

ZiBi

Zanzibar Investments & Business Insights Magazine

Special
**BUDGET
EDITION**

7 Keys to Unlock Zanzibar

To Be a Global Hub for Technology, Innovation, and Business

Fahari Festival

A show case to up lifting local economy



SERIKALI YA MAPINDUZI YA
ZANZIBAR

**BAJETI YA
SERIKALI
2024/2025**

Unlocking Potential
through Innovation & Technology



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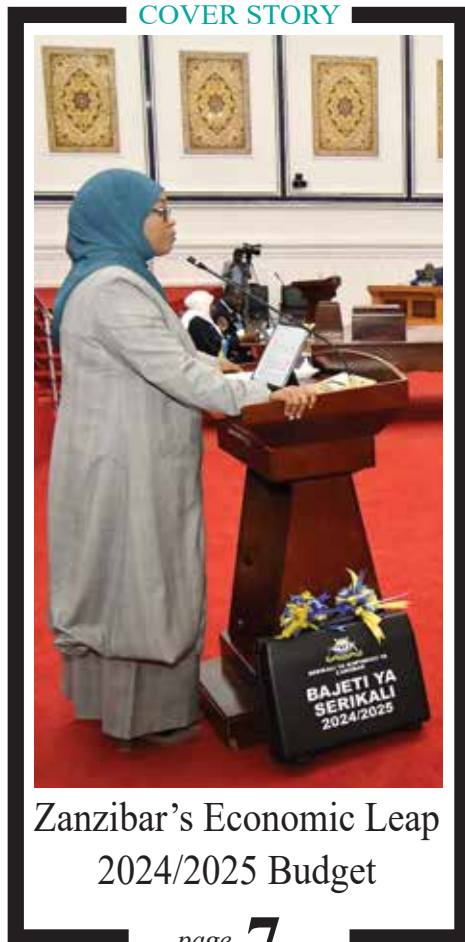
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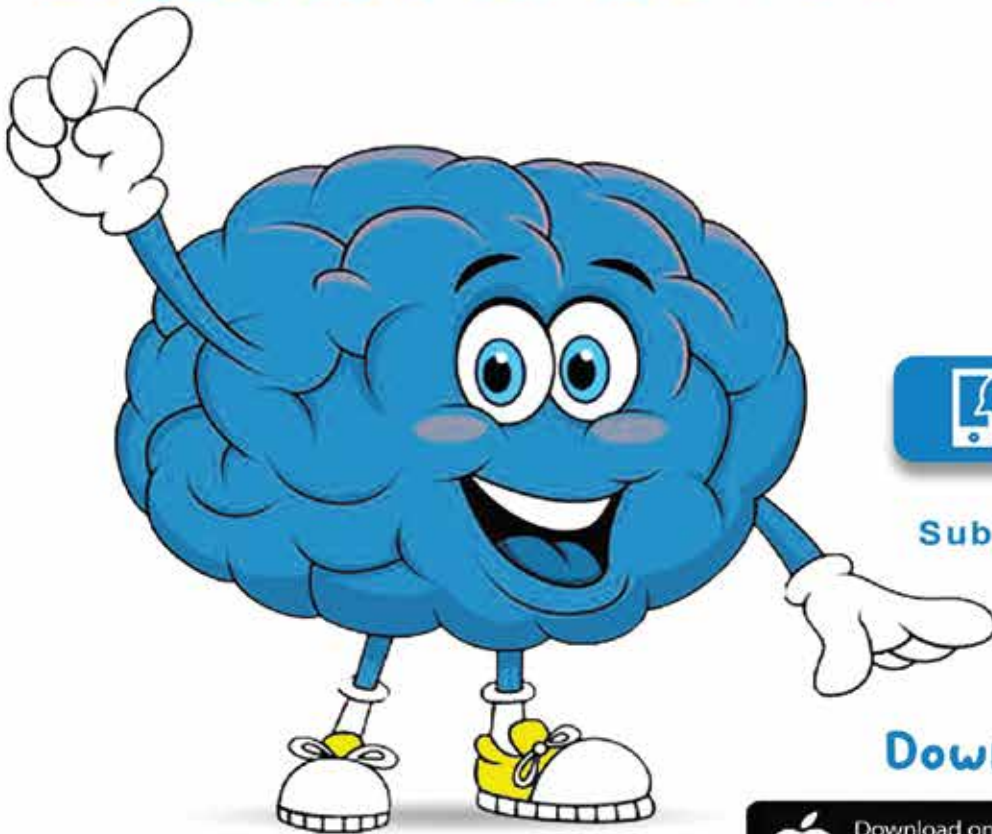


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Unlocking the Potential through Innovation and Technology

We are delighted to present the second edition of ZiBi Magazine, a quarterly publication dedicated to exploring and analyzing business and investment opportunities in Zanzibar.

This edition, with a theme 'Unlocking the Potential through Innovation and Technology' focuses on elevating Zanzibar and position it to its rightful status as an economic gem in the Indian Ocean.

As an archipelago, Zanzibar possesses all the attributes necessary for growth, much like Seychelles and Mauritius, which stand as exemplary island economies in Africa. Zanzibar is now awakening to its immense opportunities, implement programs to capitalize on its strategic geographical position and taking control of its economy through innovation and technology.

Significant strides have been made to transform Zanzibar into a digital free zone and creating an enabling environment for corporate and private businesses to operate efficiently, profitably, and securely in the modern era.

To spice up this determination, the renowned Indian Institute of Technology Madras (IIT) established a base in the island following the invitation by the government of Zanzibar. We hope that Zanzibar will make good use of this partnership and that IIT will produce a skilled workforce that will help Zanzibar achieve its goals in competitive edge in digitalization.

The cover story of this issue highlights the recently presented Zanzibar 2024/2025 Budget. For the first time, this year budget has included digital transformation in the list of the national top priorities.

According to the budget, modernization of the Zanzibar economy through innovations and technologies is underway.

We are pleased to feature an article by Dr. Nicholas Haan "7 Keys to Unlock Zanzibar's Destiny to be a global hub for technology, innovation, and business" and a feature of Joseph Rubambe titled "Embracing the Future: Zanzibar's Technology Transformation," which delves into the island's ongoing technological advancements. The IIT Madras contributes article on how digital entrepreneurship can be a force for a positive change, and the role of technology in transforming the banking and financial services in Tanzania.

We also report on the digital advancements in revenue collection by the Zanzibar Revenue Authority (ZRA), Zanzibar Utilities Regulatory Authority (ZURA)'s Technological Innovation and Impact on Zanzibar's Utility Sector and the efforts to build a resilient economy that benefits all Zanzibaris, spearheaded by the Zanzibar Economic Empowerment Agency (ZEEA). "I want ZEEA to build a resilient economy that benefits all Zanzibari. Innovation, inclusivity, and resilience can contribute to building a prosperous future for all," asserts Mr. Juma Burhan Muhamed, Executive Director of ZEEA, in an interview with ZiBi.

We hope you find this edition insightful and inspiring as we explore Zanzibar's path to economic prosperity through innovation and technology.



Hissham Abdukadir
MANAGING EDITOR

Did you Know?

FISHERIES IN ZANZIBAR

Zanzibar's fisheries sector consists of capture fishery and aquaculture sub-sectors. Together, they employ over 100,000 people along their value chains and provide livelihoods to about one-third of the Zanzibar population.

SOCIO-ECONOMIC SUPPORT

The sub-sector creates about 63,000 jobs (of which 14% is for women, mostly working in the post-harvest stages). The figure includes fishers (79.7%), traders (6.3%), processors 3.7%, gear repairers (2.7%), porters 2.5%, fish farmers (1.2%), boat builders (1.2%) food servers (1.3%), transporters (0.8%) and others (1.9%) along the value chain. The Gross Domestic Product (GDP) contribution of fishery sub-sector is between 4-6%.

EXPORT OF FISH AND FISHERY PRODUCT

Zanzibar export of fish and fishery products consist of fishes, small pelagic (anchovy), sea cucumbers and mud crabs to African states, Asian and very few in Europe. From 2016 to 2021 Zanzibar exported 25, 876 Tons of fish at the value of 97, 176, 694, 594 TSH.

ZANZIBAR'S FISHERY POTENTIAL

Zanzibar's territorial waters suggest practical evidence to availability of large stock of reef fish and small pelagic fish to sustain fishers' communities, food security and GDP growth for many years so long they will be explored sustainably. Based on those suggestion Zanzibar could attract investors in deep sea fishing including fish processing facilities, fishing boat building, repair facilities and gear facilities.

MAJOR LOCAL FISH SPECIES

Yellowfin tuna (*Thunnus albacares*), skipjack (*Katsuwonus pelamis*), bigeye tuna (*Thunnus obesus*), albacore (*Thunnus alalunga*), swordfish (*Xiphias gladius*), narrow barred Spanish mackerel (*Scomberomorus commersoni*), Indo-Pacific king mackerel (*Scomberomorus guttatus*), Indo-Pacific blue marlin (*Makaira mazara*), black marlin (*Makaira indica*), striped marlin (*Tetrapturus audax*), and Indo-Pacific sailfish (*Istiophorus platypterus*).

Additional species include longtail tuna (*Thunnus tonggol*), kawakawa (*Euthynnus affinis*), frigate tuna (*Auxis thazard*), bullet tuna (*Auxis rochei*), as well as various species from the families Siganidae, Scaridae, Lethrinidae, Serranidae, Mullidae, Lutjanidae, Mugilidae, Clupidae, Sardinella, Engraulidae, Carangidae, Scrombidae, and Hemiramphidae.

ZANZIBAR OPPORTUNITY IN FISHERY

Zanzibar fishery suggests potential investment opportunities to livelihoods of people (fish is the main source of protein in Zanzibar and per capita consumption of fish in Zanzibar is around 23 kilograms), job and wealth creation, food security and GDP growth. Opportunities include: fish port, modern fishing technologies, accredited lab, fish processing facilities, cold storage facilities, market infrastructure, boats building and repair.





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We encourage sector players, public and private alike, to continue to utilize the evidence generated from the 2023 Zanzibar report going into the financial year 2024-25 to meet the 7.2% economic growth target,

The Key Insights from *FinScope Tanzania 2023 - Zanzibar*



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First and foremost, the Financial Sector Deepening Tanzania (FSDT) would like to commend the Government of Zanzibar for delivering a composed budget for the financial year 2024/25. The national budget's focus on development projects, private sector inclusion, and improved fiscal management reflects the Government of Zanzibar's commitment towards building on their remarkable achievement in advancing financial inclusion from 45% in 2017 to 82% in 2023, according to the FinScope Tanzania 2023-Zanzibar Report. Since the launch of FinScope Tanzania 2023-Zanzibar Report in March 2024, FSDT has been encouraged by the Government of Zanzibar's determination to leverage the insights to improve the regulatory environment for financial services to better serve the financial needs and aspirations of the people of Zanzibar.

The 2023 Zanzibar report outlines that previous key access barriers are slowly diminishing, as key access enablers such as access to National Identification Numbers remained high at 74%; ownership of mobile phones increased from 73% in 2017 to 86% in 2023; access to internet increased from 39% in 2017 to 52% in 2023; and access to smartphones increased from 24% in 2017 to 39% in 2023. Such advancements are establishing the groundwork for the development of the Zanzibar Digital Transformation Policy 2024/2025, as proposed in this year's national budget. FSDT is encouraged to see Zanzibar making such deliberate efforts to accelerate inclusive and sustainable socio-economic development through digitalization.

We encourage sector players, public and private alike, to continue to utilize the evidence generated from the 2023 Zanzibar report going into the financial year 2024-25 to meet the 7.2% economic growth target, through a transformative financial sector that offers inclusive, quality and sustainable financial solutions. Both structural and behavioral shifts are needed to achieve this and boost the financial sector's value to the people of Zanzibar and its contribution to economic growth and well-being.

FSDT looks forward to working with both public and private sector players in Zanzibar to provide insights and evidence for decision-making that would support the national strategic vision for this financial year for inclusive and sustainable economic growth



Minister of State, President's Office, Finance and Economy – Zanzibar, Hon. Saada Mkuya Salum, presents the 2023/2024 budget of the Revolutionary Government of Zanzibar to the House of Representatives in Chukwani, Zanzibar.

Zanzibar's Economic Leap

A Comprehensive Analysis of the Zanzibar 2024/2025 Budget



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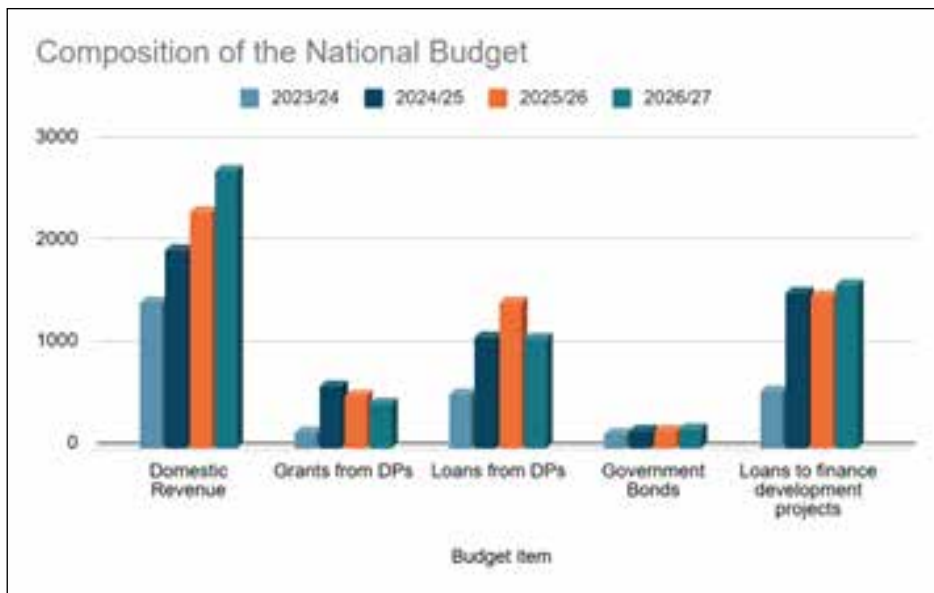
Zanzibar is poised for remarkable economic growth in the 2024/2025 fiscal year, with a projected GDP increase of 7.2%. This optimistic forecast is complemented by an ambitious public revenue projection, set to rise from TZS 2.8 trillion in 2023/2024 to TZS 5.1 trillion in 2024/2025 an impressive 82.1% increase. This growth underscores the government's strategic efforts to bolster the economy through various fiscal and economic measures.

The projected increase in revenue will stem from multiple sources. First and foremost, the inclusion of state-owned enterprises (SOEs) in the national budget is expected to contribute approximately TZS 202.6 billion. This step signifies the government's willingness to tap into the resources and potential of SOEs to boost national revenue. However, this strategy embeds a "crowding out effect" whereby private investors may have disincentives to invest in these sectors. The rationale for

establishing and supporting some of these corporations is no longer valid. The government should think about diluting its shares in these corporations by selling them to the private sector for purposes of increased efficiency and profitability.

Secondly, the government plans to raise TZS 1.6 trillion in additional funds through increased borrowing to finance development projects. This strategic borrowing, though it increases national debt, is deemed necessary to fuel the ambitious development agenda.

Furthermore, financial support and concessional debt from development partners are projected to increase significantly, from TZS 686.61 billion to TZS 1.5 trillion. This substantial rise reflects the growing confidence of international partners in Zanzibar's economic potential and strategic direction. Lastly, enhanced domestic revenue collection efforts are expected to see the tax-to-GDP ratio rise from 22.4% to 33%. This increase in domestic revenue collection is



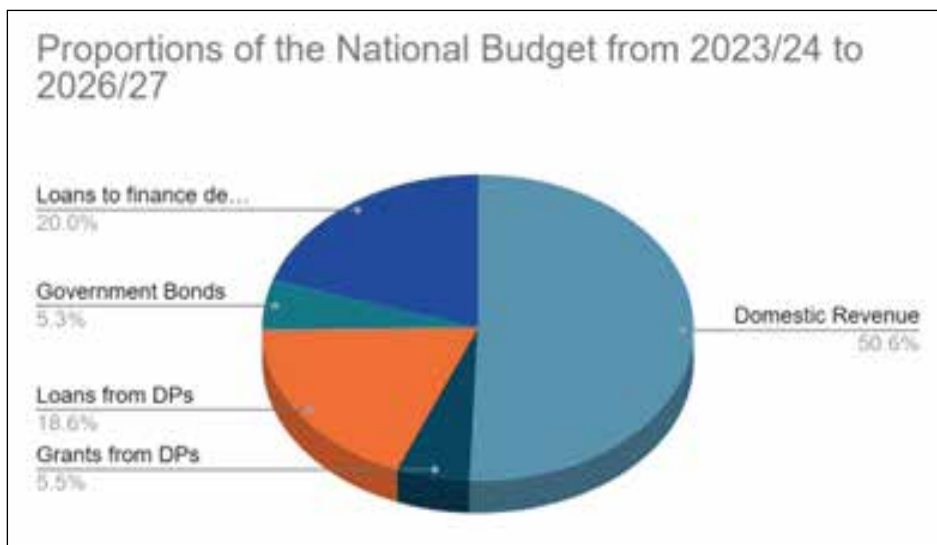
crucial as it reflects the government's commitment to improving fiscal discipline and efficiency in revenue generation.

The national debt is projected to rise from TZS 1.2 trillion in 2023/2024 to TZS 2.8 trillion in 2024/2025. While increased borrowing is a leverage to fund development projects, it also reduces future fiscal flexibility. However, with the positive economic outlook and improved domestic revenue collection, the impact of this increased debt might not be felt in the short term. The government's strategic approach to debt management, emphasizing the importance of using borrowed funds for productive investments, aims to ensure that the increased debt burden does not stifle economic growth.

Several new fiscal measures are being introduced to support economic growth. An excise duty on imported chicken and fish aims

to promote domestic poultry and fishery industries, expected to collect TZS 3 billion. This measure is designed to protect and stimulate local industries, thereby reducing dependency on imports and encouraging self-sufficiency.

