, it is difficult to make decisions to abolish, adjust or continue with policy directions. It is also difficult to render an account on progress to Government authorities, request support, and make efficient budgetary allocations. Furthermore, data on industrial development is not put in relation to policy actions undertaken. Thus, it is difficult to draw conclusions on the effectiveness of policy measures taken.

##### **Policy Statement:**

The Government will set up a monitoring system with main statistical indicators, develop baselines and progress reports on industrial development in sectors, subsectors and regions, and report on progress in the implementation of industrial policies.

##### **Policy measures:**

- i. Set up a monitoring and evaluation system on progress in policy implementation.
- ii. Report on progress in policy implementation.





## **6.0 Creating an Enabling Environment for Industrial Policy Implementation**

### **6.1 Legal Framework**

The Ministry of Trade and Industry has been given the mandate of promoting trade and industry, and takes the lead in formulating the Zanzibar Industrial Policy and its implementation strategy in consultation with other sectors' ministries and non-Governmental stakeholders and development partners.

There are a number of legislations to regulate industrial issues that fall outside the legal mandate of MTI. For example, issues of food safety, taxation, infrastructure and utilities, which need to be articulated and coordinated for industrial development.

Industrial licensing issues that fall under the constitution of the United Republic of Tanzania also need to be harmonized for Zanzibar to oversee/regulate the industrial sector.

### **6.2 Institutional Framework**

Given the multi-dimensional nature of industry, several ministries and institutions need to work together to ensure that a diverse set of sectoral and multi-sectoral policies are appropriately designed and coordinated. Such collaboration is essential in order to safeguard Zanzibar's success in achieving both its short- and long-term industrial development needs.

However, there are capacity gaps in the implementation of devised policies at both the private and public sectors of the economy. These gaps have been identified as weak institutional capacities in terms of facilities and staff qualifications, weak implementation capacities for sector policies weak enforcement of related legislation and inadequacies in budgetary allocations. Others include ambiguous and unclear regulatory frameworks in product quality control, quantity and marketing. A detailed implementation framework will be documented within the policy implementation plan.



## **7.0 Monitoring and Evaluation**

In order to realize its intended objectives, the implementation of this policy should be closely monitored and evaluated. Monitoring and evaluation (M&E) serves to gauge relevance, effectiveness, impact and continued fitness of the policy. The two processes are critical in informing policy implementation continually, and where deemed necessary, such information can be used for strategic repositioning of the policy instruments. The outputs of these processes are usually in the form of reports that are used to inform policy implementers and decision makers. There are a number of monitoring and evaluation approaches used for policies and programmes, but to be specific for industrial policy, “results-based” monitoring and evaluation will be the lead approach in informing implementation.

### **7.1 Policy Implementation, Monitoring and Evaluation Approach**

This policy adopts a results-based implementation, monitoring and evaluation approach since it intends to increase the contribution of the manufacturing sector by creating an enabling business environment and undertaking targeting macro sector policies. This would be designed to target specific sectors by improving the much-needed facilities and services that would help foster Zanzibar’s industrialization process. One good reason for the results-based approach is to reflect the processes and resources used in the achievement of nationally agreed results. Results-based implementation and monitoring should be a participatory and team-based approach involving dialogue among the stakeholders and follow-ups to ensure achievement of measurable results and impact of the policy. It is a partaking approach to strengthen the country’s capacity and to promote accountability of all major stakeholders in pursuit of the clearly stated objectives and results.

### **7.2 Reporting Mechanism**

To be able to do proper monitoring and evaluation of the results, access to accurate and reliable information is crucial. The Ministry responsible for the development of industry and the private sector as the main partner will coordinate the generation of outputs that track performance and measurable results.

Progress reports will be submitted with details of implementation progress, tendered periodically and on a regular basis by the stakeholders responsible for private sector development, notably, the line ministries, development partners and private sector umbrella organizations.

### **7.3 Monitoring**

The objective of providing regular monitoring reports is to inform the policy implementation process through the provision of regular progress reports. It is intended to gauge the efficacy of instruments towards achieving the desired policy objectives. Monitoring informs the stakeholders whether implementation is on track along the desired path.

### **7.4 Logical Framework for Monitoring**

A logical framework or LogFrame is a tabulated matrix that conceptualizes the entirety of a programme with clear success indicators and targets as well as verification means for ease of monitoring and evaluation. A policy LogFrame includes all objectives, targets, risks, assumptions and mitigation factors in order not only to simplify monitoring, but also to facilitate accountability. LogFrames also typically include inputs, activities, outputs, outcomes, and expected impact. The sample shown in Table 7 can help guide the content and layout of the public policy monitoring LogFrame. The nature and frequency of implementation reports will have to be specified according to feasibility, suitability and sustainability.

**Table 8: M&E LogFrame Sample**

<b>Objectives (what we want to achieve)</b>	<b>Indicators (how to measure change)</b>	<b>Means of Verification (where/how to get information)</b>	<b>Assumptions (what else to be aware of)</b>
<p><b>Goal</b> The long-term results that an intervention seeks to achieve, which may be contributed to by factors outside the intervention</p>	<p><b>Impact indicators</b> Quantitative and/or qualitative criteria that provide a simple and reliable means to measure achievement or reflect changes connected to the goal</p>	How the information on the indicator will be collected (can include who will collect it and how often)	External conditions necessary if the goal is to contribute to the next level of intervention
<p><b>Outcomes</b> The primary result(s) that an intervention seeks to achieve, most commonly in terms of the knowledge, attitudes or practice the target group</p>	<p><b>Outcome indicators</b> As above, connected to the stated outcomes</p>	As above	External conditions not under the direct control of the intervention necessary if the outcome is to contribute to reaching intervention goal
<p><b>Outputs</b> The tangible products, goods and services and other immediate results that lead to the achievement of outcomes</p>		As above	External factors not under the intervention which could restrict the outputs leading to the outcomes
<p><b>Activities</b> The collection of tasks to be carried out in order to achieve the outputs and outcomes</p>		As above	External factors not under the direct control of the intervention which could restrict progress of activities

Source: UNDP M&E Handbook, 2009



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