



Zanzibar SDG Investor Map



Table of Contents

Situation Analysis

5

- 1.1 Development and financing landscape in Zanzibar
- 1.2 Implications of financing landscape for SDG financing
- 1.3 SDG Investor Maps
- 1.4 Process followed to complete the Zanzibar SDG Investor Map

Priorities to Address Development Needs

16

- 2.1 Selected themes, sectors and sub-sectors

Sector level findings

19

- 3.1 Services
- 3.2 Agriculture (food & beverage)
- 3.3 Infrastructure
- 3.4 Renewable and Alternative energy

IOA Close Ups

29

White Spaces

44

- 5.1 Vanilla Farming
- 5.2 Sustainable Aquaculture Production
- 5.3 Wind Energy Generation
- 5.4 Affordable Eco-Friendly Housing
- 5.5 Cargo, Storage and Warehousing Facilities in Magharabi District
- 5.6 Way Forward

Conclusion and Next Steps

54

References

55

List of Abbreviations and Acronyms

AAAA	Addis Ababa Action Agenda
BFP	Biodiversity Finance Plan
CAGR	Compounded Annual Growth Rate
CCF	Climate Change Financing
DFA	Development Finance Assessment
DGP	Gross Domestic Product
FIT	Feed-in-Tariff
FPI	Foreign Private Investment
IAEA	International Atomic Energy Agency
INFF	Integrated National Financing Framework
IOAs	Investment Opportunity Areas
IRR	Internal Rate of Return
NGOs	Non-Governmental Organisations
NSA	Non-State Actors
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PPP	Public-Private Partnership
RGoZ	Revolutionary Government of Zanzibar
RoI	Return on Investment
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
TAHA	Tanzania Horticulture Association
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
VAT	Value Added Tax
VOCA	General Political Instability
ZASDP	Zanzibar Agriculture Sector Development Program
ZADep	Zanzibar Development Plan
ZSGRP	Zanzibar Strategy for Growth and Reduction of Poverty
ZSSF	Zanzibar Social Security Fund
ZUMC	Zanzibar Urban Municipal Council



1. Situation Analysis

Throughout the world, there is now a renewed urgency for rallying private sector participation and strengthening private and public sector networks for achieving sustainable and inclusive economic growth. The prevailing situation of volatility, uncertainty, complexity and ambiguity together with the general political instability (VOCA) presents countries in the world with an unprecedented challenge for “achieving” and “sustaining” their projected economic growth rates necessary to achieve sustainable and inclusive economic growth. Indeed, the validity of the key assumptions which are ordinarily used in computing growth projections are severely disrupted by such challenges and hence a need for a new thinking.

1.1 Development and financing landscape in Zanzibar

The Revolutionary Government of Zanzibar (RGoZ) has domesticated the SDGs into the recently launched “Zanzibar Development Plan” (ZADEP) 2021 – 2026 as one of the current major efforts is to secure its financing and monitoring. The extent to which the country is able to achieve this depends largely on progress made towards achieving its development objectives and the 2030 Agenda. Overall, there is a mixed picture - situations where the country has made significant strides and others where there has been a poor achievement. These are presented in turn below.

Zanzibar has experienced a solid economic growth record. Zanzibar is part of the United Republic of Tanzania with semi-autonomy status administered by the RGoZ. Over the past few years (2015/16 to 2019/2020), its economy grew steadily an average of 6.7%, with a gross

domestic product (GDP) per capita of about USD 1,114 in 2019/20. However, this growth remains below the national target growth rate of about 8–10 percent per annum. Growth has mainly come from (in order of importance) tourism, construction and trade. In 2020/2021, the averages for key indicators were also relatively good: aggregate Public Revenue to GDP (27.48%), aggregate Government Expenditure to GDP (27.33%), Fiscal Balance to GDP (0.17%) and Public Debt to GDP (17.9%).

Zanzibar’s GDP grew by only 1.3%, and GDP per capita declined to USD 1,099 primarily because of the Covid-19 pandemic. However, in 2021 the economic showed some signs of recovery, with GDP growth of 5.1% and GDP per capita increasing to USD 1,171 from USD 1099 in 2020. The most improved sectors were the service sector which has achieved a growth of 6.8%, from -1.0% in 2020, due to improved tourism activities and the strengthening of the financial sector to 9.9% (from 2.1% in 2020). Further, the improvement of investment activities led to an increase in the construction activity to 8.9% (from 6.5%) and the improvement of the Electricity and Gas sub-sectors to 8.0% from -2.8%.¹

A comprehensive analysis of public financing flows shows that Government budget has been steadily growing, with more than tripling over the past seven years. The government budget has steadily increased from TZS 516 billion in 2015/16 to more than TZS 1.8 trillion in 2021/22². Domestic revenue makes up the bulk of the finance, with an average of 70.2% (a high of 84.5% in 2021/22 and as low as 67.2% in 2018/19).

1 RGoZ; Speech by the Minister of State, President’s Office Finance and Planning, The Estimates of Government Revenues and Expenditure 2022/23

2 2021/2022 Budget estimates

Government development expenditure remains low increasing over time. Spending on development increased from TZS 113.5 billion in 2016/17 to TZS 882.8 billion in 2021/22. However, the proportion is low (high of only at 37.7 percent in 2018/19) and highly fluctuating over time on account of changes in foreign grants, which finance a significant part of the development expenditure. A decline of more than 30 percent is observed in years 2019/20 and 2020/21 mainly due to economic effects of Covid-19 pandemic in donor counties.

The budget allocation to social sector of health, water and sanitation as well as the economic sectors is relatively low over time while that of education sector recorded a substantial budget over time. The general public services budget account for more than 40 percent of the national budget over the 2017/18 to 2019/20 financial years. This component has been declining from nearly 50 percent in 2017/18 to 42 percent in 2019/20. Increased spending on health, education and social protection are important for the well-being of the citizens, while increasing investment in key infrastructure sectors by trimming spending in the public services sector helps increase job creation.

Zanzibar's revenues to GDP ratio compare well with those in the region. Zanzibar revenue to GDP performance is higher compared to most neighbouring countries (Rwanda, and Kenya) and is the average for low-income developing economies. However, Zanzibar recorded performance below some of the comparable economies such as Seychelles, a comparable economy. The ratio has fluctuated (an average of 27.48%) but with an increasing trend (35.9% in 2020/21). The average compares well with emerging G-20 economies (24.21 percent) but unfavorably with advanced economies (34.78 percent). The tax base is still narrow regarding the target taxpayers and geographical distribution, while voluntary tax compliance is also low.

Foreign grants have been a significant funding source for development finance in developing countries, Zanzibar included. Most foreign

grants are official development assistance (ODA), which comprises flows to countries and territories on the DAC List of ODA recipients and multilateral development institutions, provided by official agencies, including state and local governments, or by their executive agencies. ODA are concessional and administered with the main objective of promoting developing countries' economic development and welfare. Over the period, foreign grants made up an average of 21.7 percent of the funds for financing the Government budget.

ODA grants to Zanzibar have been fluctuating with an increasing trend except for the time during Covid-19 pandemic. ODA grants have increased from TZS 44 billion in 2015/2016 to TZS 276.3 billion in 2021/2022, with a highest recorded at TZS 380.5 in 2017/18. A significant decline (45.7 percent) in ODA grants was experienced in 2020/21, most likely due to the Covid-19 pandemic, which affected most development partners economies. The percentage of ODA grants relative to GDP also shows an increasing trend from 4.6 percent in 2015/16 to 6.7 percent in 2019/20.

Public guaranteed debt³ has been increasing in recent years, but it remains relatively low in ration to GDP. Between 2015 and 2021, public debt increased from TZS 385.6 billion (16.3 percent of GDP) in FY 2015/16 to TZS 887 billion (22.1 percent of GDP) at the end of FY 2020/2021. Further analysis of the current public debt composition shows that it is predominantly external debt at 78%. The rest consists of domestic creditors – Zanzibar Social Security Fund (ZSSF) and government-backed securities.