Another measure is an infrastructure levy of USD 10 per day for tourists staying in luxurious accommodations, expected to generate TZS 3.5 billion. This levy aims to capitalize on the tourism sector, ensuring that the benefits of tourism are reinvested into infrastructure development. Additionally, a new marine transportation tax will be charged to tourists traveling between Zanzibar and Dar es Salaam, projected to bring in TZS 1 billion. However, this measure raises concerns about dollarization, potentially reducing Zanzibar's economic autonomy in monetary policy.



About 64% of the budget will be allocated to development projects, including the establishment of the Industrial Development Fund, an Investment Bank, and a Stock Exchange Market. These initiatives are promising, aiming to lay the foundation for long-term sustainable economic growth. However, the lack of efficient capital markets makes it challenging for local investors to play a visible role in financing these development projects.

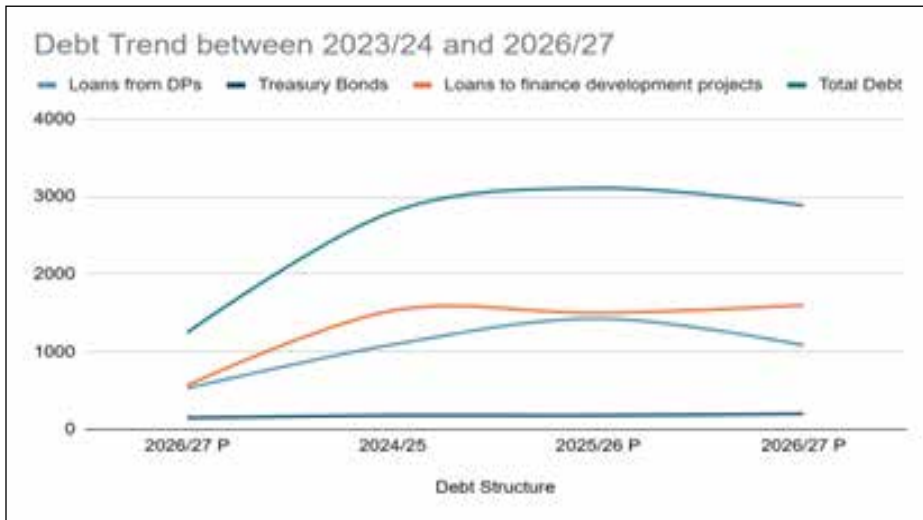
The establishment of the Stock Exchange Market appears to be a critical step towards creating efficient capital markets through private investors. This is a classic textbook example on how to establish capital markets in developing economies, but it is not necessarily the right pathway at the moment. The Stock Exchange Market would require a relatively large companies to list their shares and issue corporate bonds, investors to trade them and sophisticated intermediaries to facilitate transactions. The size of Zanzibar's economy and the strength of the private sector are not ready for establishing an active Stock Exchange Market.

To further stimulate economic growth, it is sensible that the government incentivise the private investors to create an open-ended Investment Fund, attracting diverse investors. This initiative aims to pool capital from local savers and investors, enabling small local investors to participate in financing domestic projects. By providing an alternative to traditional bank loans, this fund can have a broader positive impact on all economic sectors.

Additionally, it will allow the government to borrow at lower costs, making it a more efficient way to raise funds for development. This approach not only democratizes investment opportunities but also ensures that the benefits of economic growth are more widely distributed.

To enhance the effectiveness of the budget, several suggestions have been put forward. Firstly, the government should clearly state the reductions and exemptions of VAT to help businesses understand their implications. This transparency is crucial for businesses to plan and strategize effectively, ensuring that they can take full advantage of the fiscal measures in place.

Secondly, there is a recommendation to reduce social security contributions for the private sector to encourage the formalization of



informal businesses. Compared to other countries, Zanzibar’s mandatory social security contributions are relatively high, which discourages compliance. Lowering these contributions could incentivize more businesses to operate within the formal economy, thereby broadening the tax base and increasing revenue.

The 2024/2025 budget sets more realistic targets, with an estimated aggregate public revenue collection of TZS 5.1 trillion and a budget execution rate of 78%. This shows that the government is making more achievable budget plans. Increased domestic revenue collection and strategic use of public debt are crucial in filling funding gaps, ensuring that the budget aims to foster economic growth, involve the private sector in development, and manage fiscal and debt sustainability effectively.

Zanzibar's 2024/2025 budget reflects a strong commitment to social and economic development through a strong private sector engagement. This is demonstrated by ambitious revenue projections and increased investment in economic, infrastructure and social projects. However, the success of these initiatives will depend on effective implementation, efficient management, and addressing inherent challenges pertaining to both administrative and structural issues. This includes strengthening the national revenue management, modernizes public procurement processes, and improving resource allocation and audit effectiveness, in line with the measures by the Controller and Auditor General (CAG) earlier this year.

Without digital transformation, the ongoing significant investments to bring quick economic payoffs and quantifiable social returns may seem like trying to fit a square

around the hole. The Zanzibar ICT Policy 2013 was developed to leverage the ICT infrastructure for improving public service delivery and revenue collection. The mission to improve the public revenue collection, to a large extent, has been realized based on the impressive growth of the national budget, as discussed above. This does matter a lot, but the key point, above all, is to have a digitally enabled government, society and economy, and in this area only limited progress has been made.

The pace of rapid changes in emerging technology, societal behavior and global interactions do influence Zanzibar. The government budget 2024/25 has included digital transformation, for the first time, in the list of the national top priorities. A transformation towards a digital nation, however, is a marathon and not a short sprint race. It is encouraging to see the

government's recognition of this reality by opting to develop the Zanzibar Digital Transformation Policy during 2024/25.

Basic economic rationale tells us that for Zanzibar to become a developed economy, it needs to accelerate the economic growth to be substantially higher above the population growth rate. Certainly, having a digital government, society and economy will accelerate Zanzibar’s aspiration to achieve inclusive and sustainable socio-economic development. Therefore, Zanzibar needs to create robust but flexible regulatory frameworks, guide development and adoption of emerging technologies by the private sector, improve multi sectoral coordination, and create a more enabling environment for innovation and the digital economy to thrive. Among other things, these elements are prerequisites for Zanzibar to attain digital transformation.

In conclusion, Zanzibar’s 2024/2025 budget is a testament to the government’s strategic vision and commitment to economic growth. The projected economic growth of 7.2%, coupled with the revenue targets and strategic initiatives, underscores the government’s determination to transform Zanzibar’s economic landscape. While challenges remain, the budget’s largely focus on development projects, private sector inclusion, and improved fiscal management provides a robust framework for sustainable economic growth. The global community will be keenly observing how Zanzibar embarks on ambitious development and social investments presented by this year's budget.



The Hon. Saada Mkuya Salum, Minister of State in the President’s Office for Finance and Economy Zanzibar, arrives at the House of Representatives in Chukwani, Zanzibar, to present the 2023/2024 Budget of the Revolutionary Government of Zanzibar. She is accompanied by members of the House, showcasing a united front in this crucial financial session.



Beyond Banking

Mjwahuzi's unmatched experience of CRDB Bank's premier banking

To Clement Mjwahuzi, the world has never been more accessible and luxurious before experiencing CRDB Bank's Premier Service. As a Premier Plus account holder, Mjwahuzi's travel experiences are not as normal as they used to be; they are adventures filled with unparalleled privileges and royal treatment, all facilitated by his TemboCard Visa Infinite and MasterCard World Rewards Credit Card.

The two cards aren't pieces of plastic but golden keys that unlock a world of exclusive benefits and luxurious experiences all over the world, as Mjwahuzi testifies.



Imagine arriving at an international airport, skipping the long lines there are, and heading straight to a serene and comfortable lounge. For Mjwahuzi, this is not a dream but many years of routine since he joined the CRDB Bank Premier Banking services.

"Traveling with the TemboCard Visa Infinite has transformed my experiences. I remember a time when I had an unexpected layover in Frankfurt. The lounge access provided me with a comfortable place to relax and freshen up, turning a potential inconvenience into a delightful experience," remembers Mjwahuzi.

His TemboCard Visa Infinite grants him and his immediate family members including a spouse and children an access to over 1,300 airport lounges globally. Whether he's in New York, Tokyo, or Paris, Mjwahuzi enjoys premium travel experiences, including meet-and-assist services, comprehensive travel insurance coverage, and concierge services. The card's contactless features, high withdrawal and purchase limits, and purchase protections make it a reliable travel companion around the world.

Mjwahuzi's global adventures are seamlessly supported by CRDB Bank's digital banking services. With SimBanking and Internet banking, he manages his finances effortlessly, regardless of his location, be it within the country or elsewhere in the world. Whether it's paying for a meal in a luxurious Parisian restaurant, shopping at high-end boutiques in Milan, or booking a hotel in Dubai, Mjwahuzi's transactions are guaranteed to be smooth and secure.

"The digital banking services offered by CRDB Bank give me peace of mind. I can bank on the go, knowing that my bank is always with me," says the renowned civil engineer working with a multinational consulting firm and who enjoys personalized service through a dedicated relationship manager at CRDB Bank.

Mjwahuzi's 7-year membership in the Premier Club also allows him to enjoy the MasterCard World credit card



rewards, a financial lifesaver with a credit limit of up to TZS 50 million. He recalls a time when this card truly came to his rescue.

"I was in London for a business meeting when I needed to make an urgent payment that exceeded my available bank balance. The MasterCard World Rewards credit card came through, providing the financial flexibility I needed without any hassle. It's a peace of mind knowing I have that kind of support," shares Mjwahuzi.

Back home in Tanzania, Mjwahuzi's premier banking status offers him more than just financial services. He enjoys access to over 50 premier lounges and centers available across the country, as well as access to the premier club, an invitation-only membership. He also receives priority services across the bank's network of over 260 branches in Tanzania, Burundi, and the Democratic Republic of the Congo (DRC).

Whenever he needs advice on wealth management, financial planning, or exclusive investment opportunities in UTT funds, government and corporate bonds, Treasury bills, or mortgage financing, CRDB Bank's dedicated relationship managers are always ready to assist him in achieving his desired goals.

“

Knowing that my family and I are covered in various aspects of our lives gives me immense peace of mind.

"Being a premier banking customer means I have access to a wealth of resources and personalized services. The team at CRDB Bank understands my financial goals and helps me navigate the best investment opportunities. This level of support is unparalleled," says Mjwahuzi. CRDB Bank Premier Banking is about building long-lasting relationships and offering a tailored experience to meet the unique needs and expectations of elite customers. From personalized services through dedicated relationship managers to preferential exchange rates and seasonal discounts, the benefits are extensive, satisfactory, and dependable.

Premier Plus cardholders are supplied with a contactless card and access to withdrawals up to a maximum of TZS 25 million a day, make purchases either online or through POS amounting to TZS 50 million a day, and have multi-trip travel insurance of up to \$20,000.

The bank also gives its high-net-worth individuals medical and legal referrals and global customer assistance services to meet their banking needs at the convenience and exclusivity they deserve. Premier Plus Account caters to senior government officials, top management from private companies, and business owners.

Mjwahuzi, like many others in the club, appreciates the comprehensive insurance coverage, including motor, medical, home, and travel insurance, that caters to his family's needs. The free KAVA assurance with a life insurance benefit of TZS 5 million provides an additional layer of security whenever a tragedy, including a permanent disability or death, occurs.

"Knowing that my family and I are covered in various aspects of our lives gives me immense peace of mind," he adds.

The promulgation of the Investment Act, 2023 is a testament to Zanzibar's commitment to ameliorate business environment and further attract both domestic and foreign direct investment.

From Cloves to Real Estate

A Journey of Economic Diversification



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“

Zanzibar saw an increase of 110.28 percent in the number of in-bound visitors in 2022.

For thousands of years Zanzibar had sea hardened sailors, traders, missionaries and explorers from all corners of the world. To some, Zanzibar represented a mystery; to others she was pure exotic and romance, and yet, to those that flocked and continue to come to this paradise island, Zanzibar represents some kind of a dream and a host of opportunities.

But what are the opportunities offered by modern Zanzibar? Does Zanzibar still command her old days' appeal? This article reminisces the past glory, while focusing on what the future holds for the archipelago.

The Spice Islands - More than a brand Zanzibar has for centuries been synonymous with spices especially cloves, essentially making the name 'Spice Islands' a powerful brand associated with Zanzibar. At the peak of the cloves boom in the 1970's, Zanzibar registered a record production averaging 16,000 metric tons per annum. In recent years, however, various reports commissioned by the Zanzibar State Trading Corporation (ZSTC) and other independent researchers have all pointed out to the sharp decline in production, dropping to as low as 3,000-4,000 tons per annum.

As such, economic diversification became paramount and the Revolutionary Government of Zanzibar (RGoZ) resolved to opening up to tourism, which has become a major contributor to the islands' GDP.

Economic Diversification

Historically, Zanzibar has heavily relied on trade and export of her highly sought-after cloves and coconuts. And despite the sharp decline in production, cloves export totaled

US\$43.8M in 2023, which is 26.8% lower compared to US\$59.7M in 2022.

The decline in cloves production and the ever-rapidly changing ecosystems of modern economies made it imperative for the government to seek and promote new sources of revenue. Aided by her pristine beaches, evocative history, rich culture, political stability and yes, her hospitable people, Zanzibar has for the past couple of decades seen tremendous growth in the tourism industry.

According to data obtained and published by local media, Zanzibar saw an increase of 110.28 percent in the number of in-bound visitors in 2022. In another milestone, the islands surpassed the one-million-mark ceiling, comprising over 500,000 international arrivals, and domestic visitors. In the same year, tourism contribution to the islands' GDP reached almost 30 percent, up from 16 percent in 2020, and according to Zanzibar Commission for Tourism, the archipelago boasted of 709 hotels and guest houses in 2023 compared to 620 in 2020.

Judging by the many awards Zanzibar has garnered as a top island destination in recent years, it follows that more tourists as well investors will continue to be lured by the Zanzibar magic. As more tourists flock to Zanzibar, one wonders whether there are enough beds to accommodate the guests; and if not, just how many more massive resorts can the islands accommodate? Can real estate developments focused on luxury holiday homes provide a balancing act? Let's explore.

Investment Climate

Zanzibar has registered an unprecedented increase in foreign direct investment (FDI)



during the leadership of President Mwinyi. The Zanzibar Investment Promotion Authority (ZIPA) is reported to have registered almost 300 projects worth a staggering USD 4.5 billion in the past 3 years.

These investments have catapulted the islands' economy to a steady growth, registering around 7 percent in 2023 and projected to expand further in 2024. According to the Bank of Tanzania this impressive growth has been driven by accommodation and food services, livestock, manufacturing and construction.

But, perhaps, the most significant driver in investor confidence is the openness of and friendly policies rolled out by the government. The promulgation of the Investment Act, 2023 is a testament to Zanzibar's commitment to ameliorate business environment and further attract both domestic and foreign direct investment.

Hailed as a progressive legislation, the Act provides better clarity in comparison to its predecessor, ZIPA Act, 2018, and solidifies investor protection under Section 35, which stipulates government guarantee and prohibits expropriation of property. At Section 57, the Act provides that where dispute arises between an investor and ZIPA, an amicable settlement shall be preferred, however, if this approach fails, then a clear mechanism is provided to include:

- i) procedures governing arbitration in Zanzibar
- ii) rules of procedures of the International Centre for Settlement of Investment Disputes
- iii) signed framework of bilateral or multilateral agreements on investment protection.

The Act, at section 39, further provides a stronger mandate for ZIPA vis-à-vis the management of Special Economic Zones whose stated purpose inter alia, is to provide favorable operating conditions, guarantee availability of land for investment and to expedite transfer of technology and skills while boosting production for export.

In line with these aspirations, the new law has significantly reduced the minimum investment threshold requirement to obtain the strategic investment status.

And finally, the most anticipated 'golden visas' are now law and a reality in Zanzibar. Initially envisaged in the Legal Notice No. 64 of 2021, the Real Estate Buyer Incentives are captured under Section 51 of the Act and Schedule Five.

The Promise of Real Estate

The real estate market worldwide will generate a staggering value of US\$ 637.80 trn this year. According to statistics residential

real estate will dominate the sector, with a projected market volume of US\$518.90 trn. Closer to home, Mauritius has capitalized on its allure to attract new investments through real estate schemes.

The residential real estate market in the Island will reach US\$14.39 bn this year and an estimated US\$16.08 bn by 2028. In addition to its natural beauty, Mauritius offers lucrative incentives such as immediate permanent residency for approved applicants who invest US\$375,000 in either designated real estate project or a local business, with a path to citizenship after 5-7 years.

In Zanzibar, the real estate sector is in its affirmative stage, yet all indications point towards a bright future. According to theafricaninvestor.com, Zanzibar and Dodoma rank among top ten cities in Africa with the highest rental yields.

The findings ranked Zanzibar 7th while Dodoma was ranked 9th. The report observed that Tanzania has benefited from strong leadership and a stable democratic system, which is a requisite for steady economic growth.

Real Estate has attracted a sizeable portion of all new investments in Zanzibar, with an estimated 50 development projects in the pipeline. Existing projects have also reported

an impressive performance and growing demand for the ‘slice of paradise.

For instance, CPS Africa, one of the pioneer developers and the company behind Fumba Town, has sold over 1,500 units, handed over more than 800 to about 60 different nationalities and the project’s investment volume has reached US\$ 400 million.

Various studies attribute the increasing demand for residential real estate to Zanzibar’s growing population, natural beauty and the expanding number of tourists.

In fact, a direct link can be established between tourism growth and the demand for luxury holiday homes. It has been reported by developers and real estate agents that the peak tourist season usually comes with a spike in interest and demand for real estate acquisition. It is obvious that these sectors are mutually complimentary in that, tourism is helping drive real estate growth while in return, a thriving holiday homes’ market will help support tourism by accommodating the surging number of tourists.

Another possible benefit for the tourism industry is that increased foreign home ownership will bring Zanzibar many repeat visitors. Subsequently, the owners can be incentivized to visit during low season and rent out in high season in a move to minimize the impact of low season on the economy.