Zanzibar's biodiversity broadly contributes to the national economy and its social well-being. Its population of more than 1.1 million is highly dependent on the marine ecosystem, which accounts for more than 30% of its GDP. With climate change, the quality of biodiversity is in jeopardy. Climate financing mechanisms have been developed and deployed for supporting projects and initiatives to help mitigate and adapt to climate change's impacts.⁴

³ As per Bank of Tanzania Annual Report 2020/21

⁴ Several financial mechanisms to address climate change in developing countries are currently in place, including Global Environment Facility (GEF); Special Climate Change Fund (SCCF); Climate Investment Fund (CIF); Least Developed Countries Fund (LDCF); Clean Development Mechanism (CDM); Adaptation Fund; Community Development Carbon Fund and World Bank Group's Climate Change Action and Plan (CCAP).

About USD 10.7 million (equivalent to TZS 24.7 billion) was mobilized from climate change financing (CFF) from 2015 to 2020.⁵ However, the inadequacy of financial resources necessitated Tanzania to participate in the BIOFIN Phase II (2018-2025) Programme. BIOFIN is a global partnership launched in October 2012 by the United Nations Development Programme (UNDP) seeking to address the biodiversity financing challenges facing many countries worldwide, including Zanzibar. The BIOFIN was piloted in Zanzibar, as an autonomous part of the United Republic of Tanzania (URT), in 2018 to formulate the Biodiversity Finance Plan (BFP) made of prioritized Finance solutions (FSs). If the BFP is well implemented, particularly the prioritized 14FSs, it will reduce the huge biodiversity financial gap. The total financing needs for this initiative amount to TZS 160.34 billion, equivalent to USD 69.4 million. The financing gap was estimated to be TZS 100.28 billion, equivalent to USD 43.41 million. This initiative is expected to accelerate biodiversity conservation in Zanzibar and thus address climate change issues.⁶

1.2 Implications of financing landscape for SDG financing

From the foregoing, it is evident that Zanzibar does not have necessary resources to sustainably finance activities to achieve its national development outcomes and in particular the SDGs. Achieving the objectives of the Zanzibar Development Plan (ZADEP) 2021–2026, which also mainstreams the Sustainable Development Goals (SDGs) requires mobilizing

a diverse range of public and private financial resources. Furthermore, for Zanzibar to achieve Development Vision 2050, sustainable finance will need to be utilized as a driving force for social and economic resilience.

The Revolutionary Government of Zanzibar (RGoZ) is keen to identify opportunities to mobilize additional sources of finance and use existing financial resources more efficiently to achieve the SDGs by 2030, coupled with the Development Finance Assessment (DFA). However, currently, there is a missing link between national development plans and the financial resources needed to achieve them.

National resource mobilization and increased commitments from private investors and enterprises will be increasingly needed for recovery, while maintaining progress towards the achievement of the SDGs by 2030. More importantly Zanzibar will need “SDG aligned investments” to trigger the envisaged economic transformation. Zanzibar will also need “innovative financing models”, including the Integrated National Financing Framework (INFF) which is a tool to strengthen its planning process and finance sustainable development.

Against the above background, UNDP is working with the Revolutionary Government of Zanzibar (RGoZ) in order to come up with new modalities and business models which will assist to “fastrack” the achievement of the Sustainable Development Goals (SDGs) through catalyzing investments from both private and public sector amid the existing volatilities in the global economy. The proposed modalities are presented in the form of **“SDG Investor Map.”**

5 Financing Strategy of the National Five-Year Development Plan 2021/22 – 2025/26. The Government of URT.

6 The Biodiversity Financing Initiative (BIOFIN) – Biodiversity Finance Plan 2022 - 2026

7 Around 40 countries will have used the Investor Maps service by the end of 2021

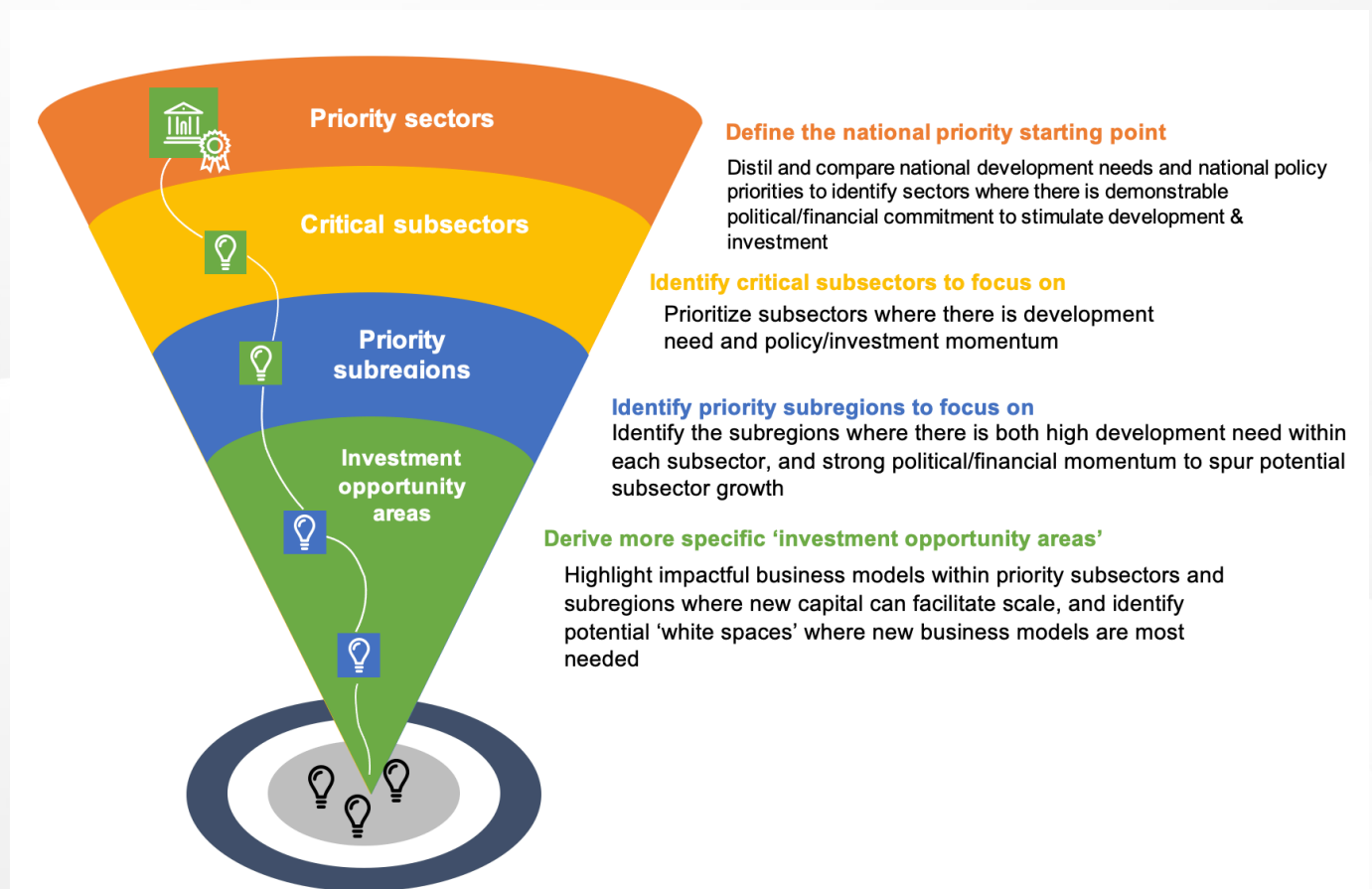
1.3 SDG Investor Maps

An SDG Investor Map is a market intelligence product produced by UNDP Country Offices (COs) to help private investors (funds, financiers, corporations) identify investment opportunities and business models that advance the SDGs. The SDG Investor Maps provide the insight and tools needed by the private sector to translate country-level SDG gaps and priorities into investment opportunities and thereby increase their investments towards the SDGs. Furthermore, Maps provide insights into local market conditions, local SDG investment opportunities, highlighting the business opportunity as well as the expected development impact of such investment. They can make a significant contribution to filling the financing gap by mobilizing private capital for the SDGs.