In recognition of the enormous potential real estate presents for Zanzibar, the government has taken necessary measures to create a conducive environment. A Real Estate Directorate has been established under the Ministry of Lands, and the issuance of ‘golden visas’ aka Class C11 residency is a very encouraging development. Under this scheme, a real estate buyer acquiring property worth not less than US\$ 100,000 within a ZIPA approved project becomes eligible for residence permit for him/herself, spouse and up to four children under 18.

Towards a Bright Future

There is no doubt these Spice Islands remain as alluring to tourists and investors alike and even the author of this piece, who happens to

be an investment consultant can attest to that. I would also say though, that for Zanzibar to maintain this promising trajectory, we cannot afford to be complacent. The government must continue to work collaboratively with all stakeholders to improve:

- i) certainty and predictability of the legal and regulatory frameworks
- ii) market intelligence and availability accurate information/data to allow potential investors make informed decisions
- iii) digital transformation supported by mindset change and yes,
- iv) ease of doing business geared towards reducing red tape and expediting service delivery. The list can go on, but let’s spare that for the next piece which will delve specifically on the legal and regulatory regime governing real estate.

Most importantly, whether it is real estate, spices, tourism or high tech, the question that must all strive to answer is, “What’s in it for them?” and by them, I mean the beautiful and hospitable people of Zanzibar.





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Launch of ZRA Funguka App

Transforming Taxation in Zanzibar with innovation



Chairman of the Board of Directors of the Zanzibar Revenue Authority (ZRA), Prof. Hamed Hikman, addresses the audience at the launch of the ZRA Funguka App, held at the ZRA headquarters in Mazizini, Zanzibar.

“

ZRA Funguka App is a mobile application that serves as a platform for taxpayers to air opinions, raise claims, and seek clarifications.

The Zanzibar Revenue Authority (ZRA) is leading a transformative wave in business facilitation and tax administration in Zanzibar with a mission to enhance efficiency, transparency, and stakeholder engagement.

Along that journey, the authority has introduced and implemented several groundbreaking initiatives designed to enhance efficiency, support business community in doing business and foster economic growth. Key among these innovations is the launch of the ZRA Funguka App that marks a significant milestone in Zanzibar’s tax administration.

ZRA Funguka App

Available on both the App Store and Play Store, the innovative Funguka mobile application has revolutionized the way taxpayers interact with the Zanzibar Revenue Authority (ZRA). This digital platform provides a seamless and efficient channel for taxpayers to express their opinions, raise claims, and seek clarifications on various tax-related issues. What sets the Funguka App

apart is the personal attention given by the Commissioner General of ZRA, who ensures that all submissions are promptly addressed, demonstrating a commitment to transparency and responsiveness.

The Funguka App’s user-friendly design facilitates a direct line of communication between ZRA and its stakeholders, fostering a more engaged and informed taxpayer community. By simplifying the process of reaching out to the authorities, the app enhances the relationship between the revenue authority and the public, building trust through its transparent operations. This level of accessibility is crucial in maintaining a positive and cooperative atmosphere in the realm of tax administration.

Beyond basic communication, the Funguka App offers a wealth of information and resources to its users. Taxpayers can stay updated on the latest tax policies and regulations, ensuring they are always informed about changes that may affect their financial responsibilities. The app also includes features that allow users to participate in surveys

and feedback mechanisms, providing valuable insights to ZRA on public sentiment and areas that may require improvement.

One of the significant advantages of the Funguka App is its role in enhancing service delivery. By providing a platform for real-time interaction, ZRA can swiftly address concerns and provide clarifications, reducing the time and effort taxpayers typically expend in resolving issues. This proactive approach not only improves efficiency but also contributes to a more compliant and cooperative taxpayer base.

The ZRA Funguka App stands out as a tool in the realm of tax administration. Its availability on major mobile platforms ensures wide accessibility, while its comprehensive features cater to the diverse needs of taxpayers. By prioritizing communication, transparency, and efficiency, the app plays a pivotal role in strengthening the relationship between ZRA and the public, ultimately contributing to a more robust and transparent tax system in Zanzibar.

Other innovative initiatives introduced and implemented by ZRA are Zanzibar Integrated Domestic Revenue Administration System (ZIDRAS), the Virtual Fiscal Management System (VFMS) and comprehensive system integration that are reshaping the tax landscape in Zanzibar.

Zanzibar Integrated Domestic Revenue Administration System (ZIDRAS)

The Zanzibar Integrated Domestic Revenue Administration System (ZIDRAS) revolutionizes tax management by bringing all tax matters online, significantly simplifying compliance and enhancing the taxpayer experience. This state-of-the-art system offers a wide range of services designed to streamline processes and promote efficiency in tax administration.

One of the standout features of ZIDRAS is Online Registration. Businesses can now complete their registration processes online, eliminating the need for in-person visits and drastically reducing paperwork. This streamlined approach not only saves valuable time but also lessens administrative burdens, allowing businesses to focus more on their core operations.

ZIDRAS also introduces Online Return Filing, enabling taxpayers to file their returns with ease and accuracy. This convenient feature promotes timely compliance, reduces the risk of errors, and ensures that taxpayers can meet their obligations without unnecessary hassle.

The online system is designed to enhance the overall efficiency of the filing process.

Online Payment is another key feature, providing secure and flexible options for businesses to settle their tax liabilities. The system supports various payment methods, offering a level of convenience that encourages prompt and secure transactions. This flexibility is crucial for businesses of all sizes, ensuring that tax payments are both manageable and secure.

The Online Tax Clearance feature makes obtaining tax clearance certificates a straightforward online process. This service is particularly beneficial for businesses seeking to demonstrate their compliance status quickly, which is often a prerequisite for securing government contracts and other significant opportunities. The ease of obtaining these certificates online ensures that businesses can pursue their growth ambitions without administrative delays.

ZIDRAS is packed with Additional Services, including online applications for tax incentives and benefits, real-time updates on tax matters, and more. These functionalities ensure that all aspects of tax administration are not only accessible but also user-friendly. By integrating these comprehensive services into a single platform, ZIDRAS facilitates a more efficient and transparent tax environment.

Virtual Fiscal Management System (VFMS)

The Virtual Fiscal Management System (VFMS) introduced by the Zanzibar Revenue Authority (ZRA), marking a significant leap in fiscal management. By replacing manual receipts with real-time digital data, VFMS revolutionizes the way financial transactions are recorded and managed. This advanced system not only enhances record-keeping for taxpayers but also ensures a higher level of accuracy in financial documentation.

One of the key benefits of VFMS is its ability to provide real-time data, which is crucial for businesses aiming to maintain accurate financial records. Accurate record-keeping is essential for audits, financial planning, and compliance with regulatory requirements. By offering up-to-date information on transactions, VFMS supports businesses in managing their finances more effectively and preparing for future growth.

Moreover, VFMS plays a vital role in promoting compliance and transparency in financial transactions. The system ensures that all transactions are properly recorded and monitored, which helps in reducing instances of tax evasion and fraud. This level of oversight is instrumental in building trust between businesses and regulatory authorities, fostering a more transparent and accountable fiscal environment.



Mr. Haroun Manzi from the Zanzibar Revenue Authority (ZRA), provides guidance on the electronic receipt issuance system to a taxpayer during a ZRA event held at Michenzani Mall, Zanzibar.

The implementation of VFMS also brings significant advantages in terms of efficiency. By automating the recording process, businesses can save time and resources that would otherwise be spent on manual documentation. This increased efficiency allows businesses to focus more on their core activities, driving productivity and economic growth.

Establishment of ZRA Contact Center

To provide clear and direct communication on tax matters, ZRA has established a dedicated Contact Center. Taxpayers can call toll-free at 0800712533 to receive live answers and elaborations on various ZRA services. This direct line to knowledgeable agents ensures queries are resolved efficiently, enhancing taxpayer satisfaction.

The Contact Center is staffed by trained professionals who provide detailed explanations and guidance on a wide range of tax-related issues. This service is particularly beneficial for new businesses and those unfamiliar with the tax system, offering the support needed to navigate compliance requirements.

System Integration

To further streamline operations and enhance service delivery, ZRA has integrated its systems with key institutions, including the Tanzania Revenue Authority (TRA), Business Registrations and Licensing Agency (BPR), Zanzibar Civil Registration Authority



(ZCRA), Immigration services, and taxpayer databases. This integration facilitates seamless data exchange and supports effective tax administration.

System integration ensures that ZRA can access accurate and up-to-date information, improving the efficiency of tax collection and enforcement. This collaborative approach helps identify and address potential issues early, ensuring a smooth and transparent tax administration process.

The Zanzibar Revenue Authority's innovative approach to business facilitation and tax administration is driving Zanzibar toward a future of enhanced economic prosperity. By leveraging technology and fostering strong stakeholder relationships, ZRA has successfully increased efficiency by 106.39%, resulting in actual tax collections for the year 2023/2024 reaching TSH 718.76 billion. This represents an increase of TSH 152.869 billion compared to collections of TSH 565.89 billion in the year 2022/2023.



Exterior view of the Zanzibar Revenue Authority (ZRA) headquarters, Mazizini Zanzibar.

To shift from the “unimaginable” to the “imaginable,” it is necessary to radically change your mindset about the new realities that humanity is experiencing during this epoch of digital transformation.

7 Keys to Unlock Zanzibar’s Destiny ...

To Be a Global Hub for Technology, Innovation, and Business



By: Dr. Nicholas Haan

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(Think Tank in Silicon Valley, Advising fortune 500 companies, Investor entrepreneurs & Governments around the world)

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Zanzibar is poised for unimaginable wealth, health, and prosperity for all Zanzibaris, which will catalyze the same for Tanzania, East Africa, and beyond. Zanzibar is destined to become a global hub for technology, innovation, and business. However, destiny is not a given—it must be earned. Here it is briefly explained why the writer is so optimistic about Zanzibar’s future, and, more importantly, the seven keys to unlocking its destiny.

Why Destiny?

Zanzibar’s destiny is structurally intertwined with its geography, history, and demographics. The axiom of “location, location, location” for a successful business also applies to the hypercompetition of nation-states jockeying to be global economic leaders. Zanzibar’s unique location at the intersection of the Indian Ocean trade route, while also coupling Africa’s interior lands to the Middle East, India, and China, has created flourishing commerce and cultures for centuries. These deep economic ties and melting pot of diversity are now playing out on the global stage. Zanzibar advantageously sits at the intersection of major trade and economic communities such as the EAC, SADC, COMESA, and AU. More broadly, Zanzibar and Tanzania are well positioned to benefit from strategic relations with both the West and the East.

Zanzibar’s physical size and population are in the “Goldilocks” (“just right”) zone: not too big to be able to enact bold changes and not too small for innovation to thrive. Zanzibar’s inherent political and economic relationship with mainland Tanzania, one of the world’s fastest-growing economies and population centers and future global superpower, is a tremendous advantage. Dar es Salaam, just 70 km from Stone Town, is projected to be in the top 10 largest megacities in the world by 2050.

Zanzibar’s indelibly unique geographic location, cultural diversity, global economic ties, and built-in demographics are essential ingredients for thriving business innovation and economic growth. I believe that no other nation-state can claim such inherent advantages. Now, layer in a bold strategy for digital transformation—which the Revolutionary Government of Zanzibar and United Republic of Tanzania Presidents and leaders are actively promoting—and that growth will boom and lead to unimaginable prosperity.

The 7 Keys

Mindset

To shift from the “unimaginable” to the “imaginable,” it is necessary to radically change your mindset about the new realities that humanity is experiencing during this epoch of digital transformation.

An exponential mindset empowers people with the knowledge that any technology that is digital and information-based improves at exponential rates—meaning it accelerates year to year. This is very difficult for us humans to understand because we are so accustomed to thinking linearly—meaning slow, incremental change. Exponential growth is underpinned by what is commonly known as Moore’s Law.

These fundamental laws are based on empirical data that tracks the prices and performance of computing power over many decades and extrapolates that information to any

technology that is digital and information based. Performance and form-factor optimization effectively double year to year. Prices of digital technology effectively become cheaper and cheaper, ultimately trending to zero. This applies to any digital technology such as artificial intelligence (AI), biotechnology, advanced manufacturing, robotics, drones, fintech, and virtual reality.

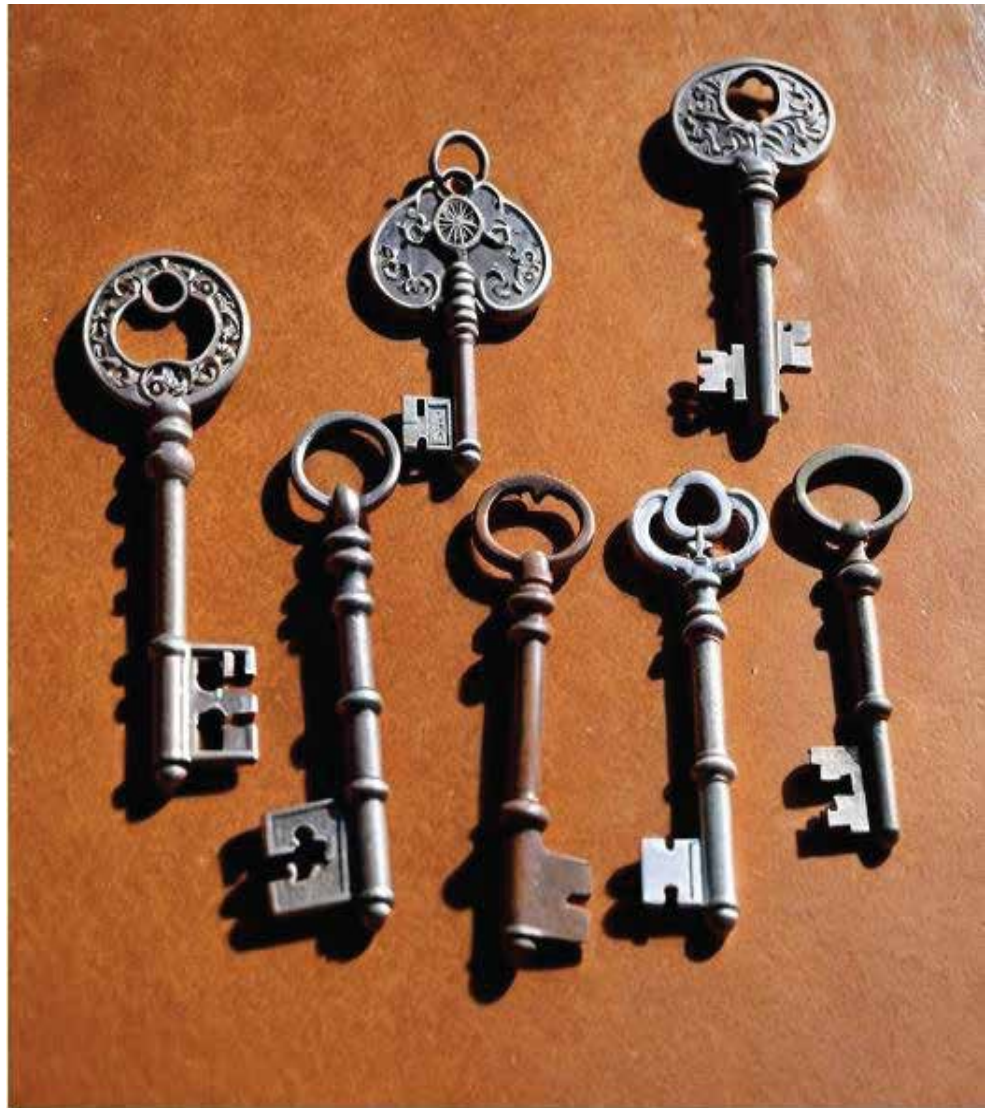
A glaring example of disruptive exponentials is the explosive growth of generative AI such as ChatGPT. ChatGPT emerged not even two years ago and puts AI and the power of writing, image creation, graphic design, music composition, computer coding, a personal assistant, and seemingly infinite other functions directly into the hands of anyone, anywhere if they have a smartphone and internet ... for free. Groundbreaking technologies can spread instantly around the world. It took ChatGPT only 2 months to get its first 100 million users. To do the same, it took the Internet 80 months and WhatsApp 40 months.

The second is called an abundance mindset. Peter Diamandis, the author of *Abundance: The Future is Better Than You Think*, examines how exponential technologies can solve humanity's biggest challenges such as health, energy, food, water, education, etc. Because exponential technologies are a resource-liberating force, they make previously scarce resources abundant. Entirely new solutions and business models based on exponential technologies are emerging to solve daunting challenges and create new opportunities for businesses, entrepreneurs, investors, and governments. Humanity's legacy economic, political, and social systems that have developed over decades and centuries are being completely redesigned during our generation.

Whether you are a business leader, entrepreneur, investor, or a government, to be a part of this digital revolution and thrive, rather than be left behind, it is imperative to shift your perspective toward what is empirically possible with exponential and abundance mindsets.

Bold and Unifying Vision

With all these changes happening so fast, it is challenging for businesses and entrepreneurs to keep focus and make these changes work for them. There needs to be a bold and unifying vision. This applies equally to nation-states that aim to be global economic



hubs. Leaders must be coached on developing a Massive Transformative Purpose (MTP). An MTP is a statement of a grand vision that specifically and strategically describes the purpose of the organization.

Google's MTP, for example, was "to organize the world's information." The value of an MTP is that it streamlines strategies, products, investments, and policies toward that overarching goal. It communicates compellingly what that vision is in a manner that will attract partnerships and collaborations.

For Zanzibar, an MTP should be developed and workshopped with key stakeholder inputs. It is suggested that Zanzibar's MTP "to be an innovation sandbox for the world." However, whatever Zanzibar's MTP is, it should be worded in a way to ensure that cross-ministerial policies, business ventures, investments, entrepreneurship, global diplomacy, and education are aligned toward a common vision.

Regulations as a Competitive Advantage

When most people think of regulations, they tend to think about restrictions. However, when applied correctly, policies can create a competitive advantage to attract and enable innovation. This fast-changing digital world requires flexible guidelines. Without as much legacy and entrenchment of regulations as other parts of the world, Zanzibar can be progressive and nimble, creating an environment that encourages and empowers creative developments in all areas.