1.3.1 Methodology and conceptual framework

Developing an SDG Investor Map requires filtering down from National Priorities to derive 'Investment Opportunity Areas' (IOAs). The figure below presents the filtering down process from national priorities to derive Investment Opportunity Areas (IOAs)

Figure 1: Four-stage process to develop SDG Investor Maps



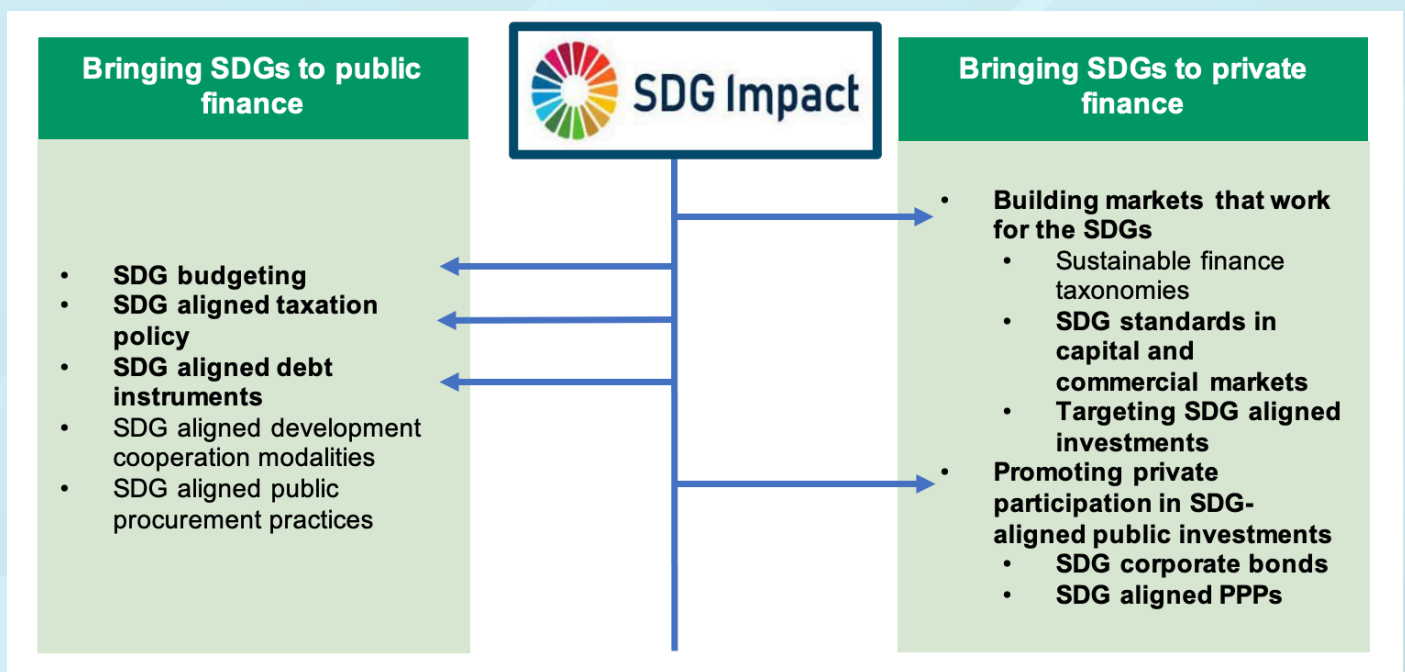
The SDG Investor Map first conducts a needs analysis to generate hypotheses around the key development needs at the intersection with policy priorities. It then develops private sector responses to those needs that involves an in-depth assessment of the IOAs based on 20 key data points across economic and impact consideration that investors need to conduct private sector due diligence and prepare for an SDG investment

The SDG Investor Maps provide a key bridge between private capital in search of impactful investment opportunities and the need to mobilize new private investments at national levels. They translate opportunities into investment-friendly language and meet data gaps that are commonly identified by investors as a key barrier to investment, while also identifying needed policy and regulatory changes. The SDG Investor Maps serve as the basis to drive change in capital deployment, the enabling environment and impact management for SDG investments. This includes, among others, impact facilitation events - investor convenings and policy dialogues - to bring the knowledge to decision-makers and direct investment capital where it is needed most.

SDG Investor Map is a useful tool for helping the achievement of Government priorities, Development Finance Assessment (DFA)/Integrated National Financing Framework (INFF)⁸ and other related processes in Tanzania. Relationship between SDG Investor Maps and other processes is presented below.

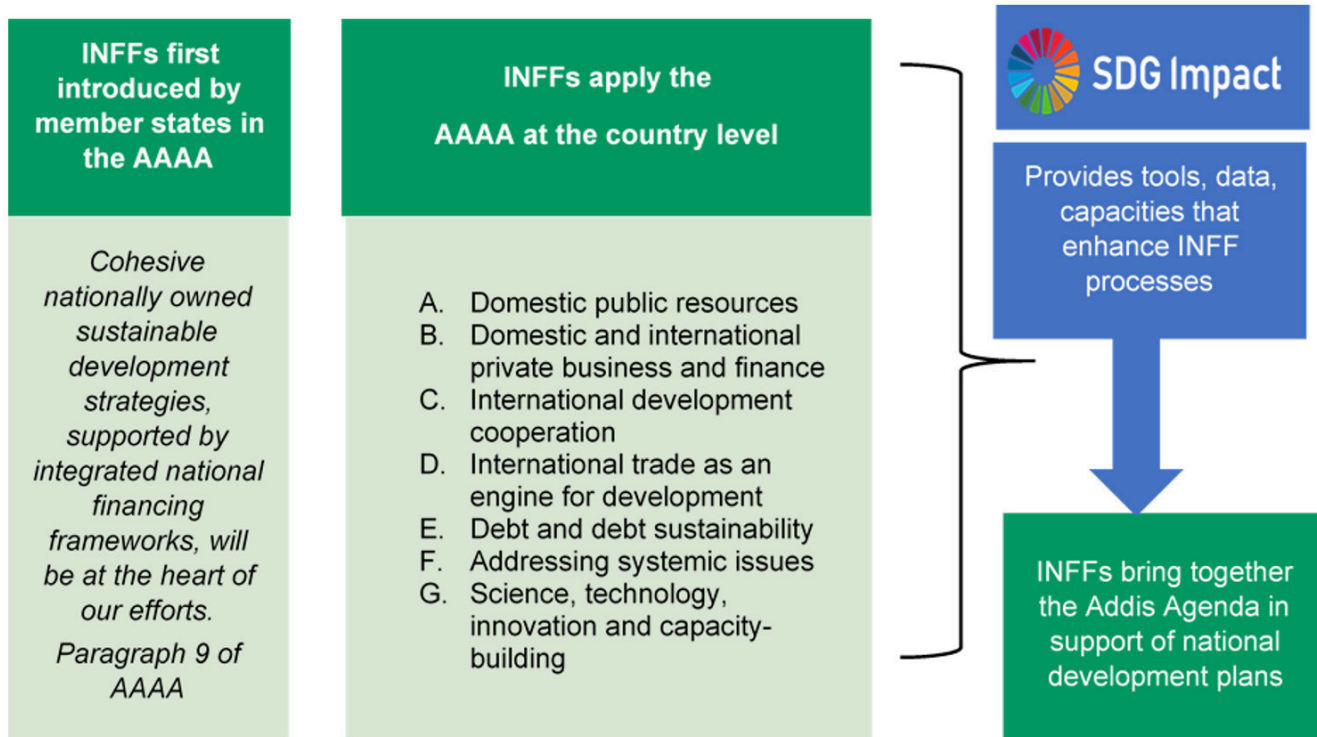
1.3.2 Relationships between SDG Investor Maps and the INFF

The Integrated National Financing Framework (INFF) provides a framework to help governments think about how they can bring together existing policies and institutions within a more integrated, holistic approach to financing for sustainable development.



Based on the Addis Ababa Action Agenda (AAAA), the Integrated National Financing Frameworks help policymakers map the landscape for financing sustainable development and lay out a strategy to increase and make the most effective use of investment for sustainable development and the achievement of their national development priorities across all sources. INFFs offer an “integrated” solution not only regarding the planning and financing as well as approaches across governments and partners, but also the public and private (domestic and international) financing required to realize national development priorities.