Examples of this abound. 10 years ago, Switzerland decided to create progressive regulations to enable blockchain technologies. Because of that regulatory environment, a new blockchain akin to Bitcoin, called Ethereum, was founded in that country. Ethereum currently has a total market capitalization of over 400 billion USD. In the past 10 years, over 1,200 crypto businesses have launched in Switzerland with a

combined value of 380 billion USD. But the examples don't just involve blockchain and crypto. Estonia has been progressive with its e-government regulations. Chile attracts entrepreneurship with its Start Up Chile seed accelerator. Rwanda enables drone technologies. And the list goes on.

Zanzibar needs to seize the opportunity to create progressive policies and regulations that anticipate the needs of innovators and businesses utilizing exponential technologies. This will act as a tremendous magnet for global investment. The recently launched Zanzibar Investment Promotion and Protection Act is an excellent example. However, progressive regulations can go further by not just focusing on the financial aspects of investment, but also on the unique technical aspects of emerging innovations.

Enable, Don't Prescribe

In this fast-changing world, it's impossible to know which innovations will be winners and which will be losers. That risk should be assumed by businesses, investors, and entrepreneurs. For Zanzibar, the more strategic approach would be to enable a flourishing innovation ecosystem, rather than prescribe what should be done or how.

In addition to progressive regulations, there are two critical enablers for digital transformation: energy and internet access. Research has shown that energy and income generation (GDP) are tightly correlated in all countries and over time. Internet access is digital oxygen. Without both energy and internet access, innovation wilts and suffocates. Zanzibar can create an enabling environment for innovation by developing aggressive incentives and regulations to ensure abundant energy production via solar and wind, and even explore small-scale nuclear energy. Internet access should be treated as a public good, not to be controlled and taxed heavily, but to be made accessible for all people at high speeds and affordable rates.

Special Economic Zones (SEZs)

The creation of SEZs is a strategic, compelling, and risk-mitigating way to attract cutting-edge technology, innovation, and investment. It's practiced globally, such as the Dubai International Finance Center which has special regulatory and legal jurisdiction within the UAE. The



For Zanzibar, the more strategic approach would be to enable a flourishing innovation ecosystem, rather than prescribe what should be done or how.

previous ZIBI Magazine issue highlighted the development of one such zone in Zanzibar, led by Three-Fold Capital and ZICTIA. Another SEZ is designated for the Northern District of Zanzibar and is still in the conceptualization stage. These are extremely exciting developments that can fast-track Zanzibar's access to cutting-edge technology, technology experts, and massive financial investment.

Entirely new economic sectors can be developed in Zanzibar in the areas of financial innovation, internet connectivity, land/air/water transportation, food production, medical innovation, blue economy innovations, tourism, and more. But for SEZs to thrive, they need special regulatory and legal frameworks that are durable over time. Zanzibar leaders, in concert with URT regulators, are well-positioned to designate and empower SEZs to thrive.

Inclusivity

Youth and gender inclusivity are vital to Zanzibar's destiny. The built-in demographics are stunning: By 2050, 35% of all the world's young people will live in Africa. According to the Zanzibar census, youth aged 15-35 years make up 37% of the entire population. Combined with under 15-year-olds, Zanzibar's population under the age of 35 years makes up a whopping 77% of the population. Females under the age of 35 years are more than half of that at around 40% of the entire population. Youth—males and females—are inherent to Zanzibar's destiny. And yet, some observers are raising alarm bells and asking if the youth bulge is a ticking time bomb.

For both national security and strategic reasons, youth inclusivity is vital. Zanzibar youth need to be actively engaged in discussions and visions of the future. They need to be empowered with digital and professional skills that can compete on the global stage. Young entrepreneurs need access to financial capital and markets.

Given the chance, youth will be a transformative force for economic growth in the digital era. It's self-evident that they are more adept at adopting digital technologies and they are also not invested in legacy systems and economic models that are not purpose-built for the digital era.

You

One of America's great presidents, John F. Kennedy, once said, "Ask not what your country can do for you. Ask what you can do for your country". That equally applies to unlocking Zanzibar's destiny. This cannot be a top-down, controlled transformation from the political elite alone. Each of us, whether you are a politician, civil servant, businessperson, technician, entrepreneur, investor, teacher, artist, religious leader, or international partner, has a role to play in realizing Zanzibar's destiny.

Each of us can retool our skills and reset our minds to be digitally proficient. Each of us can rethink what's possible for Zanzibar and what our role is in making that happen. And most importantly, get engaged and activate your agency to build Zanzibar's future.

The 2023 Global Innovation Index, a ranking of 132 countries according to how innovative and conducive to business they are, ranked Tanzania at a very low #117. The island country of Mauritius had the highest ranking in Africa at #57. But Zanzibar is destined for much greater in the coming 20 years. If all stakeholders turn these keys we will, collectively, unlock Zanzibar's destiny to be a global hub for technology, innovation, and business.

WHAT'S ON

Fahari Festival



The President of Zanzibar and Chairman of the Revolutionary Council, Dr. Hussein Mwinyi (third from the right), receiving explanations from entrepreneurs during the launch of the Fahari Festival.

A show case to up lifting local economy



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From 20- 27 th September this year, the Dimani area west of Unguja Island will be abuzz with activities and celebrations as Zanzibar Economic Empowerment Agency (ZEEA) hosts its second Fahari Festival. This follows a two-year success on its mission of creating opportunities for entrepreneurs in the Isles.

This annual event will showcase the significant progress made by the agency in empowering the local economy. It will provide valuable resources and opportunities to entrepreneurs while at the same time fostering a vibrant business environment in Zanzibar.

ZEEA, a government agency, which commenced in 2022, aims at establishing an

enabling environment for economic empowerment of citizens so as to increase productivity, production, efficiency and marketing of the products of entrepreneurs and businessmen in Zanzibar.

The agency promotes socio-economic status of Zanzibaris through the provision and utilization of existing economic opportunities, encouraging entrepreneurship culture and capabilities and drive economic growth in Zanzibar.

Moreover, it focuses on creating opportunities for local communities through various programs designed to provide training, financial support and market access.

Mr. Kassim Haji Mrisho, the Director in the Financing Department at ZEEA says for the past two years, ZEEA has achieved a lot in the areas of access to finance, training and market reach.

“There has been a stride, in empowering and businesses development since the inception of ZEEA two years ago,” he says and add that the agency has so far provided opportunities for entrepreneurs to connect with financial institutions, including banks and insurance companies which enables them to secure funding and financial services essential for business growth.

According to Mrisho, ZEEA has launched several key initiatives that have significantly contributed to the economic empowerment of Zanzibar. “Through micro-loans and grants, ZEEA has provided much-needed financial support to small businesses and entrepreneurs. These funds have enabled many to start and expand their ventures, thereby driving economic growth,” he says.

On the side of credit program, Mrisho says ZEEA is revolving loan funds initiated from ZEEA, “Mboga na Matunda”, interest from long term deposits, the Local Government Authority and IMF funds.



Juma Burhan, Executive Director of ZEEA (center, seated), signs Memoranda of Understanding (MoU). These USAID-funded agreements aim to empower youth through an agricultural project.

FAHARI YA ZANZIBAR

eshe Wananchi, Tutengeneze Ajira kwa Kuimarisha Uchumi Endelevu wa Zanzibar."

MGENI RASMI:

ZANZIBAR NA MWENYEKITI WA BARAZA LA MAPINDUZI DKT. HUSSEIN ALI MWINYI



Presenters from various authorities and associations at the Fahari Festival engaged in discussions during the festival in 2023.

Already, between 2019-2023, the agency had disbursed out Sh.15,868,284,039/- as loans to 24,247 business persons, entrepreneurs and local investors where 11,735 are female and 12,512 male.

These loans has resulted in the development of various other projects like motorbike businesses dubbed as “bodaboda”, carpentry and timber businesses. Also in agriculture, wholesale, retail stores, decorative and cosmetic products businesses as well.

According the director of Marketing and Event Organizer, Asha Nassib Salum, the agency offers a range of training programs covering business management, vocational skills and financial literacy.

These programs, she says aims to equip individuals with the knowledge and skills necessary to succeed in their chosen fields.

“The impact of ZEEA’s initiatives on local communities has been profound. Many entrepreneurs have been able to turn their ideas into successful businesses with the support of the agency,” Ms. Salum says.

The agency has also managed to train 1,713 persons on entrepreneurship skills in Unguja and Pemba between 2019-2023. She says a special program has also been conducted on bee keeping training benefitting at least 753 persons, with 473 being female and 280 of them males.

“Under this program, honey processing centres have been constructed at Kizimbani

Unguja and Pujini Pemba and all trainees have been provided with bee keeping tools,” she says.

Ms Salum points out that the Zanzibar Technology and Business Incubation Centre (ZTBI) at Mbweni and Barefoot College at Kibokwa are used to equip the youth and women with theoretical and practical trainings.

These incubation centres, she says prepare the youths on how best to implement their ideas, and provides short theoretical and practical training for entrepreneurs on ICT, tourism and

agribusiness.

Through the ZTBI centre, 485 entrepreneurs have been trained between 2019 and 2023. The Barefoot College on the other hand provided training on solar energy and livelihood life skills to women, youth and among the vulnerable groups.

The team at the college, workshop closely with local authority (Shehas) in their respective areas of administration which helps them to identify trainees and implement community support programmes. Currently, she says the College has managed to train 24



The Chief Secretary of Zanzibar, Engineer Zena Ahmed Said (first from the right), receiving explanations from an entrepreneur during the Fahari Festival celebrations.

women on solar energy, 17 on tailoring and 128 on bee keeping.

By facilitating market access, ZEEA helps local businesses reach new customers and expand their market presence. This includes organizing trade fairs, providing marketing support, and assisting with export processes.

Market programs have been done by supporting entrepreneurs to participate in different national and international exhibitions. According to her, between 2019-2022, about 246 entrepreneurs have been supported to participate in various exhibition including Fumba exhibition and Mwanza in Tanzania Mainland.

ZEEA has also been conducting business plan competition to enable young entrepreneurs to advertise their business ideas so as to secure support from different donors and development partners.

For instance, between 2019-2020, at least 30 youths participated in business plan competition where by 10 among them have succeeded to sell their business ideas. Also, various trainings on marketing, packaging and formalization of the product have been conducted.

She says the agency emphasizes on the importance of networking and collaboration while at the same time organizing events and platforms that bring together entrepreneurs, investors, and industry experts, fostering partnerships that drive innovation and growth.

According to the agency's head of Public Relations Mr. Hakeem Kimara, the exhibition will feature entrepreneurs who have benefited from the agency and those who received loans, training as well as market connections.

The Fahari Festival is expected to kick off with a significant round table discussion, featuring Ministers from four key ministries focusing on market opportunities for Zanzibar products, with a special emphasis on tourism and the Blue Economy. He says over 100 stakeholders are expected to join this engaging conversation covering on economic empowerment, tourism, and the blue economy.

Each session will be designed to provide valuable insights and foster meaningful dialogue, helping to shape the future of Zanzibar's economy.

According to him, the event will also see the participation of over 50 exhibitors from East Africa coupled with training being conducted by public and private institutions, including



The Minister of Tourism and Heritage, Hon. Mudrik Soroga (second from the right), presenting a certificate to one of the participants of the Fahari Festival in 2023.

“
ZEEA's second
Fahari Festival
therefore is not just
a celebration of
past achievements,
but a testament to the
potential of economic
empowerment of the
Isles.

financial, insurance, and real estate companies.

“There will be training sessions from banks, insurance and real estate companies which will provide valuable insights into finance, production, marketing, and insurance strategies and an extensive platform for showcasing and networking,” he says.

Mr. Kimara says the event will also have daily panel discussions featuring industry experts, focusing on various aspects of economic empowerment, tourism, and the blue economy and will end with product innovation competitions where the winner with the best entrepreneur talent will be recognized.

This year's event will also create platforms for entrepreneurs to showcase their products to a wider audience from East Africa thereby helping their businesses gain visibility and tap into new market opportunities in the region while at the same time cementing partnerships between local and international entities to enhance business opportunities and resources.

The Fahari Festival is set to be a grand celebration of ZEEA's achievements and the resilience of the Zanzibari people. The event will enable entrepreneurs and business owners to enhance their skills and knowledge, empowering them to succeed in their respective fields.

It will also culminate with the much-anticipated announcement of winners in the product and innovation competitions showcasing the best of Zanzibar's entrepreneurial talent, highlighting innovative products and ideas.

The winner will receive a well-deserved recognition and support, further encouraging innovation and entrepreneurship within the community.

Other activities in the event program include: exhibitions highlighting successful projects and businesses supported by ZEEA, opportunities for local businesses to showcase their products to potential buyers and investors, sessions designed to foster connections between entrepreneurs, investors, and stakeholders and celebrations of Zanzibari culture through music, dance, and art, emphasizing the rich heritage and creativity of the island.



Discharge supervision of LPG



A pivotal player in Zanzibar's Blue Economy agenda

In the crystalline blue waters surrounding Zanzibar, a local company has emerged as a pivotal force and is making significant waves in the maritime industry. Zanzibar Marine & Diving Services Limited (ZMDS), renowned for its expertise in marine construction and diving operations, has recently solidified its reputation as a pivotal player in the Zanzibar's Blue Economy agenda.

ZMDS has undertaken several projects that underscore its commitment to advancing the maritime infrastructure of Zanzibar. The company's latest endeavor is a landmark involvement in a cutting-edge construction of the first ever warehouse storage for Liquefied Petroleum Gas (LPG) at Mangapwani village in Zanzibar.

The project, which involved three main tasks: the construction of a jetty for offloading bulk carrier vessels, the installation of mooring buoys, anchors, and sinkers, and the installation of Barge DN 139, not only highlights company's technical capability to handle complex projects that are crucial for economic infrastructure, but also reaffirms their commitment to fostering sustainable local growth.



Maintenance of navigation Buoys

Construction of Jetty for Offloading Bulk Carrier Vessels

ZMDS took on the comprehensive construction of a jetty designed to facilitate the offloading of bulk carrier vessels, specifically for cement and Liquefied Petroleum Gas (LPG). This project was pivotal in enhancing the operational efficiency of TP Company.

The jetty's design and construction were executed with precision, ensuring it meets international standards for maritime structures. This facility plays a significant role in streamlining the logistics of cement and LPG imports, thereby contributing to the overall economic growth of the region.

Installations of Mooring Buoys, Anchors, and Sinkers for Vessel

The installation of mooring buoys, anchors, and sinkers was a critical project to provide secure and efficient mooring for vessels of TP Company. This project required precision and expertise to ensure the safety and reliability of mooring operations.

ZMDS's team demonstrated exceptional technical skill in executing this project, ensuring that vessels can dock safely and efficiently, thus enhancing the operational capabilities of the maritime sector in Zanzibar.

Installation of Barge

The restoration and installation of Barge DN 139 involved equipping it with a cement boom, positioning it at the jetty. This project aimed to enhance TP Company cement handling capabilities and improve the barge's operational lifespan.



Lighthouse Maintenance



Construction of Piping System

The successful completion of this project signifies ZMDS's ability to handle complex maritime tasks that require a high degree of technical expertise and operational precision.

ZMDS's projects are more than just engineering feats; they represent a strategic investment in Zanzibar's Blue Economy. By enhancing maritime infrastructure, ZMDS is contributing to the sustainable economic development of the region. The company's efforts align with Zanzibar's broader economic goals, which include improving trade logistics and fostering sustainable use of marine resources.

ZMDS's success can be attributed to its unwavering commitment to excellence and innovation. The company's team of skilled professionals employs cutting-edge technology and best practices to deliver high-quality maritime solutions. This dedication to quality has earned ZMDS a reputation as a reliable partner in the maritime industry.

"We are incredibly proud of our team and what we have achieved with the Mangapwani." Says Khamis Mohammed Amran, the Managing Director (MD) of ZMDS who also adds, "our success is a testament to the hard work and dedication of



Installation of mooring buoys



Pull test mooring systems

Blue Economy agenda. We look forward to taking on new challenges and continuing to build a brighter future for our community.”

Looking ahead, the company plans to expand its services and take on more ambitious projects, both within Zanzibar and beyond. Their vision includes enhancing their capabilities in underwater construction, expanding their fleet for towing and tug services, and investing in advanced equipment to stay at the forefront of the industry, underlined MD Khamis in an interview with ZiBi Magazine recently.

Zanzibar Marine and Diving Services Limited is not just building jetties and installing buoys; it is laying the foundation for a prosperous future for Zanzibar. While its innovative projects and commitment to excellence, ZMDS is playing a key role in advancing the Blue Economy and driving economic growth in the region.

As Zanzibar continues to grow and develop, companies like ZMDS will be at the forefront, ensuring that the maritime industry remains a key driver of economic progress.

With its proven track record and clear vision, ZMDS is set to continue making waves in the maritime industry, transforming challenges into opportunities and contributing to the sustainable development of Zanzibar’s economy.



installation of Barge platform on jetty



Painting of barge at Manga Pwani multi-purpose Port in Zanzibar.



Installation of mooring buoys



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The digital revolution has not left the banking sector untouched. Technology has changed the entire landscape of the financial services sector.

The role of Technology

In Transforming the Banking and Financial services in Zanzibar



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Financial sector in Tanzania is comprised of banks, which accounts for about 70% of financial sector assets (NFIF, 2018); insurance companies, pension funds, Savings and Credit Cooperative Societies (SACCOS), credit companies and moneylenders, and community groups.

The financial sector is wholly regulated after the enactment of Microfinance Act, 2018. The Bank of Tanzania is vested with powers to regulate and supervise all deposit taking financial institutions and some non-deposit taking financial institutions as provided in the Bank of Tanzania Act, 2006; Banking and Financial Institutions Act, 2006; Foreign Exchange Act, 1992; National Payment Systems Act, 2015 and the Microfinance Act, 2018.

Other regulated and supervised financial institutions include bureau de change, leasing companies, mortgage refinance company, microfinance service providers (Tier 1: Deposit-taking microfinance institutions and Tier 2: Non-deposit taking microfinance institutions including individuals and moneylenders), credit reference bureaus and payments systems. Tier 3 SACCOS and Tier 4 community groups supervision and regulation role is delegated to Tanzania Cooperative Development Commission (TCDC) and President's Office Regional Administration and Local Government (PO-RALG), respectively and they ensure that the supervised institutions abide to the legal requirements.

Digital Banking Growth in Tanzania

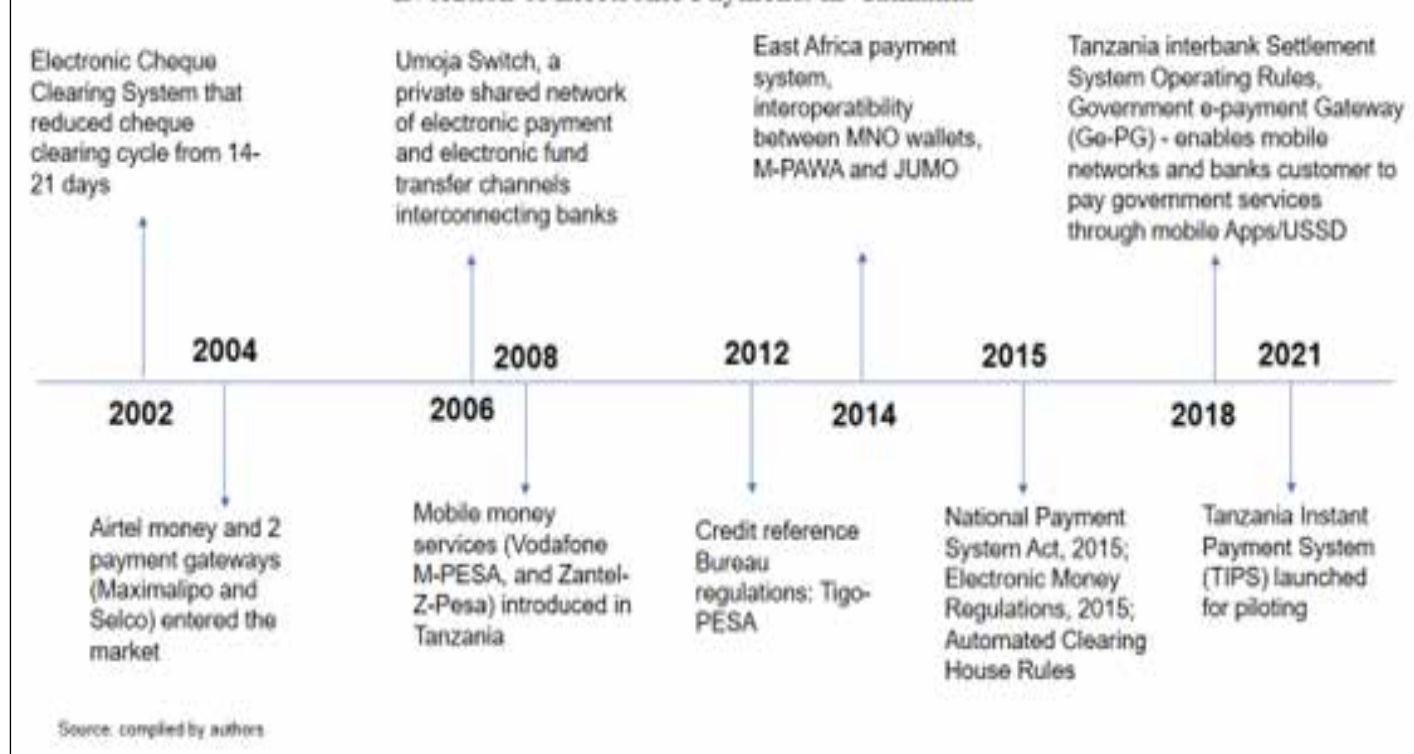
Tanzania has 31 regions (26 in Mainland and 5 in Zanzibar) and the banks' branch network has been increasing. The concentration of the branches is in five regions (Dar es Salaam, Mwanza, Arusha, Mbeya and Kilimanjaro), accounting for 52% of total operating branches (Bank of Tanzania, 2020).

The digital revolution has not left the banking sector untouched. Technology has changed the entire landscape of the financial services sector. From mobile banking to Artificial Intelligence (AI), the digitization wave has compelled the global banking sector to redefine its traditional approaches.

Tanzanian banks have embraced digital banking services well through various channels, including Automated Teller Machines (ATMs), Point of Sale Devices (POS), Internet banking and mobile (SMS). The number of ATMs reached 2,058 from 1,361 in a span of eight (8) years (2012-2020), while that of POS increased to 47,496 from 1,910 (BoT, 2020).

Digital financial sector has grown rapidly since mobile money was first introduced to the country in 2008, largely thanks to innovations leveraged in

Evolution of Electronic Payments in Tanzania



mobile phone technology, an enabling regulatory environment and a competitive market. Since then, with digitalization and adoption of technology, Tanzania has witnessed significant transformation in access and delivery of financial services.

The value of mobile banking and internet banking transactions have exhibited an upward trend as the value of Internet Banking grew from TZS 17.8 trillion in 2012 to TZS 64.9 trillion in 2020, whereas that of mobile banking stood at TZS 25.0 trillion from TZS 302 million. In 2009, 55% of the Tanzania's population were financially excluded from financial services, while in 2017, only 28% of the population had no access to financial services (NFIF, 2018).

Further, according to the data from the Bank of Tanzania, the proportion of bank customers using digital banking services in Tanzania has soared from around 15% in 2018 to nearly 50% in 2023. Banks like CRDB Bank have launched various digital services, including mobile banking, online banking, and USSD code-based services.

The Tanzania mobile money market characterized by different types of transactions, including transfers and withdrawals, P2P, B2G, C2B, G2P and P2G payments and deposits. The P2P and P2G transactions are common, facilitated by the stand-alone mobile network operator (MNO) mobile money platforms or platforms interfaced with banks and/or private and government electronic platforms.

Remarkable change is the transition from P2P to merchant payments (B2P), small volume payments to bulky payments, and emergence of fintech that use mobile and bank systems to enable international transfers. Factors such as: client trust on the current technology, platform integration and interoperability, have contributed to the rapid evolution of the Tanzanian financial system.

“
The value of mobile banking
and internet banking
transactions have exhibited
an upward trend

Influence of Mobile Phone in Banking Sector

The use of mobile phones in facilitating transactions in traditional financial institutions, particularly banks, is growing with majority of banks interfacing their core banking systems with mobile network operator's systems (aggregators of mobile customers information), National Identification database (a recent move) and credit reference systems.

Banks have with their own fintech solutions or collaborate with fintech companies to offer the services. There is tremendous growth of mobile banking transactions, which grew from TZS 57 million in 2008 to TZS 24,973.3 billion in 2021. There are six mobile money telecoms in the market, of which three dominated the market; namely Vodacom (M-Pesa), Tigo (Tigo-Pesa) and Airtel (Airtel money).

The registered mobile money accounts totalled 108.5 million, of which 33.1 million were active accounts transacting a total of US\$ 49 billion in 2020 (BoT, 2021b). Dominance in the market explain

Role of Technology in BFSI

- ***Simplified Process:***
Technology has simplified the process and ease the access to the banking and other financial services.
- ***Improved Payment System:***
Technology improves efficiency in processing payments and loans, makes it easier to upgrade payment systems to suit market demand, competitiveness, and customer retention, and by extension it enhances the economic growth.
- ***24/7 Payment Services:***
Real time payments are now possible even in remote places where financial institutions are not present, 24/7 and during holidays
- ***Fintech Innovation:***
Increasingly, fintech innovation connects mobile wallets with other digital payment platforms such as Visa, MasterCard and PayPal, and thus enhances exchange of goods within and across countries
- ***Improves transactions security:***
With technology, it becomes easier for banks and other financial institutions to enhance cyber security, data security and privacy thus reduce vulnerability of the financial system to cyber-criminal.
- ***Reduction of Fraudulent Activities:***
It has fostered financial transparency, making it harder for corruption and fraud to thrive.
- ***Improved Transparency:***
Technology has improved the transparency in financial transactions, in both sending and receiving payments
- ***AI based decision making:***
AI based applications have enabled more informed decisions on customers, developing new products, prompt services and choice based decision making to customers.
- ***Cost Efficiency:***
From an economic perspective, digital banking has boosted the efficiency in financial transactions, reduced transaction costs with lower processing and usage expenses, and facilitated the growth of e-commerce in Tanzania by offering a range of digital financial services to its customers, including payment solutions like cards, ATM, POS, e-commerce, and third-part integrations with payment service providers; online account management and transaction banking through the internet; mobile and agency banking; digital loans and savings; and international money transfers, amongst others.

rapid evolution of products in the market. For instance, leaders in the market in the likes of Vodacom-Tanzania are willing to invest in products or services banking on its wider network coverage and customer base, with expectation of quick returns before adoption of similar technology by competitors.

Challenges

While the digital transformation of Tanzanian banks has brought numerous benefits, it also comes with several challenges. Cyber Security is a significant concern. As banks digitize their services, they become increasingly vulnerable to cyber threats. According to a survey by Serianu, a Cyber Security consulting firm, Tanzanian organizations lost an estimated \$85 million to cybercrime in 2022.

Furthermore, while digital banking has expanded financial inclusion, it raises concerns about digital inequality. As banks move their services online, customers without access to the internet or digital literacy skills risk being left behind. For example, while 3G mobile network coverage is 81% of Tanzania's total population, only 26% is connected or uses 3G or 4G services.

There are also regulatory challenges, in which digital banking technology often outpaces regulatory frameworks, potentially creating gaps in oversight and consumer protection.

Despite the challenges, the rewards are immense: improved financial inclusion, greater efficiency, and increased economic growth. It is a journey that requires commitment from all stakeholders – banks, customers, regulators, and the government. With a shared vision, Tanzania can successfully navigate the digital banking era, unlocking a future of financial prosperity for all its citizens.

However, the regulatory bodies, primarily the Bank of Tanzania, must evolve their regulatory frameworks to keep pace with technological advancements, protect consumers, and maintain the banking sector's stability. Banks must enhance Cyber Security, improve user experience, and expand digital services.

There is also a need to increase digital literacy among the population and ensure that digital banking services are accessible to all, regardless of their location or socio-economic status. Banks also need to use more of AI and data analytics in their operations.



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AI is not about replicating human consciousness; it is more about programming machines to analyze data, identify patterns, and make intelligent predictions.

Embracing the Future

Zanzibar's Technological Transformation



By: Joseph C. Rubambe
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(Project Management, Consulting & Business Transformation Projects)

We are witnessing an unprecedented surge in emerging technologies. Advancements such as Artificial Intelligence (AI), Block Chain, and the Internet of Things (IoT) are not merely buzzwords - they have the potential to reshape economies and transform lives. From streamlining manufacturing processes to fostering innovation in healthcare, these technologies are driving economic growth, creating new job opportunities, and unlocking a future filled with possibilities.

This is particularly true for developing economies, where emerging technologies offer a unique chance to leapfrog traditional development stages and establish a competitive edge in the regional and global marketplaces. However, to unlock a country's economic potential through these technologies and move toward a more prosperous future, a deep understanding and strategic approach are essential.

Zanzibar is renowned for its white sandy beaches, vibrant coral reefs, and rich cultural tapestry. But beneath the surface lies a country eager to advance and improve the lives of its people by embracing a technology-driven future. It is only natural for any country to seek to harness these technologies to tackle its critical challenges. In this era of technological disruption, AI has emerged as a powerful tool for growth and transformation.

As other nations are already doing this, Zanzibar must strategically position itself to capitalize on these advancements and avoid falling behind. But how should it go about it? What approach should Zanzibar take to advance into a future defined by rapid technological progress? Let's start by exploring the world of AI, its core principles, and the global fascination surrounding it. We will then delve into the specific benefits AI offers developing economies like Zanzibar, focusing on how it can propel

economic growth and contribute to a brighter and more sustainable future. Finally, we will assess the challenges Zanzibar will likely face in implementing AI and discuss strategies that may help overcome these challenges.

Demystifying AI

Artificial Intelligence refers to the ability of machines to mimic human cognitive functions such as learning, problem-solving, and decision-making. This is not about replicating human consciousness; it is more about programming machines to analyze data, identify patterns, and make intelligent predictions. The main buzz around AI (other than ChatGPT) is driven by its immense potential to revolutionize industries and unlock new possibilities.

From optimizing supply chains to predicting weather patterns with unprecedented accuracy, AI is rapidly reshaping the economic landscape. This global focus presents a unique opportunity for developing economies like Zanzibar. By embracing AI, countries can leapfrog traditional development stages, bypassing the need to replicate the entire trajectory of more established economies.

For the likes of Zanzibar, AI offers a multitude of benefits that can significantly contribute to economic growth. Some key areas include boosting government efficiency in the delivery of public services, as well as transforming education and healthcare through AI. In education, AI can personalize learning experiences, provide intelligent tutoring systems, and streamline administrative tasks. In healthcare, AI can enhance diagnostic accuracy, predict disease outbreaks, and optimize treatment plans, ultimately improving patient outcomes and overall public health.

AI also excels at automating repetitive tasks, freeing

up human capital for more strategic endeavors. In Zanzibar's tourism sector, which constitutes a third of its GDP, AI has the potential to significantly enhance personalized travel experiences, optimize marketing strategies, and improve operational efficiency. By leveraging AI-powered data analytics, Zanzibar can gain insights into tourist preferences and behaviors, allowing for tailored recommendations and targeted promotions.

When it comes to public service, AI can revolutionize delivery by streamlining processes, enhancing accessibility, and increasing efficiency. Predictive analytics can help in resource allocation, ensuring that services such as healthcare, education, and utilities are efficiently distributed based on demand and need. By automating routine tasks and providing data-driven insights, AI can make public services more responsive, transparent, and effective, significantly improving the quality of life for residents.

The Hurdles

While the potential of AI for Zanzibar is undeniable, significant technological hurdles must be addressed to ensure successful implementation. Some of these challenges include technology infrastructure, a skilled workforce, and commitment from the government.

Reliable and affordable internet access is the lifeblood of AI. Robust infrastructure, including high-speed internet, reliable power supplies, and modern data centers, ensures that AI systems can operate efficiently and effectively. Without it, deploying and utilizing AI solutions becomes a significant challenge. To overcome this, Zanzibar would need to prioritize more investments in its digital infrastructure, expanding internet coverage, and ensuring cost-effective access for businesses and individuals.

Zanzibar also needs to cultivate a skilled workforce to ensure it has home grown talent across various sectors, as AI relies heavily on specialized expertise. Data analysis, programming, and AI development skills are crucial for operating and maintaining AI systems. Zanzibar must invest in education and training programs to develop a skilled workforce capable of driving the AI revolution. This might involve collaborating with universities, fostering public-private partnerships, and attracting international talent.

However, all these elements are interconnected components of a larger framework. For everything to succeed, firm government commitment is essential; this involves setting a clear national intention towards digital transformation. A major challenge often encountered in government MDAs is the lack of financial commitment to technology investments, stemming from the misconception that ICT is merely a support function. To overcome this, the government must prioritize technology initiatives, allocate sufficient funding, and recognize ICT as a critical driver of innovation, efficiency, and economic growth.

Demonstrating this commitment will be essential to achieving digital transformation goals and ensuring sustainable development.



We are witnessing an unprecedented surge in emerging technologies.

A Bright Future Ahead

We now understand the steps the government should take, but it is important to acknowledge that Zanzibar has already made considerable progress toward this vision. A key milestone is the establishment of the first-ever global campus of the prestigious Indian Institute of Technology (IIT) Madras, highlighting Zanzibar's commitment to empowering its youth with advanced technological education.

The institute is renowned for its rigorous academic programs and cutting-edge research, producing graduates who have become leading tech CEOs and innovators globally. By hosting an IIT-Madras campus, Zanzibar not only demonstrates its commitment to empowering its youth with advanced technological education but also places itself on the global map as a hub for technological and educational excellence. This strategic move is poised to attract further investments, talent, and attention to Zanzibar's burgeoning tech ecosystem.

Additionally, Zanzibar has launched Silicon Zanzibar, an initiative aimed at attracting technology talent and investors. This initiative

is part of a broader strategy to foster a vibrant tech ecosystem on the island. Furthermore, Zanzibar has established a Digital Free Economic Zone, where plans are underway to build a cyber city and state-of-the-art innovation centers. This new city will include an internet exchange point and a Tier 3 data center, serving both the public and private sectors.

To enhance connectivity, Zanzibar is also pursuing the addition of a new submarine cable. This will bolster the island's internet infrastructure, providing reliable and high-speed connectivity critical for supporting advanced technological applications and services. These efforts highlight the government's dedication to creating an environment conducive to technological innovation and economic growth, positioning Zanzibar as a hub for digital advancement in the region.

Zanzibar stands at the cusp of a technological revolution, ready to harness the transformative power of emerging technologies. The strategic steps the country has already taken, showcase its commitment to a technology-driven future. By prioritizing digital infrastructure, developing a skilled workforce, and securing firm governmental support, Zanzibar is well-equipped to leapfrog traditional development stages and establish itself as a competitive force in the regional and global marketplaces.

Investments in AI can significantly enhance key sectors such as tourism, education, healthcare and public services, driving economic growth and improving the quality of life for residents. The planned Digital Free Economic Zone and the addition of a new submarine cable underscore Zanzibar's vision of becoming a hub for technological innovation and economic prosperity.

The journey ahead will require overcoming substantial challenges, particularly in technology infrastructure and up-scaling workforce. However, with a clear strategic vision and unwavering commitment, Zanzibar can unlock its full potential, achieving a brighter, more sustainable future. These efforts not only set a precedent for other developing economies but also position Zanzibar as an emerging hub for embracing and leveraging new technologies for national development.



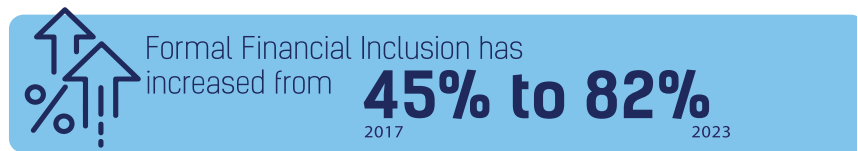
FinScope Tanzania is a comprehensive financial sector demand-side survey of Tanzanian adults aged 16 years and above. It provides an understanding of the financial services uptake landscape across the country and is a reliable measure for demand and usage of financial services across various population segments. Further, FinScope Tanzania's insights clearly present barriers and levers to financial inclusion. The survey was a public-private sector collaboration, spearheaded by the Ministry of Finance and Planning Tanzania and Zanzibar and Bank of Tanzania, and with the participation of the Financial Sector Deepening Tanzania (FSDT), National Bureau of Statistics (NBS) and the Office of Chief Government Statistician Zanzibar (OCGS).