⁸ An integrated national financing framework (INFF) can support a government in taking a holistic approach to managing and mobilizing all types of financing—domestic, international, public, private—for sustainable development results. An INFF has six building blocks, which together provide a structure and a prompt for governments to assess their financing framework as a whole, and to guide thinking about reforms to implement a strategic, holistic, results-driven approach to financing their development objectives



1.3.3 Synergies between the INFF and the SDG Investor Map

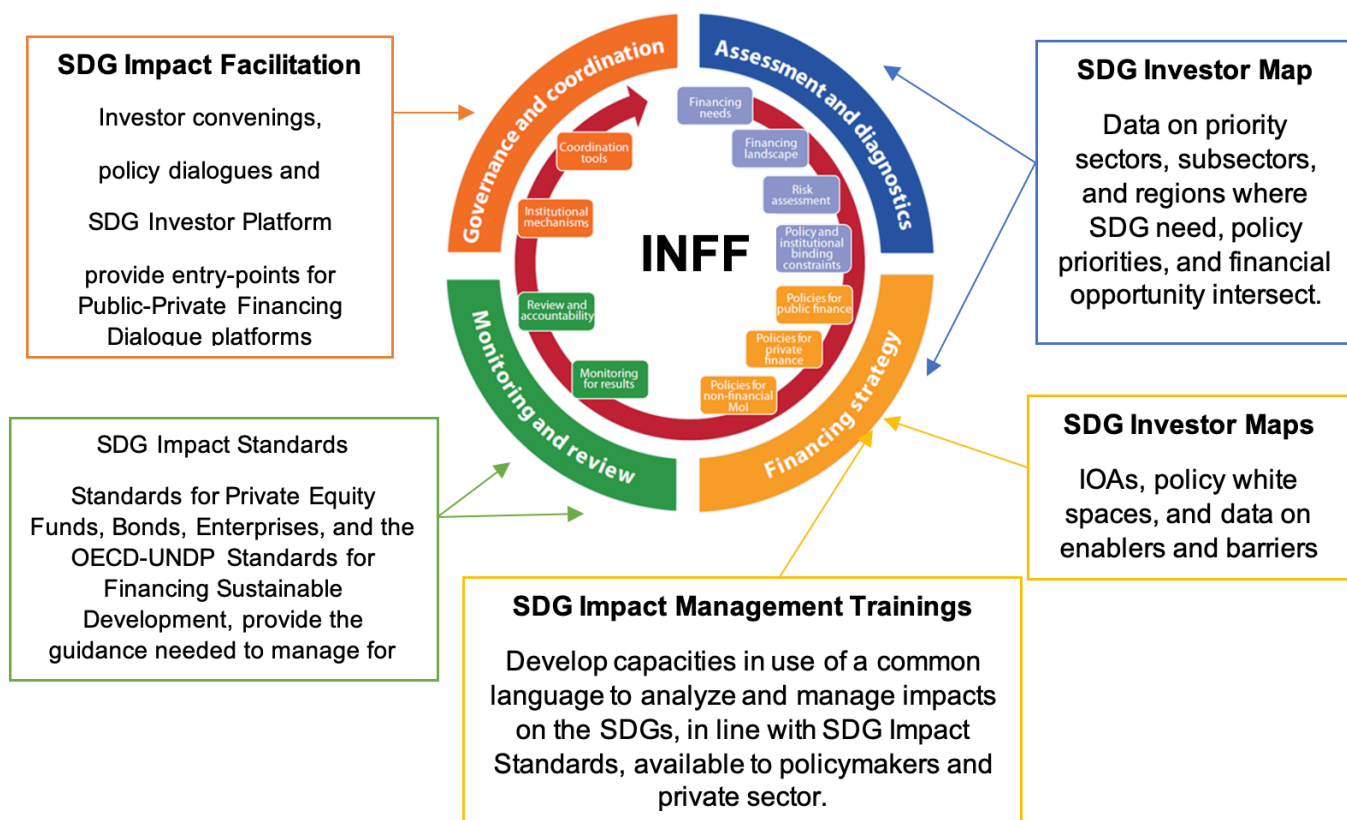
There is a strong interconnection between the INFF and SDG Investor Maps in informing the private finance policies component of the INFF and financing strategy. SDG Investor Maps provide valuable information to feed into the INFF process and Financing Dialogues.

A key aim of the INFF processes is to help the government build a more holistic public and private approach to financing sustainable development priorities, and supporting the development of tangible steps forward.⁹ An Investor Map can make an important contribution to this shift by identifying concrete investment opportunity areas and providing market intelligence data to enable private investors to direct capital towards investments that advance the SDG outcomes the government is prioritizing. It can also provide insight on impactful private-public or blended finance investment opportunities relevant to actors within government such as a Ministry of Commerce or Investment promotion and facilitation agency.

The INFF and the SDG Investor Map can add value to each other in the following ways:

- An SDG Investor Map can make use of this scoping exercise within its research to ensure alignment of identified investment opportunity areas with national development plans.
- Within the INFF's financing strategy, the SDG Investor Maps can inform the resource mobilization efforts for a country's national development plan, and the tool's market intelligence provides evidence, data, and concrete recommendation on viable business models enhancing the DFA and INFF processes.
- Through SDG Impact's investor outreach and facilitation support, the SDG Investor Maps provide entry points for public-private financing dialogue platforms that translate SDG-oriented national development plan priorities into investor language, which contributes to the INFF's financing strategy.

⁹ SDG Investor Maps and DFAs can happen in parallel or in any chosen sequence, depending on the country context and identified need



1.3.4 The INFF Process in Zanzibar and the Ongoing Development Finance Assessment

Achieving Zanzibar's development goals and the SDGs rooted in the 2030 Agenda requires mobilizing a diverse range of public and private financial resources, and through this process, Zanzibar hopes to achieve both. On the private financing side, the SDG Investor Maps play a key role in supporting the INFFs' objective of financing development priorities and benefit from the assessment of a country's financing landscape undertaken as part of an INFF. The first step is using the information acquired through the Development Finance Assessment (DFA), which is the first exercise undertaken in the inception phase of an INFF. It establishes a holistic picture across public and private finance and the policy and institutional framework, including the identification of required policy reforms for more integrated financing.

As a first step towards the development of the

integrated financing strategy, Zanzibar has initiated the Development Finance Assessment (DFA) in 2022. The document is still in Draft Stage. This DFA was planned to coincide with the Zanzibar Development Plan (ZADEP) which is the five-year development plan for the implementation of Zanzibar Development Vision 2050 (ZDV2050). The DFA provides recommendations to mobilize private, public, domestic, and international financing resources, as well as recommendations for setting up monitoring and governance tools to implement the INFF.

The resource requirement of the ZADEP 2021-2026 is estimated at 7.8 trillion shillings, while the resource envelope is projected at 10.875 trillion shillings. Resources from government revenue are estimated at 2.878 trillion shillings; external finance is TZS 3.081 trillion, domestic debt is TZS 2.825 trillion, and private sources are TZS 2.091 trillion.

To mobilize the estimated resources, several measures will be taken. The government revenues will be enhanced through various measures, including Improving the collection of tax revenue from more diverse sources; Enhancing compliance (Using electronic systems to simplify payment of taxes), and applying methods that fit the dynamics and characteristics of the informal sector for more revenue from the sector (digital registration; incentives for formalization & compliance). Other measures are Taxpayers' education and awareness programs for improving tax compliance (user-friendly system to facilitate feedback to taxpayers), applying methods that fit the dynamics and characteristics of the informal sector to collect more revenue from the sector; focusing on the financing of projects that are in line with national priorities and plans; Integrating MDAs revenue collection system with the central financial information management system as been done for MTUM and building capacity on the use of alternative financing, including municipal bonds and preparation of bankable projects to be used to mobilize resources from different sources, including debt financing from financial institutions.

To fully utilize external grants and loans, necessary measures to enhance and sustain cooperation between Government and Development Partners and efforts to adhere to the principles enshrined in the mutually agreed Development Cooperation Framework (DCF) will be prioritized. Strengthening regional and bilateral relations will foster collaboration and partnerships with traditional and non-traditional partners.

To enhance efficiency and effectiveness in external borrowing, the Government will continue building institutional capacity to prepare bankable quality projects; Improve public debt management by carrying out debt sustainability analysis; improve negotiation skills and contract management for prudent borrowing and Improve mobilization of concessional loans for bridging the funding gap between public development revenue and expenditure.

Alternative financing, including climate financing and Islamic financing, are potential options for accelerating the implementation of ZADep. However, mobilizing financial resources from climate financing requires skills to prepare responsive project documents to meet the set criteria. Ongoing capacity-building efforts in preparation for bankable projects will be scaled up to have a pool of personnel with the required skills.

The public sector will partner with the private sector to implement strategic programs and projects. To accelerate the use of the Public-Private Partnership (PPP) framework in the public investment arena, the following strategies will be pursued: Strengthening the capacity of the PPP Department in terms of the number of staff and professionalism to execute their roles and responsibilities effectively; Enhancing the availability of data for decision making, the PPP Department, in collaboration with sectors and NSA, prepares in advance PPP project concept notes, pre-feasibility, and feasibility reports to be accessed by interested investors; Developing institutional capacity in the preparation of bankable projects and compelling investment cases that can attract investors and financiers.

Participation of local investors is limited by the low capital and inability to access capital from financial institutions due to the attached conditions, including collateral and working experience in the industry. The Government will establish a Blue Investment Facility/Fund to provide local investors access to capital or guarantee schemes. The Government will be encouraging Development Partners to provide credit to the business sector through the national banking sector and supporting the establishment of the blue investment facility.

Foreign Private Investment (FPI) is key in enhancing foreign investments in the country. The government will continue incentivizing foreign investment through various strategies, including tax reforms, easing business registration procedures, and making the investment environment transparent, predictable, and financially attractive.

Monitoring and review is another critical component of this strategy as it provides the consolidated source of information on plan progress, generates reports that contribute to transparency and accountability in the use of resources and achievement of results, and thus enhances decision-making on taking appropriate corrective measures. The Government will ensure that appropriate tools, systems, and human capacity are in place to enhance effective and efficient monitoring, review, and reporting.

As the Government strives to improve the engagement of the NSA in the implementation of ZADEP priorities, it will ensure that inclusive governance is at the heart of the Plan, and therefore, the following strategies will be pursued: Strengthening the governance system, including the INFF oversight committee to enhance implementation of INFF; Strengthen the dialogue forum with NSA to enhance collaboration and partnership with the private sector and identifying areas for Technical Assistance to enhance the effective and efficient implementation of the INFF.

Based on the completed DFA, an Integrated National Financing Strategy (INFS) for ZADEP has been developed to be aligned with the INFF building blocks: It will outline both traditional and innovative financing pathways in terms of domestic revenue, non-traditional domestic sources, external grants, external borrowing, climate change fund, domestic savings, bank financing, PPP, venture capital, corporate bonds, private equity, private sector investment, and FDI, as well as relevant monitoring and governance approaches. The key for all these financing pathways is to unlock resources to achieve the ZADEP. SDG Investor Map is part and parcel of financing the ZADEP and will contribute to diversifying and de-risking Zanzibar's sources of financing.

1.4 Process followed to complete the Zanzibar SDG Investor Map

1.4.1 Secondary literature review

The assignment started with an extensive literature review. The team did an extensive review of 40 development documents

comprising Internationally recognized data sources from reputable organizations (UNDP, UN, World Bank, OECD, NGOs, think tanks, etc.) and 48 key national policy and development documents, including; National development plans (e.g. Zanzibar Development Vision 2050); National budgets, Investment Promotion plans, National investment strategies, Industry sector reports, and several investment mapping reports.

A total of **42** themes emerged consistently across multiple documents reviewed. These essentially represented the areas where SDG needs, and national policy priorities overlapped. Through a series of analyses and interviews, the themes were subsequently narrowed down to the top five (5). The main criterion was the degree of overlap between SDG needs and policy priorities. The themes which emerged more frequently were selected for consideration. These were

- i. Blue Economy for efficient and sustainable use of coasts, oceans, and marine resources;
- ii. Establishing Climate-smart, Sustainable, and Ecological Tourism Sector aligned with Blue Economy policies;
- iii. Accelerating Private Investment to develop Sustainable and Climate Resilient Infrastructure for Inclusive Economic Growth;
- iv. Strengthening the Manufacturing Industry to increase sustainable production and high-value-added goods and
- v. Diversification of Energy Sources through Renewable Energy. The diverse themes were subsequently grouped into sector clusters labeled in line with the SASB taxonomy.

This resulted in a short list of four (4) sectors:

Food and Beverage (Agriculture), Renewable & Alternative Energy, Infrastructure, and Services.

The identified sectors were further subjected to a deeper analysis to derive a shortlist of sub-sectors to be accorded high priority. The list was arrived at through a two-stage process. The first stage involved the identification of critical development needs in each sector and the corresponding policy priorities.

The second stage focused on gauging the degree of alignment between the development needs and policy priorities at that level. The themes which showed a higher degree of alignment were selected as priority sub-sectors to focus on (based on SASB taxonomy).

The emerging sub-sectors in brackets are

- i. Food& beverage (agricultural products, and processed foods)
- ii. Infrastructure (waste management);
- iii. Services (hospitality & recreation);
- iv. Renewable and alternative energy (technology).

1.4.2 Kick-off Workshop

The assignment kick-off workshop was held in Zanzibar on 31 August – 1 September 2022.

The objective of the workshop was to:

- i. set the Zanzibar SDG Investor Map work in the context of the Government's work and UNDP's support,
- ii. present the market intelligence tool for familiarization with stakeholders;
- iii. provide and discuss early results from priority sectors and sub-sectors and test the regional approach for conducting the assignment.

During the workshop, stakeholders were also taken through a "long list of the proposed Investment Opportunity Areas (IOAs) under consideration. and scalable business models that could address the identified needs.

Clarifications were made to the effect that Potential IOAs must meet pre-defined business criteria (marketable, specific, at-scale, proven; and impact criteria (act to avoid harm, benefit stakeholders, contribute to solutions).

Stakeholders brainstormed about potential investable solutions responding to themes, informed by initial proposals, and considering both business and impact dimensions of possible solutions. Through their respective Working Groups, stakeholders provided feedback on the proposed IOAs. The workshop was followed by bilateral meetings with key stakeholders (public and private) to further test and inform priority IOAs and refine the long list. This was followed by a collection of supporting information for the population of data in the standard data set.

1.4.3 Fact finding outreach

Besides the internal workshops, the Project Team also conducted an extensive local fact-finding interview with impact-focused investors, private companies, and industry experts. The objective of the interviews was to refine the preliminary list of IOAs either by; developing a new shortlist; discarding unviable IOAs; or adding emerging IOAS. The interviews were also used to fill data gaps in the already identified IOAs. Two rounds of field visits were held in Zanzibar, the first visit between October 3-14, 2022, and the second between December 06-15, 2022.



2. Priorities to Address Development Needs

Economy” at center stage. In particular, the SDG Investor Map process ensured first and foremost, there is a clear linkage with the overall government goal for implementing Blue Economy Strategy as a central driver for socio-economic transformation.

Due to its status as a semi-autonomous archipelago, Zanzibar asserts that it has characteristics in common with Small Island Developing States (SIDS) in the Western Indian Ocean and has recently adopted the “Blue Economy” concept. Therefore, embodying Blue Economy as a strategic and umbrella policy emerges as a way to restructure Zanzibar’s economy, strengthen the key sectors of the archipelago which are dependent to preservation of the islands and the natural resources while fully attention is given to conservation and sustainability on investing in small islets, reduce poverty among the citizens by creating blue jobs, boost the archipelago’s GDP and eco-friendly investments and protect the environment . Zanzibar as an oceanic economy has a suitable geographical profile to utilize the Blue Economy potential.