The Zanzibar Report presents the FinScope Tanzania 2023 analysis for Zanzibar residents. This includes every Tanzanian 16 years or above living in Unguja or Pemba at the time of the survey who was randomly selected.

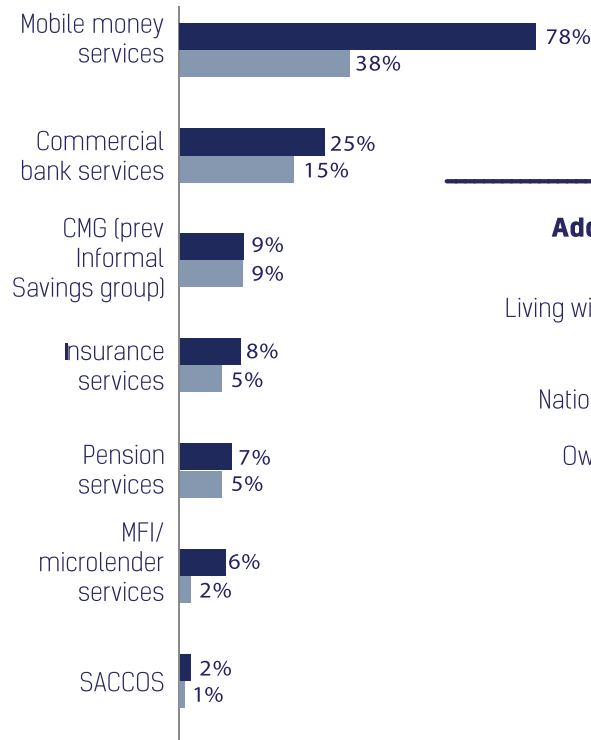
FinScope Tanzania 2023 is the fifth wave in the FinScope Tanzania series with previous waves in 2006, 2009, 2013 and 2017. The full FinScope Tanzania 2023 and Zanzibar reports are available under: www.fsd.or.tz/finscope

The State of Financial Inclusion and Key Developments

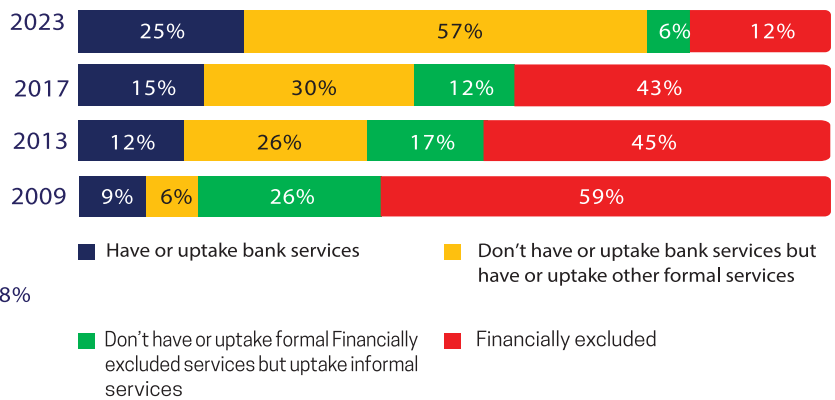
Financial inclusion has made significant strides in Zanzibar. Since 2017, the number of adults excluded financially has dropped by almost two-thirds to 112,000 in 2023 from 318,000. This reduction in those excluded is even more significant because the adult population has increased by 27% over the same period. A rise in mobile money uptake from 38% to 78% and banking from 15% to 25% has fueled the rise in financial inclusion.



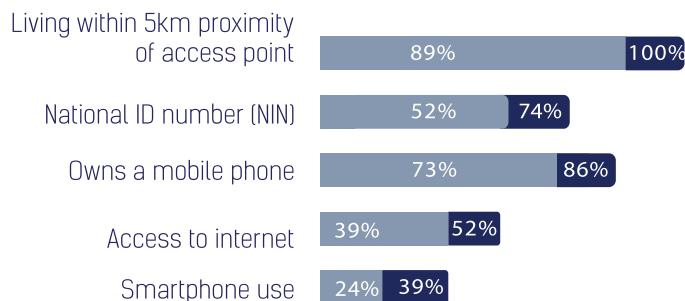
Uptake of Formal Financial Services Base = Zanzibar only



Uptake of Financial Services Base = Zanzibar only



Addressability: Proximity, NIN and Phones Base = National



Addressability barriers decline, however remain a **challenge for certain segments**



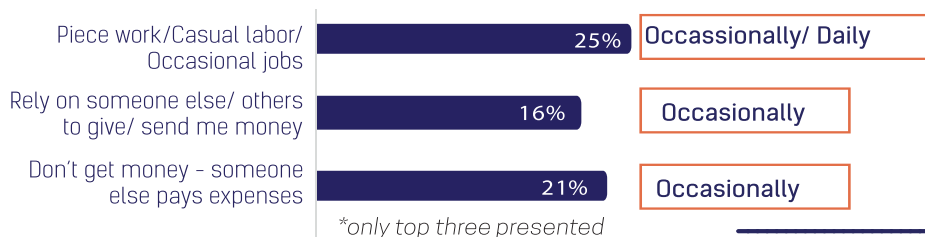
In Zanzibar, most addressability challenges have been successfully addressed with 100% of people living within 5km of a financial access point, access to a National Identification Number (NIN) remains high at 74%, ownership of a mobile phone increased from 73% to 86%, and significantly access to internet increased from 39% to 52% and smartphones increased from 24% to 39%.

However, perception issues remain with people still thinking that they need more money to open a bank account and that they will attract bad things if they take up insurance. Further, more seasonal or occasional income sources create a lack of financial stability. Lastly, the lack of awareness of Islamic financing prepositions also remains a deterrent.

Barriers and Next Frontiers

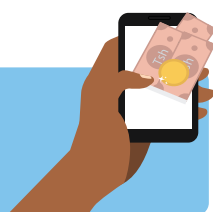
Though Zanzibar has made commendable progress, further initiatives are needed by both public and private sector players to ensure that more people in Zanzibar transact formally and use financial services to foster economic development

How is personal revenue generated and how frequently is money received from these sources?*



More than a third of respondents in Zanzibar mainly depend on others for income

The digital payment landscape remains largely underutilized



Merchant payment channels used to purchase goods, all adults

Base = Adults in Zanzibar



Due to high levels of dependency, respondents in Zanzibar were either only receivers of funds and less likely to perform onward electronic transactions or, in the case of the 21% mainly female respondents, their dependency was based on a reliance that expects other household members to directly deliver goods/products to them. This limits their ability to manage actual cash. Regardless, they are at times engaged indirectly in shop credit "mali kauli", which could provide an opportunity to also provide them with adequate credit history – an area of innovation which remains to be explored.

Although residents of Zanzibar are aware of digital payment options, such as lipa namba and POS, only a small fraction of the interviewed have ever utilized these services and even less do so on a regular basis. Cash remains the prominent form of payment.

Leveraging on digital payments will not only unlock the pathway towards a digital economy but will further foster economic growth and innovation as financial behaviors can be better understood. This would enable even thin-file customers with low asset ownership to be able to be credit scored securely.



Zanzibar has observed an increase in the number of people saving, which indicates an increased awareness of the importance of savings during hardship. This is due to the recent experience caused by the global pandemic, which significantly impacted Zanzibar's tourism, a key economic activity.

However, saving and borrowing remain focused on cash flow management. The challenge is to increase the number of respondents in Zanzibar using finance for developmental objectives, such as asset building or productive investments for income diversification.

Social and personal approaches to risk management are far more prevalent than formal insurance, with only 8% of respondents in Zanzibar being insured. However, another key factor contributing to low insurance penetration is the high level of government cover for medical and health services on the isles, which renders health insurance, usually one of the key insurance drivers, as less relevant compared to Mainland.

From Regulations for Affordability

ZURA's Innovation for Zanzibar's Utility Sector Transformation

Since its establishment in 2015, the Zanzibar Utilities Regulatory Authority (ZURA) has been instrumental in stabilizing utility prices and ensuring quality service delivery in Zanzibar.

Under section 3 of the Zanzibar Utilities Regulatory Authority Act No. 7/2013, the Zanzibar Utilities Regulatory Authority (ZURA) operates as a multi-sectoral regulatory body. It is tasked with licensing, tariff review, and performance monitoring to ensure the active participation of the private sector, foster effective competition, and promote economic efficiency in public utilities.

ZURA's comprehensive regulatory framework aims to create a balanced and competitive market environment that encourages innovation and investment, ultimately contributing to the sustainable development of Zanzibar's utility sectors.

In addition to economic oversight, ZURA places a strong emphasis on adherence to quality, safety, health, and environmental standards. This commitment is central to protecting the interests

of consumers, particularly those from disadvantaged backgrounds, rural areas, and low-income groups.

Rigorous standards and transparent regulatory practices ensure that utility services remain accessible, affordable, and reliable for all residents. This dual focus on economic efficiency and consumer protection underscores ZURA's role in enhancing the overall welfare of Zanzibar's society.

In response to the call by the President of Zanzibar and Chairman of the Revolutionary Council for the establishment and utilization of ICT systems, the Zanzibar Utilities Regulatory Authority (ZURA) has successfully developed different systems to enhance the performance and efficiency of the authority.

ZURA Integrated Regulatory System (ZIRS)

The ZURA Integrated Regulatory System (ZIRS) represents a significant leap in the authority's efforts to enhance regulatory efficiency and service





delivery. ZIRS is designed to streamline various regulatory processes, making them more efficient and transparent. The system's key capabilities include:

Licensing and Fees: Users can now apply for licenses and pay fees online, significantly streamlining the application process. This innovation minimizes bureaucratic hurdles, drastically reducing the time and effort required to complete these transactions.

Regulatory Compliance: ZIRS enhances adherence to licensing regulations by enabling standardized inspections conducted by ZURA officers. This system ensures consistent compliance and enforcement across all utility sectors, promoting a uniform regulatory environment.

Penalty Management: Penalties for non-compliance can be issued and paid through the government's online payment system, 'ZanMalipo', promoting transparency and efficiency in the enforcement process.

Performance Reporting: Utilities such as Zanzibar Electricity Corporation (ZECO) and Zanzibar Water Authority (ZAWA) can submit their quarterly and annual performance reports through ZIRS, facilitating better oversight and ensuring that regulatory requirements are consistently met.

Monitoring Sales and Imports: Oil and gas companies can track the sales and importation of their products, ensuring accurate data collection and reporting. This enhances transparency and accountability within the energy sector.

Data Recording: Daily measurements and records of petroleum and gas imports are maintained within the system, improving data accuracy and availability for regulatory purposes.

“
ZURA
helps maintain the
affordability of
essential services for
all households.”

Enterprise Regulatory Management System (ERMS)

The Enterprise Regulatory Management System (ERMS) is another significant technological advancement by ZURA aimed at enhancing efficiency, transparency, and service delivery. ERMS comprises two main components: E-Office and E-Procurement.

The e-Office component modernizes ZURA's internal operations by replacing traditional paper-based workflows with an integrated electronic system. This digital office solution enables seamless document management, real-time collaboration, and efficient communication across departments.

By reducing administrative bottlenecks, the e-Office enhances productivity and ensures that regulatory processes are conducted swiftly and accurately. This innovation not only optimizes ZURA's internal efficiency but also sets a benchmark for other regulatory bodies in the region.

ZURA's e-Procurement system revolutionizes procurement activities by digitalizing the entire process. This system ensures a transparent, competitive, and accountable procurement environment that minimizes the risk of corruption and inefficiency.

The e-Procurement platform allows for electronic submission of bids, automated evaluation processes, and clear documentation of all procurement activities. By ensuring that procurement decisions are made based on merit, ZURA fosters a fair business environment and encourages the participation of local and international vendors.

Complain Management System (CMS)

The Complain Management System (CMS) is a critical tool for enhancing consumer protection and ensuring regulatory compliance. This system allows consumers to lodge complaints and feedback electronically, providing a streamlined and accessible platform for addressing grievances related to utility services.

The CMS ensures that all complaints are tracked, managed, and resolved promptly, thereby improving service delivery and consumer satisfaction. By empowering consumers to voice their concerns and receive timely resolutions, ZURA reinforces its commitment to accountability and responsiveness.

ZURA's commitment to protecting consumer interests is evident through the CMS. By providing a reliable platform for consumers to voice their concerns, ZURA has fostered trust and accountability within the utility sector. Transparent tariff setting and rigorous enforcement of regulatory standards have ensured that essential services remain affordable and accessible to all, particularly the disadvantaged and rural populations.

ZURA's technological innovation through the ZURA Integrated Regulatory System (ZIRS) and the Enterprise Regulatory Management System (ERMS) exemplifies a forward-thinking approach to utility regulation.

By leveraging modern technology, ZURA has not only improved its regulatory capabilities but also contributed to Zanzibar's broader economic and environmental goals.

As ZURA continues to evolve and adapt to new challenges, its commitment to excellence and public service remains unwavering, positioning it as a cornerstone of Zanzibar's economic and social development.

I want ZEEA to build a resilient economy that benefits all Zanzibaris. Innovation, inclusivity, and resilience, can contribute to build a prosperous future for all. — Mr Juma Burhan Muhamed, Executive Director ZEEA

Juma Burhan Mohammed

The archipelago economic empowerment driver

By: Kenan Kalagho
Business Journalist

Perhaps you are amazed at the recent development of entrepreneurship and innovation pace taking place in Zanzibar. Well, Mr. Juma Burhan Mohammed is behind it.

Mr. Juma Burhan Mohammed is the Executive Director of the Zanzibar Economic Empowerment Agency (ZEEA).

For the past two years of the agency's inception, he has fostered empowerment and uplifting communities in the Isles.

Juma's journey began with a robust educational foundation in finance and business management, equipping him with the knowledge and skills necessary to navigate the complex landscape of economic development.

Additionally, he earned a Senior Management Leadership Development Program from Strathmore University. At present, he is a student pursuing a PhD programme. His 14 years in the financial sector equipped him with a deep understanding of banking operations, SME financing, and financial education.

With leadership qualities and vast experience in finance having worked in several senior leadership positions, he has not only engineered the strategies for entrepreneurship and financing, but as well ensured that business start-ups are trained.

Prior to his appointment as the ZEEA boss, Mr. Juma had already established a distinguished career

characterized by leadership, innovation, and significant contributions to various sectors. He co-founded N & J Consulting Group Limited, a firm that has been instrumental in providing strategic business solutions.

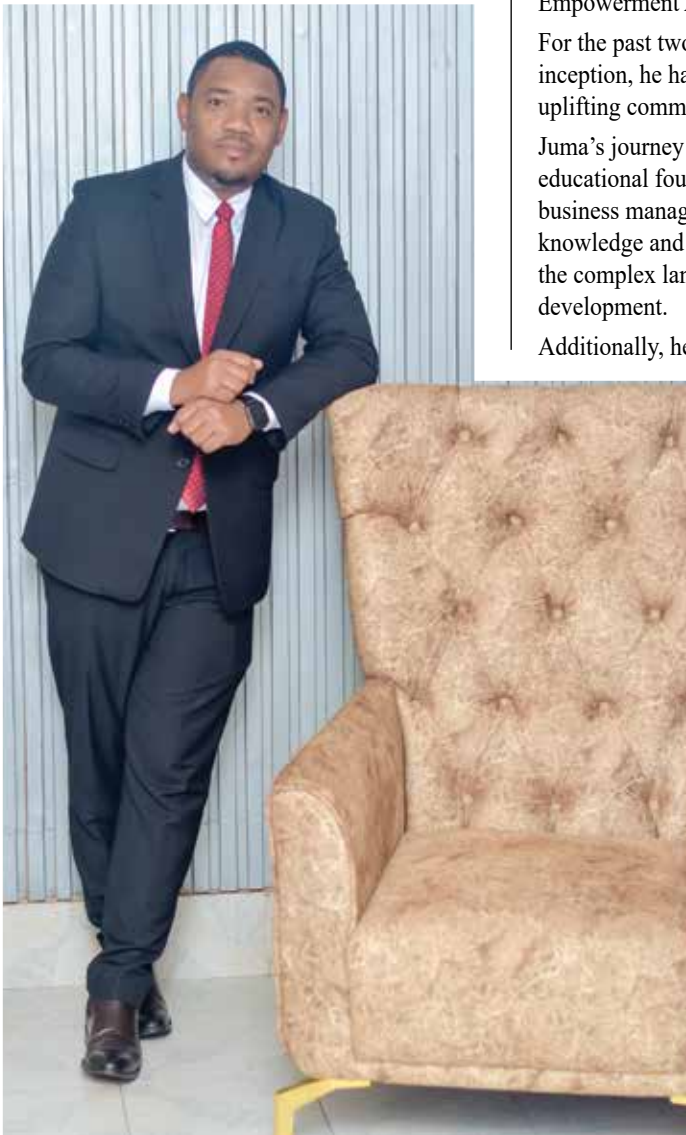
He also served in different boards of directors, including the National Board of the Madrasa Resource Center of the Aga Khan Foundation, Impact Hub Zanzibar, the Zanzibar National Chamber of Commerce, SOS Children's Village Tanzania and served as a council member at Zanzibar University.

The role he played in these various positions he held, allowed him to influence and support a broad spectrum of initiatives aimed at social and economic development.

Juma's banking career began as the Branch Manager of the Bank of Africa (BOA) in Zanzibar, where he managed operations for over six years. His leadership at BOA was marked by exceptional performance, with the Zanzibar branch being recognized as the Tanzania top-performing branch in the BOA group for four consecutive years from 2015 to 2019.

This accolade underscored his ability to drive operational excellence and achieve outstanding results.