In view of the above, the Zanzibar SDG Investor Map has taken a full cognizance of and the need to invest in small islets is fully in line with the SDG 14 which focuses on “Conserving and sustainably using the oceans, seas and marine resources for sustainable development.” The focus on the blue economy in Zanzibar will hence contribute to Global target 14.7 which envisages that “By 2030 there will be an increase in the economic benefits to small island developing States (SIDS) and least developed countries (LDCs) from the sustainable use of marine resources, including through sustainable management of fisheries, aquaculture and tourism”. This emphasis will cause a profound shift in consideration of ocean management decisions to highlight their economic and social impacts. As well as this, specific Investment Opportunity Area

(IOAs), namely “IOA 2: Sustainable High-end Eco-Tourism Offerings through Small Islands Leasing Program” have been identified in line with SDG 14. Through such an investment, high-end tourism products will be diversified by eco-friendly offerings in small islets which will mitigate the increasing pressure on the marine environment due to conventional tourism. A corresponding case study on “Chumbe Island” whose focus is on protecting the coral reef in its pristine state¹⁰ has been documented as one of the best the best practices for adoption in the Zanzibar SDG Investor Map.

Acknowledging the importance of the Blue Economy, the Revolutionary Government of Zanzibar (RGoZ) has formally incorporated the concept as part of its national development agenda.¹¹ That ambition has been fully reflected in the Zanzibar Development Vision 2050. The Blue Economy concept has also been adopted as a key driver for the newly launched Zanzibar Development Plan (ZADEP), 2021-2026. Henceforth, the central theme for the Plan is “Blue Economy for Inclusive Growth and Sustainable Development”. ZADEP aims at transforming the livelihoods of the people through the comparative advantages of Zanzibar as an island nation. Zanzibar’s Blue Economy policy focuses on five priority areas, namely

- i. fisheries and aquaculture;
- ii. maritime trade and infrastructure;
- iii. energy;
- iv. tourism, and
- v. Blue governance.

The Blue Economy (BE) initiative further strengthens the country’s commitment to implementing the United Nations Sustainable Development Goals (SDGs). BE initiatives of Zanzibar, span across all SDG goals with more emphasis on SDG 14, which seeks to promote the conservation

¹⁰ Chumbe Island Coral Park Ltd: is an award-winning private nature reserve including a fully protected Coral Reef Sanctuary and Forest Reserve that harbour rare wildlife, a visitor and education centre, a small Eco-lodge, nature walks and historical monuments. All buildings and operations are based on state-of-the-art Eco-technology aiming at zero impact on the environment.

¹¹ Blue Economy refers to a sustainable ocean-based economy, as means to achieve the economic, social and environmental dimensions of sustainable development

and sustainable use of the oceans, seas, and marine resources for sustainable development; SDG 1 - No Poverty, SDG 2 on Zero Hunger, SDG 5 on Gender Equality, SDG 8 on Decent Work and Economic Growth and SDG 13 on Climate Action.

The Zanzibar Investment Promotion Agency (ZIPA) has been promoting aligned investment opportunities in accordance with the established Blue Economy policy, underlining the sectoral opportunities that are addressed by the strategic framework introduced by the Blue Economy concept such as opportunities in sustainable fisheries, deep sea fishing, aquaculture, marine development, offshore renewable energy generation, marine tourism and eco-tourism¹². For example, Small Islet Leasing programme could be considered as a signature investment opportunity provided by the Revolutionary Government of Zanzibar in the context of Blue Economy, as the programme is open to investments in carefully chosen islets with projects that do not disturb the nearby populations as well as the fragile nature of the terrestrial and marine surroundings. The public access is available to a transparent and competitive bidding process of the investors for the advertised islets, which is followed by a government-conducted biodiversity inventory evaluation to provide a starting point for protection and development advice¹³.

In recognition of the above, the Zanzibar SDG Investor Map process has embraced the Blue Economy concept in identifying potential options for exploiting the ocean as a mechanism for economic growth as well as assessing a wide range of investment opportunities from interlinked and emerging sectors. ¹² The objective is to ensure that all the sectors and investment opportunities presented are in sync with the current Government Policy on Blue Economy either directly or indirectly.

2.1 Selected themes, sectors and sub-sectors

A review of Zanzibar's development needs and policy priorities identified several themes which led to the prioritization of Four (4) sectors with the highest potential to propel

the country towards attaining the prioritized SDGs. The priority sectors are infrastructure, Services, Renewable & Alternative Energy; and Agriculture.

Attainment of the development needs requires supportive policies at national level. Several policies were identified for each priority sector and comparisons made to assess the degree to which they correspond to development needs. In addition, a number of themes have come out in the analysis which show the highest degree of overlap between sectoral development needs and policy priorities. Within these themes, there are opportunities as well as challenges that need to be considered as a basis for identifying viable Investment Opportunity Areas (IOAs).

As part of the analysis, an effort was made to identify policy "white spaces" which essentially refers to an investment area that serves a strong development need in a specific national context but has not recorded a strong policy momentum by way of government commitments or has not seen significant private sector momentum due to absence of viable business models, or both. This analysis was undertaken so as to provide the basis to engage on policy changes needed to drive private capital into these areas.

Principally, there are two types of White Spaces:

- Policy White Space: Opportunity areas that serve a development need but experiences absence of private sector momentum due to policy and regulatory gaps.
- Business Model White Space: Opportunity areas that serve a development need but experiences absence of private sector momentum in spite of a favorable policy and regulatory momentum.

The identified "White Spaces" are presented in Section 5 of this report. Respective sector level findings related to development needs and policy priority parameters are presented below.

¹² These include: sustainable fisheries, aquaculture, seaweed farming, establishment of strategic infrastructure such as fish ports and related fish processing and storage facilities; enhancement of sustainable coastal and marine tourism, etc.



3. Sector level findings

3.1 Services

The tourism hospitality sector in Zanzibar contributes 28% to the GDP, being the source of 82% of the foreign exchange earnings. Approximately 60,000 jobs are directly or indirectly linked to the sector. Year-on-year tourist arrivals have increased by around 15% between 2016 and 2019, exceeding the Zanzibar Tourism Development Policy of 2003 that targeted 500,000 tourist arrivals annually by 2020. The growing demand creates the need to diversify and strengthen the sectoral offerings. Also, the sector needs to diversify its accommodation stock to appeal to the growing market, given that it is dominated by small to middle sized hotels and guest houses.

The development of tourism in Zanzibar has been largely “ad-hoc” and opportunistic and has been driven almost entirely by “beach resort” investors. While this approach is successfully delivering growing tourist numbers and fiscal revenues, other indicators show that tourism is not contributing as much as it should to overall economic development in Zanzibar. Notably, negative environmental impacts for example through unregulated sewerage and waste disposal, high youth unemployment, 80% imported agricultural produce consumed in hotels, below average spending per tourist, and poor living conditions across the islands, especially away from Zanzibar town.

The trajectory of future growth for the Zanzibar tourism sector, as well as its role in generating local employment and investment, fostering local businesses, and ensuring positive environmental and social impacts—is dependent on the coordinated management, planning, use, and better harnessing of current and future natural, cultural, and social capital. Numerous studies and literature on tourism development in “small-island-nations” have shown that strengthening local economic linkages between the tourism industry and their host communities do not happen without proactive policies, planning, and actions from the government. In transitioning from an ad-hoc private sector–driven tourism development approach toward the vision of an economic transformation through the Tourism for All¹³ initiative, it is critical for the government to take a more proactive role in identifying and investing in public goods that are essential to crowd in and facilitate sustainable and inclusive private sector investments at all levels of the tourism value chain; transport, accommodation, activities and various goods and services that are inputs to these enterprises. To move towards redefining the Zanzibar Experience from the current “short-stay-beach-eccentric” one, to a richer and more holistic longer-stay natural, cultural and historic one requires systemic changes in thinking and planning for tourism.