Following his success at BOA, Juma advanced to become the Head of Branches at Diamond Trust Bank (DTB). In this role, he oversaw all sales and operations, including the management of DTB Zanzibar's supply chain, sales activities, service, and support across all markets. His tenure at DTB was equally remarkable. In 2021, he was named the Best Performer of the Year, having increased the branch's performance and growing the balance sheet size from Tanzania shillings 2 billion to 10 billion within just three months from September to December 2021.



In addition to his banking achievements, he significantly contributed to the education sector. As a Board Member of the Madrasa Resource Center - Aga Khan Foundation, he played a pivotal role in expanding the number of Early Child Development (ECD) schools in Zanzibar from 30 to 84 between 2015 and 2020.

His commitment to education extended to academia, where he served as a part-time lecturer at Zanzibar University from 2020 to 2022, teaching more than 300 diploma-level students in the Faculty of Business Administration.

His extensive experience and notable accomplishments across various domains laid a strong foundation for his current role as the Executive Director of ZEEA, where he continues to drive economic empowerment and sustainable development in Zanzibar.

Other notable achievement worth special mention at ZEEA include the following:

“
Empowering our
people is key to
unlocking Zanzibar’s
full potential.”

Raising the level of ZEEA

Zanzibar Economic Empowerment Agency (ZEEA) has established itself as a catalyst for empowerment and sustainable economic growth in Zanzibar. Its innovative strategies have created an environment that sparked awareness among the people of Zanzibar, leading to an increased value placed on the concept of entrepreneurship among different stakeholders

This has been achieved as the agency focuses on several key areas including capacity building and training, access to finance, market access and networking, policy advocacy, support for innovation and sustainable development.

Skills Development

Under his leadership ZEEA implements comprehensive training programs to enhance the skills of individuals, particularly in high-demand sectors. From its inception, the agency has trained about 1713 entrepreneurs on entrepreneurship skills in Unguja and Pemba.

These programs include vocational training, apprenticeships, mentoring, and capacity- building workshops to equip entrepreneurs and SMEs with essential skills in business management, financial and digital literacy that empowers them to run their businesses more effectively and competitively.

Access to funding and financial resources

Facilitating easier access to funding and financial resources is of paramount importance in citizen empowerment blueprint. In this area Mr. Juma has effectively utilized his extensive experience in finance and business management to partner with financial institutions to create tailored financial products, services and establish grant and loan programs to facilitate access to microloans, grants, seed funding which will enable entrepreneurs to start and expand their businesses.

Market Access and Trade Facilitation

On the issue of market access, networking and trade facilitation, ZEEA has been organizing exhibition, trade fairs and business expos in these two years of his leadership.

Entrepreneurs are provided with platforms to showcase their products. Fahari Festival is one of the good examples of the trade fairs by ZEEA.

Enhancing technology access and the internet has been proven to help in empowering citizens particularly in remote areas.

Creating e-commerce platforms to connect local entrepreneurship with both local and foreign larger markets that in-turn build strategic partnerships, is a priority to Mr. Juma as he underlines the participation in the digital economy as “crucial while highlighting the importance of preparing a robust mechanism with AI” to support the initiative.

ZEEA aims to create omni-channel payment solutions that will enhance the digitalization of Zanzibar’s economy.

Community-Based Development Projects

Promoting the formation of cooperatives to pool resources, share risks, and benefit from collective bargaining power, especially in agriculture and handicrafts, is another focus area.

Mr. Juma also encourages community-public- private partnerships to provide solutions to the community. Supporting the development of social enterprises that address community needs while creating employment and generating income is a crucial part of this strategy.

The legacy he hopes to leave at ZEEA and the Isles

ZEEA’s boss has been encouraging businesses to adopt sustainable practices that protect the environment and promote social responsibility.

He has earned respect for exceptional performance in reducing bureaucracy in the operations of ZEEA and for collaborating with various stakeholders including NGOs, development partners, and policymakers on various issues such as advocating for policies, guidelines, and regulations to create a conducive business environment for SMEs and startups.

He hopes to leave back a legacy of empowerment and sustainable growth which will make Zanzibar a beacon of economic prosperity, believing that “empowering our people is key to unlocking Zanzibar’s full potential. This, he says will reduce unemployment, increasing access to finance for start-ups, small and medium-sized enterprises (SMEs) and ensure that entrepreneurs have access to markets.

Healthcare Marketing

Healthcare Marketing as It Should Be Done



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Traditionally, marketing was considered taboo in the healthcare profession. The focus was solely on patient care, and the idea of promoting medical services was seen as unprofessional. However, the landscape has changed dramatically due to increasing competition within the healthcare sector. Today, effective marketing strategies are crucial for healthcare providers to attract and retain patients, and to differentiate their services in a crowded market.

Healthcare is a complex service that involves demand, supply, buying, and consumption. The primary goal of any private healthcare provider is to deliver high-quality healthcare services to patients while generating revenue.

Improving an individual's health is not just a service; it is a mission that requires understanding the competitive environment, which includes determining your market

plan, target audience, market changes that affect your patients, and how your practice or services differ from those of your competitors.

To develop a robust healthcare marketing strategy, providers must have an in-depth knowledge of the community they serve. This understanding encompasses various factors such as culture, social class, and levels of understanding.

For example, marketing strategies that work in urban health care services may not be effective in rural settings due to differences in accessibility, awareness and healthcare needs.

In Tanzania, healthcare marketing is particularly necessary to improve the quality of services offered, identify market segments requiring different approaches, and address pricing strategies. It involves analyzing the quality of services, how these services are obtained, and the desired effects on patients health.

Marketing in healthcare needs well-defined strategies to highlight the advantages over competitors. This includes assessing if the market is aware of your strengths, choosing areas where your services excel, and leveraging these strengths to attract more patients.

Private healthcare providers in Tanzania need to work diligently to identify new sources of revenue and focus on areas where they out-perform their competitors. This requires anticipating potential threats such as changes in government policy or increased competition that could lead to revenue loss.

Targeting the right market segments is essential for improving healthcare outcomes. Healthcare providers should have a strategic plan for maintaining existing patients, attracting new ones, and sourcing patient referrals. Different market segments may require tailored approaches; for instance, high-revenue-generating patients might need a specialized marketing approach to ensure their continued loyalty.

Understanding the position of your healthcare facility in the market is crucial. This involves knowing what makes your services unique and competitive. Healthcare facilities should aim to establish a clear position, differentiation, and a compelling message in the healthcare market.

Additionally, setting long-term goals and having a clear purpose of practice concerning patient care is vital for sustained success.





For any healthcare practice to thrive, it should set clear, measurable goals and avoid complacency. Goals might include introducing new services, increasing annual revenue, or enhancing patient satisfaction within a specific timeframe. These goals help in measuring the effectiveness of marketing activities and ensuring continuous improvement.

A successful marketing strategy should include a plan of action and resource allocation aligned with the hospital's goals. For example, if the goal is to increase revenue from current patients by 50%, specific activities should be set to achieve this, including maintaining patient relationships, setting timeframes, and budgeting for these activities.

Not all marketing goals will lead to success, which is why it is essential to study and refine them continually. Effective marketing strategies involve examining the services provided to patients, the pricing, and the benefits these services offer. Developing good relationships with other hospitals is also crucial, as it can lead to referrals when certain services are not available in other facilities.

Brand image and identity play significant roles in healthcare marketing. A brand goes

“
A successful marketing strategy should include a plan of action and resource allocation aligned with the hospital's goals.”

beyond just a logo; it encompasses the entire patient experience from the moment they enter the hospital until they pay the final bill. A strong brand is built on consistent positive experiences and what patients say about your services. To establish a robust brand, healthcare practices need to ensure that every patient interaction is positive.

Healthcare practices should utilize various marketing tools to foster growth. Social marketing techniques, such as persuasive messaging through media, can effectively reach potential patients. Interactive techniques, including hospital-patient interactions and patient participation through video testimonials, can also enhance marketing efforts.

A well-designed digital platform is an invaluable tool for engaging with patients remotely, showcasing services, and facilitating easy access to information. Additionally, word-of-mouth marketing remains powerful in healthcare; positive patient feedback can significantly influence potential patients, while negative feedback can harm a practice's reputation.

Setting a marketing budget is crucial for monitoring investments and reallocating resources if initial activities do not yield the expected results. A well-planned marketing budget is a wise investment that can lead to significant returns in the form of increased patient numbers and revenue.

Key concepts for achieving effective healthcare marketing include strategic planning, goal setting, and continuous evaluation of marketing activities. By focusing on these areas, healthcare providers can develop successful marketing strategies that enhance their competitive edge.

Healthcare marketing has evolved from a taboo subject to an essential component of successful healthcare practice. By understanding the competitive environment, targeting the right market segments, setting measurable goals, and utilizing effective marketing tools, healthcare providers can significantly improve their services and achieve sustainable growth.

A well-executed marketing strategy not only attracts and retains patients but also establishes a strong brand identity that sets a healthcare facility apart from its competitors. For healthcare providers in Tanzania and beyond, embracing marketing as a strategic tool is vital for thriving in today's competitive healthcare landscape.

The process of setting up a business is made easier, through digital technologies reducing the frustration of setting up a business.

Digital Entrepreneurship

How digital entrepreneurship can be a force for a positive change.



By Prof. Thillai Rajan
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The paradigms of economic development keep changing. Centuries ago it was agriculture, a few decades ago, it was industrialization. Then the attention focused on services, followed by technology. Today, the major levers of economic growth are centered on entrepreneurship and innovation – terms that have become part of the common lexicon as a result of the policy focus on these two topics.

Entrepreneurship defined

In general, refers to the risk taking ability of the individual, and more specifically refers to people starting their own businesses. Entrepreneurs create jobs and wealth, while producing various products and services that addresses society's needs and problems. Governments' support entrepreneurship because of the social benefits that gets generated.

Entrepreneurship can assume various forms. At one end are the ventures, which are essentially technology led innovative businesses that have the potential for fast growth and scale up globally. Most of the large modern businesses, started as entrepreneurial ventures.

Examples include Google, Apple, WhatsApp, LinkedIn, and so on. They began as start-ups and have

today become businesses worth hundreds of billions. At the other end are the smaller companies that provide steady income to their owners.

Entrepreneurship does not necessarily mean that it has to result in large global businesses. There are millions of small businesses that are significantly contributing the economy. Lets' take the example of India. There are around 200,000 start-ups (source: www.ynos.in) whereas the number of micro and small businesses exceed 60 million.

The impact on the individual

Apart from contributing to the economy, entrepreneurship makes a deep impact on the business owner at the individual level. As a part of various engagements, writer of this article got opportunities to interact with several entrepreneurs, and have asked them this single question at different forums:

“Entrepreneurship is a very difficult path. It is a lot easier to get a salaried job. Why did they choose to pursue such a difficult path?”

The answers are revealing. “It has helped me to create an identity of my own. Now people respect me.” “I was deeply impacted by a situation that I faced in my life. I started on my own so that others do not face a similar situation that I faced.” “Instead of being an employee, now I am able to give a job to many people. That is very satisfying.”

All of these responses indicate the multi-dimensional aspects of entrepreneurship on the personality of the individual, very much like that of sports or a stint in the army. Entrepreneurship teaches a lot of things such as how to cope with failures, dealing with day to day uncertainties, importance of humility, motivating employees, taking tough decisions such as dealing with errant or nonperforming employees, and so on.

Digital Entrepreneurship

What is digital entrepreneurship? Today the word digital is widely used and denotes a variety of things. Without getting stuck up on an exact definition, digital

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Digital Entrepreneurship
is used to denote
businesses that primarily
use the internet, online or
mobile channels.



entrepreneurship is used to denote businesses that primarily use the internet, online or mobile channels. E-commerce companies that primarily rely on online channel to get orders are also digital companies, though there might be physical delivery of goods.

Today there are several companies big and small that operate primarily in the digital world, without any physical presence. An example of a big digital company could be Uber. So many riders use Uber to book a taxi, but nobody would have stepped into a physical office of Uber. Same goes with the social media companies that we are all familiar with – Facebook, YouTube, LinkedIn, and so on.

They are all digital companies, primarily operating through the Internet. There are also several smaller businesses that are digital. For example there are more than 200 million business profiles in Instagram, of which many are small businesses. They primarily use Instagram to communicate with their customers, rather than any physical storefront. Digital entrepreneurship has completely altered the way businesses operate and provided a level playing field for the small entrepreneur. First generation entrepreneurs face a major challenge when they want to set up their business, which has access to capital. Digital platforms have substantially reduced the investment needed to set up a new business, facilitating many young

entrepreneurs to set up businesses at a fraction of the cost that it would take to set up a physical presence.

Digital technologies have significantly reduced the cost incurred in so many fields. For example, with the introduction of digital technologies, the costs of movie making have reduced to about one-tenth. In the same fashion, digital technologies have also reduced the cost of setting up businesses. While the location of a store might be an important factor in the real world, in the internet, all businesses have an equal chance to be visible to the consumers.

Thus a combination of factors, associated with digital technologies have eased the process of starting a business.

The impact of digital entrepreneurship

By making the process of setting up a business easier, digital technologies have reduced the frustration in setting up a business. For example, a home maker, who would like to cook meals and supply in the neighbourhood can easily do it with the help of social media.

There is no necessity of setting up a physical shop. Orders are received online and deliveries are made to customers directly. There is no intermediary, such as the distribution agency or a retailer involved in the process. Similarly, the challenge of accessing distant markets has also significantly reduced.

Entrepreneurs operating from hinterland areas, can be as much visible to potential buyers as those operating in large cities. Digital entrepreneurship has democratized the process of setting up a business, thereby contributing to the individual development that accompanies with starting an own business. An example would exemplify.

Recently I was involved in a large program of entrepreneurship development among women in remote locations. Hundreds of people participated in the program. Though they were very keen to start a business, there are not enough infrastructure or support to start their venture from their respective locations.

As a part of the program, we trained them on various aspects of starting a business using digital technologies. At the end of the program, there were about 40 women who had started their own businesses, which were primarily digital. And the process of setting up the businesses transformed these women entrepreneurs in unimaginable ways.

While they joined the program with a lot of diffidence they came out with a lot of confidence. Those who have seen them before and after the program were truly impressed with the personal transformation of the women. Without the help of digital technologies, they might have been mulling over, “What can I do?” However, they are now asking the question, “How far can I go?”

For Zanzibar, impact investing presents a unique opportunity to drive economic transformation and sustainable growth.

Shaping the future of Zanzibar

The Transformative Power of Impact Investing



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Impact Investing is redefining the landscape of modern finance by merging financial returns with measurable social and environmental benefits. This strategic approach directs capital towards projects that not only promise profitability but also tackle some of the world's most pressing challenges, from climate change to poverty alleviation.

The roots of Impact Investing can be traced back to the late 1700s, when socially conscious individuals began aligning their investments with their beliefs. However, it was not until the early 2000s, when the Rockefeller Foundation officially coined the term Impact Investing ; that the concept gained significant traction. Today, it represents a rapidly growing segment of the investment world, attracting a diverse range of investors eager to make a positive impact.

Unlike traditional philanthropy or purely profit-driven investments, impact investing offers a balanced approach. Investors can achieve financial returns while contributing to meaningful social and environmental causes. This dual objective is the essence of impact investing, which aims to drive systemic change and address global issues through the mobilization of private sector resources.

Impact investing spans various asset classes, including private equity, venture capital, and fixed-income investments. Private Equity focuses on investing in companies operating in sectors such as renewable energy, healthcare, and education. By providing growth capital to socially responsible businesses, private equity plays a pivotal role in fueling the expansion of enterprises committed to making a positive impact in these critical areas.

Venture Capital nurtures early-stage startups that offer innovative solutions to address social and environmental challenges. By providing crucial funding and support, venture capital catalyzes technological advancements and promotes the development of scalable solutions that can make a meaningful impact on society and the environment.

Fixed-Income Investments with instruments such as

Green Bonds and Social Impact bonds not only provide stable returns but also allocate funds to projects with beneficial outcomes. Through these investment vehicles, investors can contribute to initiatives that generate positive social and environmental impacts while still enjoying the stability and security associated with fixed-income assets.

By diversifying across these asset classes, investors can build robust portfolios that align with their values and contribute to global progress.

The global impact investing market has experienced substantial growth, with the Global Impact Investing Network (GIIN) estimating its size at \$1.164 trillion by 2022. This surge is fueled by a growing number of investors seeking to align their portfolios with their values, regulatory changes promoting sustainable finance, and evidence of competitive returns from impact investments.

In East Africa, impact investing has become a powerful tool for addressing development challenges while generating financial returns. A report by the UK Department for International Development (DfID), GIIN, and Open Capital Advisors revealed that \$9.3 billion in Impact Investment Funds flowed into the region over the past five years, with Kenya receiving a significant share. This influx underscores the potential of impact investing as a catalyst for sustainable development.

For Zanzibar, impact investing presents a unique opportunity to drive economic transformation and sustainable growth. By prioritizing investments that generate both social and environmental benefits, Zanzibar can align its economic goals with broader development objectives. Key sectors poised for impact investment include: renewable energy, sustainable tourism and healthcare and education.

Investments in solar and wind energy projects are pivotal for Zanzibar's sustainable development. These renewable energy initiatives can significantly enhance energy independence, reducing the island's reliance on imported fossil fuels. By harnessing the abundant

natural resources, Zanzibar can lower carbon emissions, contributing to global efforts in combating climate change. Furthermore, these projects have the potential to stimulate local economic activity, creating jobs and fostering innovation in the green energy sector. With renewable energy, Zanzibar can pave the way for a more resilient and sustainable future, ensuring long-term environmental and economic benefits for its citizens.

By focusing on sustainable tourism practices, the island can protect its pristine environments and rich cultural traditions from the adverse effects of mass tourism.

Moreover, this approach can stimulate local entrepreneurship by encouraging the development of community-based tourism initiatives. Such initiatives empower local communities, providing them with economic opportunities and fostering a sense of ownership and pride in their cultural and natural assets. Sustainable tourism ensures that Zanzibar remains a vibrant and attractive destination for future generations while supporting the local economy.

Investments in healthcare and education infrastructure are critical to enhancing the quality of life in Zanzibar. By improving healthcare facilities and services, the island can ensure better health outcomes, reduce disease burdens, and increase life expectancy. Concurrently, advancements in educational infrastructure and services can boost literacy rates and equip individuals with the skills needed for the modern workforce.