Zanzibar could diversify its tourism industry through the development of a range of new tourist activities. This includes development of innovative solutions to build its tourism industry so that it is both competitive and sustainable. There is a need to develop linkages with local communities for the preservation of the natural resource base (ii) optimize tourism gains e.g., product diversification and (iii) promote back ward linkages with local business enterprises depends in key sectors such as agriculture, construction and light manufacturing. This in turn will help develop local supply chains. There is also a need to apply scientific methods for measuring direct economic contributions of tourism to the national economy using correct and reliable data. These include for example, the Tourism Satellite Account (TSA). To this end, this will subsequently allow the formulation of appropriate tourism policies and facilitate tourism practitioners to come up with strategies that will build a better future for the sector

¹³ Tourism for All” refers to Zanzibar’s vision for tourism where the sector is used for economic transformation and where Zanzibar transitions to a more inclusive economic business model.

3.1.1 Policy priorities

Policy	Main emphasis
Zanzibar Development Vision 2050:	The tourist sector has been identified by the Vision 2050 as one of the priority areas within the pillar of economic transformation. The goal of the Vision is to create a sustainable, integrated, and inclusive tourism sector.
Zanzibar Blue Economy Policy 2022:	One of the main objectives of this policy is to safeguard and promote Zanzibar's cultural and natural heritage while encouraging the adoption of sustainable practices.
Zanzibar Tourism Policy, 2017	Policy underlines the government's commitment to enhance the quality and diversity of Zanzibar's tourism products and promote tourism as a major drive for economic growth.

3.1.2 Overlapping themes, opportunities and challenges

Themes	Opportunities	Challenges
Promote new (diversified) tourism products for development and sustainable growth	There are new and unfolding opportunities in the Zanzibar Tourism sector, which points to the need for diversifying tourism products. For example, Chumbe Island has received a United Nations accredited award for its "eco-architecture" and low carbon ecotourism and conservation management. The Global Forum on Human Settlements in consultation with the United Nations Economic and Social Council has recognized the Chumbe Island as globally significant under the category of "Tourism (Scenic and Spot and Ecological Restoration)". Based on the UNDP stakeholder consultations with private sector, it is estimated that 30% of guests only come to Zanzibar because of Chumbe Island, which puts forward a great potential for alternative high-end and ecological tourism offerings.	Zanzibar is yet to capitalize on "unique" and "intrinsic" products and services in the tourism sector. This requires a "whole-of-government" and a "whole-of industry" approach entailing a common vision and aspiration supported by consistent coordination, planning, and investments. It implies a meaningful communication, cooperation and involvement of key partners across local, regional and national governments.

Themes	Opportunities	Challenges
Promote new (diversified) tourism products for development and sustainable growth	Islet Leasing program offers sustainable opportunity to investors through PPP model and increasing market size of the sector.	The Government has not been sufficiently proactive in mobilizing strategic investment from private sector particularly the Eco-friendly high end tourism segment
	There is clear opportunity to use growing tourist numbers (essentially, captive markets of resort-based tourists) to further diversify and strengthen the non-beach offerings. There is also an opportunity to create new jobs in the hospitality industry, which is reportedly adding a further 2,000 rooms over the next two years, and to add to the value proposition and thereby increase expenditure and length of stay	Zanzibar has not been sufficiently proactive in influencing the diversification of its accommodation stock to appeal to new markets of independent travelers.
Sectoral linkages (Promote business linkages with local actors/communities)	The expanding tourism sector presents an opportunity for sourcing products from local communities	The fact that less than 1 percent of visitors to Zanzibar consume community-based tourism products and only 13 percent of tourists visit Jozani Forest is indicative of the weak level of product and market development for these offers. If Zanzibar is to move toward the Tourism for All vision, these numbers need to improve. Need for targeted efforts to help communities improve quality of products and increased ability to provide consistent supply
Increase tourism earnings -by attracting new visitors	The Tourism sector is expanding rapidly. Currently it contributes 28% to the GDP, being the source of 82% of the foreign exchange earnings in country. Approximately 60,000 jobs are directly or indirectly linked to the sector.	A threat from the higher tourist numbers comes from the increasing pressure on infrastructure, particularly water, electricity, sewers, and solid waste (supposedly, 650 tons of solid waste are produced daily by hotels and resorts across Zanzibar).

3.2 Agriculture (food & beverage)

3.2.1 Sectoral development needs

Agriculture is one of the main sectors in Zanzibar, contributing to 27.1% of the GDP. However, only 139,415 hectare (43%) of arable land are under cultivation. Overall, agriculture productivity is low with modest progress over the past two decades. The sector is dominated by smallholder farmers dependent on rainfall for irrigation. Zanzibar lacks significant production and processing capacity as well as private sector investments in the sector which leads to food insecurity and import-dependency. Essential foods like rice, sugar, and wheat are import-dependent to make up for the lack of domestic production.

Farmers and other sector stakeholders in Zanzibar face considerable challenges in modernizing the industry to increase yields, exports and value-added processing. Slowing export revenues; and smallholder farmers struggling to access economically viable technology, adequate storage facilities, markets and credit have affected the sector. In addition, Zanzibar has high rates of childhood malnutrition. It is estimated that 12% of children on Zanzibar have acute malnutrition, among the highest in Tanzania. There is a need for diversifying agro-products to decrease import dependence and contribute to the local consumption, particularly by tapping into the abundant local agricultural resources of Zanzibar.

3.2.2 Policy priorities

Policy	Main emphasis
Zanzibar Vision 2050	Transforming agriculture from subsistence-based to export-oriented production in a sustainable and climate resilient manner through value addition for greater food independence.
Zanzibar Agriculture Sector Development Program (ZASDP)	The ZASDP offers a commercialization strategy and an integrated program for the agricultural sector, consisting increased quantities of high-quality agricultural products entering the domestic and export market channels as one of the targets.
Zanzibar Agricultural Marketing Policy and Implementation Strategy	The policy promotes value addition and agro-processing to increase competitiveness of local agricultural products to satisfy domestic and export markets through public and private sector investments to the industry
MSME Policy 2020	Improve market efficiency through expanding marketing infrastructure and appropriate regulations to encourage private sector involvement in production, processing and provision of agricultural market services.

3.2.3 Overlapping themes, opportunities and challenges

Themes	Opportunities	Challenges
Increased productivity in agricultural products	Good soil and climatic conditions providing a source of livelihood for the majority (70%) of the population.	Poor utilization of productivity enhancing practices. small, fragmented production, smallholder dominated agriculture sector with low yield per acre as well as low productivity. This has led to food insecurity, import-dependency and food availability being highly determined by external factors.
Market linkage and trade	Changes in domestic and global markets are creating big opportunities for farmers and agribusiness entrepreneurs. The demand for high-value primary and processed products is rapidly increasing, driven by rising incomes, faster urbanization and market segmentation and tourism. Zanzibar has a comparative advantage in most high value products (e.g fisheries, horticulture, seaweed and spices). These could be used to "tap" into the opportunity	<p>-These new market opportunities categorically demand stability of supply, quality, timely deliveries, and economies of scale. These are the very challenges facing Zanzibar agriculture sector.</p> <p>-The industry lacks coordinated efforts in expanding the market share at the domestic, regional and international levels</p> <p>-Seasonality of production and lack of storage facilities render these commodities more vulnerable to large scale losses.</p>
Promote value addition for agriculture produce	A Several opportunities for transforming the sector which can create positive spillover effects. These include: promoting commercialization activities in the key value chains; promote medium and large-scale processing and value addition activities for targeted value chains particularly fruits, vegetables and spices.	The sector suffers from limited processing technologies for value addition. The sector has not attracted significant private sector investments in processing activities

3.3 Infrastructure

3.3.1 Sectoral development needs

The growth rate of urban areas in Zanzibar has often been higher than the capacity of authorities to cope with the provision of basic services including delivery of planned, surveyed, and serviced land for housing development. The urban population is expected to increase from 724,016 in 2018 to nearly 1,051,155 in 2033. In the coming 10 years a substantial increase in population and economic development is expected, and so is the increase in the generation of the various waste streams, i.e. municipal/commercial, and hazardous waste. The Municipal waste generation in Zanzibar is expected to increase from 238,712 to 405,156 (tons/year) between 2018 and 2039.