A well-educated and healthy population is essential for driving economic growth, fostering innovation, and building a resilient society capable of meeting future challenges. These improvements lay the foundation for sustainable development and long-term prosperity in Zanzibar.

To attract and maximize the benefits of impact investments, Zanzibar must embark on comprehensive reforms

Legal and Policy Frameworks: Enabling Impact Investment and Sector Growth
Developing robust legal and policy frameworks is crucial for facilitating impact investment in Zanzibar. By enacting regulations that support and streamline impact investment portfolios, the government can create a more attractive environment for investors. Additionally, crafting strategies that incentivize investments in key sectors—such



Green Bonds provide a way to raise capital specifically for environmental initiatives.

as renewable energy, sustainable tourism, healthcare, and education—will drive targeted growth and development.

These measures can enhance investor confidence, attract new capital, and ensure that investments are aligned with Zanzibar's broader economic and social objectives.

Capacity Building

Empowering the workforce through Institutional Strengthening and Entrepreneurial Support Strengthening local institutions and enhancing educational and entrepreneurial support are pivotal for empowering Zanzibar's workforce. By bolstering institutional capacity, the island can ensure more effective governance and resource management. Simultaneously, providing comprehensive education and targeted support for entrepreneurship will equip individuals with the necessary skills and knowledge to innovate and thrive in various industries. This dual approach fosters a more capable and dynamic workforce, driving economic growth and fostering sustainable development across Zanzibar.

Innovative Financing Mechanisms

Leveraging Green Bonds and Social Impact Bonds for Sustainable Development
Harnessing innovative financing mechanisms such as Green Bonds and Social Impact Bonds is essential for attracting funding for sustainable projects in Zanzibar. Green Bonds provide a way to raise capital specifically for environmental initiatives, promoting renewable energy and conservation efforts. Social Impact Bonds, on the other hand, attract investment for projects that deliver measurable social benefits, such as healthcare,

education, and affordable housing. By utilizing these financial instruments, Zanzibar can secure the necessary resources to drive sustainable development, ensuring long-term economic and social prosperity.

Local Impact Investment Vehicles

Fostering Homegrown Initiatives for Aligned Investments
Developing homegrown initiatives, such as impact-focused venture capital funds, is crucial to ensuring that investments align with local priorities in Zanzibar. These locally-driven investment vehicles can better understand and address the specific needs and opportunities within the community. By nurturing and supporting local entrepreneurs and businesses, Zanzibar can create a more resilient and self-sustaining economy. These initiatives not only attract and retain capital within the region but also empower local stakeholders, fostering inclusive growth and development that directly benefits the community.

Collaborative Efforts

Strengthening Collaborative Endeavors
Zanzibar stands to amplify its potential for sustainable development by forging robust collaborations with esteemed international organizations and development partners. Engagements with esteemed entities such as the United Nations Development Program (UNDP) or the World Bank Group can yield invaluable technical know-how, substantial financial backing, and extensive global networks, all indispensable for realizing impactful outcomes.

Impact Investing emerges as a versatile instrument to empower Zanzibar to propel sustainable development across diverse sectors. By channeling resources into endeavors that yield not only financial returns but also tangible social and environmental benefits, Zanzibar can unlock a spectrum of opportunities for growth, resilience, and inclusive progress.

Embracing this innovative paradigm, the island stands poised to tackle pressing challenges and foster enduring economic stability, thus paving the way for a brighter future for its populace and the environment alike. It is time that Zanzibar carefully pick the path it wants to take towards changes that could redefine the islands for long time to come.

The government commitment to bring marine-based industrialisation goes beyond just playing the harnessing role through policy measures to create an enabling business environment.

Zanzibar's Economic Transition

Significance of harnessing the ocean-based industrialisation



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Utilisation of the ocean-based economic activities is becoming increasingly important and also the most realistic pathway for enabling Small Island Developing States (SIDs) to attain rapid economic and sustainable development. The harnessing of these particular frontier economic activities is gaining momentum in many SIDs which are characteristically lower middle-income economies endowed by the ocean resources.

Beyond being a leading contributor of a key life-support system for all life on this planet, the ocean-based economic activities provide livelihoods for more than 3 billion people worldwide; most of them live in developing countries.

Ocean-based sectors are projected to create USD 405 billion and USD 576 billion, as well as 57 million and 78 million jobs by 2030 and 2063, respectively. Combined outputs of the key ocean-based economic activities are likely to outperform the general global economy (OECD, 2016). Each dollar invested towards the ocean economy typically yields, on average, five dollars in return.

Consistent with the classical accounts of economic development, as the ocean economy continues to grow, it is expected that more resources will be allocated towards ocean-based industries, where productivity is also likely to be higher.

Some emerging economic activities - such as offshore wind energy, growing aquaculture and marine biotechnologies - present a great option for robustly harnessing ocean-based industrial development. Yet, the ocean-based industrialisation has been negligible in Zanzibar.

Why is it important to harness ocean-based industrialisation?

The concept of industrialisation is not an entirely new concept in Zanzibar. As other general industrialisation drives, show signs of sparkling in the last decade and the existing unwavering political willingness to improve the enabling business environment, the push for ocean-based industrialization is looking increasingly possible.

In Zanzibar, a relatively small – yet the fastest growing sector is industry. As of the year 2021, the contribution of the industry sector as a proportion of GDP stood at 19.4% of GDP and grew at an average rate of 6.2% between 2018 and 2021, which was significantly higher than the growth rate of 3.1% recorded by a combination of fishing, agriculture and forestry sectors over the same period.

A nationally defined strategic approach is being deployed by the government with notable progress in empowering the micro, small, and medium sized enterprises (MSMEs) across the strategic ocean-based sectors: fishery, seaweed farming and aquaculture. This includes the establishment of Zanzibar Economic Empowerment Agency (ZEEA), which was later merged with the Micro, Small and Medium Industrial Development Agency (SMIDA) and capitalised with about USD 7.5 million in the fiscal year 2022/23, to establish a revolving fund for empowering local enterprises and small industries.

How is the Financing of the Marine Based Industrialisation in Zanzibar?

Kick-starting the financing process by narrowing down types of industries to be developed from the



Ocean-based economic activities provide livelihoods for more than 3 billion people worldwide; most of them live in developing countries.

strategic sectors across the ocean economy in line with over-reaching national policies and plans is crucial.

Identification of strategies that aim to harness ocean-based industrialisation has already been done by Zanzibar Blue Economy Policy 2022. A remaining issue is how to accumulate and allocate funds in productive and profitable sectors of ocean-based industries in an economy without an efficient domestic capital market.

State-Owned Enterprises (SOEs) are expected to deliver critical services in the industrialisation journey. Investments are being made to create a national industrial champion such as Zanzibar Fisheries Company (ZAFICO) and Zanzibar Seaweed Corporation (ZASCO). But so far only ZASCO has translated into the actual operating industry.

Historically, and to this date, there is no large-scale ocean-based industry which has been built in Zanzibar, despite the existing strong pro-private sector vision. The government commitment to bring marine-based industrialisation goes beyond just playing the harnessing role through policy measures to create an enabling business environment.

This is demonstrated by a move to inject capital to ZASCO and ZAFICO. Nonetheless,

financial economics theories and empirical analysis present evidence about the cautiousness of government direct investments in business undertakings.

The agency cost theory suggests that the separation of ownership and control are likely to cause SOEs to have incentive for making investments without feasible business models and risk adjusted returns. Factors in terms of perceived Zanzibar's unique riskiness or a systemic risk, can also be contributing factors for the prevailing dearth of the private capital to finance ocean-based industrialisation.

What is an Actual Ocean-Based Industrialisation Performance in Zanzibar?

Industrial development is inherently a long-term process and the ocean economy industrialization process is often carried out through two main phases. The first occurs in short and medium terms through which industrial development efforts concentrate on building semi-processing and low technology-based industries, preferably through private sector investments.

During the second phase, the focus shifts into employing new technology, more knowledge and capital intensive, greater value addition

industries in the areas of marine aquaculture, offshore oil and gas exploration and drilling, offshore wind energy, ocean renewable energy, marine and seabed mining, maritime safety and surveillance, marine biotechnology, and high-tech marine products.

Fisheries and Seaweed Processing industrialization

Following its establishment ZAFICO, a crucial step for transforming the fisheries sector by conducting deep sea fishing and building a processing industry, the jury is still out about its profitability. There are other small private companies carrying out deep sea fishing at a relatively small scale. All these companies, however, have not managed to industrialise the marine-based ocean economy.

If fish processing industries can showcase the robustness of its potential risk adjusted return through a convincing business model, then there is no reason why capital from private investors will not be allocated to build fish processing industries as has been the case in the maritime transportation sector.

The government has financed a semi-processed seaweed processing factory to produce carrageenan under the ZASCO in Pemba. Further, boats loaned to seaweed farmers may



have a positive effect on the general outcome of this sub-sector, but their impact on the volume of seaweed farming could be constrained by their small size and durability. A serious concern to ZASCO semi-processed is the access to the 30,000 tons required for the factory to operate at full capacity.

Main Challenges constraining the Ocean Based Industrialisation in Zanzibar

Power Accessibility - All the industries in Zanzibar are facing high costs of doing business due to shortage and unpredictable electricity. This problem is more acute in Pemba than Unguja, and the utilisation of renewable energy from diverse sources is deemed as an adequate solution.

The new development in terms of the Power Purchase Agreement (PPA) between the state-owned ZECO and private investors - i.e., Mauritius-based Generation Capital Ltd. and Tanzania's Taifa Energy - to build its first large-scale plant (30MW solar PV solar power plant that will cost USD 140 million) in Unguja will help to reduce the cost of operating industries.

Limited capital - Zanzibar being small in size with limited capital markets can be attributed to be among major reasons for a sluggish process of marine based industrial development, whereas another major challenge is insufficient ability of local investors to invest in large industries.

Climate Change Vulnerability - This is a persistent and growing threat to SIDs' economies. Rising temperatures and floods could possibly have a detrimental impact on the ocean-based industrialisation in Zanzibar.

Infrastructure development - A road network is being created across both main islands of Zanzibar. In the next few years all parts of Unguja and Pemba will be connected by roads. The maritime is the most prominent means of transportation and has enabled Zanzibar to be a trade hub since many centuries ago.

It accommodates over 98% of international based trades. Nonetheless, port congestion has been among the biggest shipping problems facing ocean-based industrialization in Unguja, whereas in Pemba the challenge is the absence of a shipping port.

A deal between the government and Africa Global Logistics (AGL) for the management of the Malindi Container Terminal is expected to modernise cargo handling operations. This agreement has started to lessen cargo congestion at the port, but a permanent solution lies on the construction of a multipurpose and large port at Mangapwani.

The air transportation in Unguja is in a good shape to support ocean-based industrialisation. The Amani Abeid Karume International Airport is a world class international airport. The airport in Pemba is not at an international standard to faster business movements that are typically attached to industrial development, but the government of Zanzibar has signed a USD 230 million contracts to upgrade Pemba Airport to become international status, and upon completion the new airport will have the capacity to serve 750,000 passengers per year.

Technology - This is among both main preconditions and leading driving forces for industrialisation as it makes production faster, simpler, and more efficient. However, the move to use technology to operationalise ocean-based industrialisation will be a complex but a

necessary undertaking, especially due to apparent low ICT and digital skills. An embracement of technology through existing and emerging technologies needs to be the base of ocean-based industrialisation.

Experiences from the Developed Ocean-based Economies

Norway and Iceland are among leading ocean dependent nations and the second and third largest fish catch in the northeast Atlantic Sea, respectively. They provide an excellent illustration on how marine based industrialisation can be smartly used to bring economic development.

Ocean-based industries (oil and gas, shipping and seafood), for instance, account for about 70% of Norway's export earnings and provides 11% of all employment in the private sector, and in 2017, total value creation in the ocean industries was about USD 680 billion, which means that the ocean industries account for more than 30% of all value creation in the private sector (Norwegian Ministries Strategy, 2020).

In Iceland, the economy is using technology led innovation and digital applications to industrialise almost all ocean related economic activities. According to the International Monetary Fund (2018), Iceland has the third largest fish catch in the northeast Atlantic, after Russia and Norway.

By volume, its total catch amounted to over 1.1 million tons, and the largest buyer is the United Kingdom taking a big share of Iceland's fish catch, followed by Spain and France.

What is impressive about Iceland is that value added has been lifted by advances in fish processing. Iceland's fishing companies have invested in state-of-the-art technologies to link fishing with processing.

Plants processing fresh and frozen products operate in various parts of the country, focusing on ground fish, pelagic, or roe, with the pelagic plants also processing fishmeal and oil. Large freezing vessels also process catches on board, allowing them to land finished products. Most of the large fishing companies are vertically integrated, covering fishing, processing, and marketing.

Future Prospects and Strategic Focus on Policy Recommendations

The recent move to leverage on the ocean economy for attaining the prosperity of Zanzibar is well perceived by both local and foreign investors. There is a perception that the ocean economy is well positioned to become a lucrative sector with a potential attractive huge pay off. However, only limited progress has been made in the industrialisation of the ocean-based economy.

To kick-start and make a rapid progress of ocean-based industrial development, a set of practical oriented activities and policy measures will need to be undertaken. Policy-makers' role in harnessing marine-based industrialization is notable, however there are areas for improvement. It includes addressing policies and regulatory concerns in terms of excessive government investment, import rules, complex licensing, exportation regulations, and enabling business environment.

While the growth trajectory of Zanzibar's tourism industry appears promising, climate change poses a significant threat.

Safeguarding Island Paradise

A Delicate Balance: Growth and Climate Resilience

Zanzibar, with its stunning beaches, rich history, and vibrant culture, has long been a magnet for tourists. Known for its crystal-clear turquoise waters, the islands offer exceptional snorkeling and diving opportunities, alongside the UNESCO World Heritage Site of Stone Town. This historic area, with its narrow streets and intriguing architecture, reflects the island's diverse cultural influences.

For decades, Zanzibar's tourism sector has been thriving, driven by the warm hospitality of its people, delectable local cuisine, and a variety of accommodation options catering to different budgets and preferences. In 2022, tourism contributed a remarkable 46.3% to Zanzibar's GDP, attracting over 548,503 visitors from more than 30 countries.

Beyond its substantial economic contribution, tourism is a powerful engine for job creation in both formal and informal sectors. The industry has overtaken agriculture as the leading contributor to Zanzibar's economic growth, generating significant employment opportunities. Between 2014 and 2021, there was a notable shift of people from low-productivity agriculture to service jobs, especially among women, reflecting a 10% point increase.



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According to the Zanzibar Tourism Satellite Account (2022), coastal-based tourism directly employs an estimated 15,000 individuals and supports an additional 60,000 jobs indirectly. The sector's impact ripples through the economy, creating jobs in various industries and attracting foreign currency, contributing an estimated USD 100 million in 2019.

The Looming Threat: Climate Change

While the growth trajectory of Zanzibar's tourism industry appears promising, climate change poses a significant threat. Tourists' destination choices are heavily influenced by climatic conditions, and climate change hazards such as sea-level rise, storm surges, and cyclones could severely disrupt Zanzibar's tourism appeal.

The vulnerability of coastal areas underscores the risks to the tourism sector. Climate change events can cause substantial damage to infrastructure, eroding the invested capital and eliminating many direct, indirect, and induced jobs. The existing economic contribution of tourism to national income would undoubtedly decline.

Extreme weather events like hurricanes, floods, and droughts are becoming more frequent, damaging infrastructure and deterring tourists. Rising sea levels threaten coastal tourism destinations by causing beach erosion and submerging infrastructure and hotels.

With most tourist accommodations located at sea level, the attractiveness of these destinations diminishes, directly impacting livelihoods. Changes in seasonality due to climate change also disrupt the traditional tourism calendar, affecting businesses that rely on seasonal visitor fluctuations.

Economic Consequences and Projections

The economic implications of climate change on Zanzibar's tourism industry extend beyond infrastructure damage. Coastal tourism, a crucial income source, faces extreme risks. These hazards negatively impact invested capital, national income, and foreign currency earnings, which are vital for Zanzibar's import-dependent economy.

The Zanzibar Tourism Satellite Account estimates that by 2022, Zanzibar could lose about USD 11 million, with total domestic revenue losses amounting to USD 40 million by 2030 due to climate vulnerability. A decline in tourist arrivals would lead to reduced disposable income for employees and owners of small and medium-sized businesses, which represent over 70% of the sector.

This downturn would cascade, severely impacting suppliers and subcontractors associated with tourist operators, hotels, and restaurants. The loss of income for those employed in tourism and related sectors would ultimately lead to lower domestic demand, disproportionately affecting informal workers who have limited savings and alternative income sources.

A Holistic Approach to Resilience

All stakeholders recognize the tourism sector's vulnerability to climate change. To mitigate its effects, address challenges and ensure long-term sustainability on the tourism sector, Zanzibar needs a holistic approach that involves collaboration between the government, private sectors, and local communities.

These efforts should focus in investing in sustainable tourism practices and infrastructure that will enable Zanzibar to protect its natural resources, maintain its attractiveness as a tourist destination, and secure the future of its tourism industry and economic sustainability. Key emphasis include:

Promoting Coastal Conservation

The government and business community must work together to conserve coastal areas and ecosystems. Initiatives such as beach clean-ups, sustainable waste management practices, and the establishment of marine protected areas are crucial.

Enforcing Sustainable Development Regulations

Strengthening the enforcement of planning permits and environmental legislation ensures that development projects in coastal areas are sustainable, preserving the natural beauty and biodiversity of Zanzibar's coastal ecosystems for future generations.

Increasing Funding for Climate Adaptation

Collaboration between the Zanzibar government, the business community, and development partners is essential to increase funding for climate change adaptation in the tourism sector. Investing in adaptation measures will help protect Zanzibar's economy and environment.

Promoting Sustainable Tourism Practices

Investing in infrastructure that can withstand the impacts of climate change, such as rising sea levels and extreme weather events, is crucial. By adopting sustainable tourism practices, Zanzibar can protect its natural resources and continue to attract tourists for years to come.



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