The yearly tourist inflow in Zanzibar will further increase the need of infrastructural development. Increasing tourist numbers creates a significant pressure on infrastructure, particularly on solid waste. Tourism-oriented establishments, such as hotels and restaurants, contribute disproportionately to waste production, representing roughly 80% of all waste generated in Zanzibar. An estimated 60% of Zanzibar's solid waste is thought to be improperly collected and processed, which results in the buildup of untreated and potentially dangerous materials in illegal landfills and dump sites. Combined with the archipelago's high vulnerability to the impacts of climate change, the burden on the infrastructure intensifies. In or Tod the detrimental effects to the environment solid waste needs to be managed efficiently.

3.3.2 Policy priorities

Policy	Main emphasis
Zanzibar Vision 2020	The Vision envisages that sustainable economic development should be accompanied by proper environmental management so that Zanzibar's natural resources and natural heritage are passed on to future generations.
Zanzibar Water Policy	The policy pays special attention to the implementation of environmental monitoring and control, water security, water pollution, waste disposal, hygiene, drainage and sanitation as requisite issues towards provisions and supply of potable water.
Zanzibar Health Policy	Clean environment, chemical and e-waste are highlighted in the policy as part of the major constraints to better health communities in Zanzibar including the workforce and communities.
Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP-III):	ZSGRP emphasizes environmental management issues such as sustainable and gender focused environmental management system, reduction of the environmental degradation and waste management.

3.3.3 Overlapping themes, opportunities and challenges

Themes	Opportunities	Challenges
Solid waste collection and transportation systems / Develop viable alternatives to handle domestic and industrial waste	The increasing urbanization, expanding tourism sector, growing middle class and industrial activities will increasingly require solid waste collection services.	Solid waste management in Zanzibar's cities and towns is a serious environmental issue. Mjini district has the most population density as well as hosting main accommodation offerings of the tourism sector, thus generating most of the waste. Except for the Zanzibar Urban Municipal Council (ZUMC), waste is either littered or disposed in unauthorized/ wild dump sites in the neighborhoods, including tourist hot spots. Other town responsible for creating high volumes of solid waste are: Mjini Magharibi, Kaskazini A and B, Unguja Kusini, Micheweni, Wete and Pemba Kusini. Most sources of solid waste are tourist activities, domestic, industries, commercial activities, streets and markets. The management of waste products in cities is very poor due to lack of proper places where to keep waste products

3.4 Renewable and Alternative energy

3.4.1 Sectoral development needs

One of the critical challenges for Zanzibar is the development of low-cost energy to make the Island a destination for producing efficient and competitive goods and services as well as a source for competitive energy supplies within the region. Access to modern energy services is vital to agricultural, industrial productivity and service provision. Unreliable energy supply is a critical problem for Zanzibar. Overall, Zanzibar has low access to reliable electricity. Zanzibar imports electricity, fossil fuels, and utilize native fuel-wood to meet its energy needs. The islands import electricity from Tanzania's mainland through a 39 kilometer, 100 megawatt (MW) submarine cable from Ras-Kiromoni (near Dar es Salaam) to Ras-Fumba in Unguja.

Currently there is no independent power producer in Zanzibar. Zanzibar needs alternate sources, such as renewable energy, due to unreliable energy supply and difficulties with electricity generation, transmission issues, high costs, and frequent outages. Renewable energy sources such as solar, wind, energy from sea waves, biogas, ethanol production and energy from municipal solid waste, altogether constitutes a large potential for production of electricity and heat in Zanzibar. Energy from the sun can be obtained through different technologies such as the use of solar water heaters; photovoltaic (PV) systems to generate electricity; cookers for cooking and crop drying. The production and use of biogas and ethanol is presently growing fast worldwide as fuels to substitute fossil fuels mainly for transport. This can also be seen as an option for Zanzibar. Although the demand of these renewable sources is increasing, the development and utilization is still in infant stages and is estimated to account for only 0.3 % of the total energy supply on the islands.

Zanzibar Tanzania should begin to establish and expand its own energy market. Deployment of renewable energy technologies has the potential to contribute to job creation, income generation and the improved livelihoods of marginalized social groups, particularly women and children in rural areas. Women, who shoulder a disproportionate responsibility for household fuel and water collection, food preparation and agriculture, are especially affected by an unreliable energy supply. In order to achieve SDG 7, there should be an increased commitment to provide affordable, reliable, sustainable, and modern energy for all by 2030. To achieve this goal, investments are required in the generation, transmission, and distribution of energy infrastructure.

3.4.2 Policy priorities

Policy	Main emphasis
Zanzibar Energy Policy	The Policy aims to contribute to the sustainable development by independent reliable and affordable energy for all and the energy uses by households and institutions shall transform to the forms of sustainable renewable energy.
ZURA Strategic Plan 2017-2022:	Strategy underlines ZURA's prioritization to improve and promote reliable, sustainable and efficient provision of utility services for economic development and its support for renewable energy alternatives to lessen import dependence and to meet rising demands.
Zanzibar Trade Policy	It raises the concern on availability of adequate energy for commercial as well as domestic purposes. The policy concludes that a rapid growth of the economy in Zanzibar depends upon energy availability, reliability, and reasonable cost for energy.
Zanzibar Electricity Corporation Master Plan:	The Master plan encourages off-grid solar home system to rural households where grid extension would prove costly.

3.4.3 Overlapping themes, opportunities and challenges

Themes	Opportunities	Challenges
<p>Access to efficient, low cost, sustainable modern and cleaner energy services</p>	<p>Zanzibar is endowed with sufficient renewable energy resources to secure supply of 100 per cent renewable energy. The country is well-endowed with renewable energy resources, particularly solar and wind energy, and has the potential to meet a substantial proportion of its domestic energy demand through the utilization of this technology.</p> <p>-The growing economy requires a reliable power supply for small and medium businesses (SME's), industry and the transport sector. This is even more critical if we consider: (i) population growth prospects (ii) increase in energy demand – growing at the rate of 9 to 10 per cent each year; and (iii) newcomers to the employment market – with approximately 800,000 youth entering the labour force every year, nurturing energy infrastructure to allow for productive jobs for them is critically important for the socio-economic development of the country.</p> <p>With increasing urbanization and growing middle class, households will increasingly use modern and energy-efficient applications according to the highest efficiency standards to respond the power demand growth, and to allow the parallel expansion of energy infrastructure and the construction of renewable power plants.</p>	<p>-Poor infrastructure networks and high cost of energy service that allows more inflow of investments into the country.</p> <p>-The dominance of traditional biomass in energy share/pattern consumption among the Zanzibaris is linked to poverty and the lack of access to other fuels. Therefore, poverty and poor access to modern energy are linked and cannot be separated hence must be tackled together.</p>
<p>Access to renewable energy, solar, wind,</p>	<p>Solar energy: The mean solar energy density is about 4.5kW per square meter per day, which indicates its potential use as an energy source. Some solar developers are seeking to set up large solar PV projects. Tanzania and by extension Zanzibar is in one of the major global solar belts, with 2800-3500 hours of sunshine per year and a global radiation of 4-7 kWh/m² per day.</p> <p>Wind Energy: Potential areas for wind areas have been mapped by TANESCO. There are several areas in the country, predominantly along the coast, with attractive wind speeds.</p>	<p>-Limited technical know-how.</p> <p>-High initial and investment costs for the technologies.</p> <p>-Limited awareness and exposure to the existence and potential of the technology</p> <p>-Lack of financial facilities for energy investments.</p> <p>-Despite the potential, solar has not been utilized fully as energy source. It has predominantly been used only for drying process</p>



4. IOA Close Ups

Within the above-discussed priority sectors, highlighting Zanzibar's key development needs and policy priorities, the SDG Investor Map presents Investment Opportunity Areas (IOAs) with investable, scalable business models that address these needs. They serve as guidance to the private sector on the potential to contribute to national development priorities and support the achievement of the SDGs.

The information captured in the present IOA close ups is a summary of the full data set available on the SDG Investor Platform. Individual sources for the quoted information are available online.



IOA 1: Cultural Tourism Offerings

The Tourism and Hospitality sector contributes 28% to GDP and is the source of 82% of the foreign exchange earnings. Approximately 60,000 jobs are directly or indirectly linked to the sector. However, dominated by small to mid-sized hotels and guest houses, the sector lacks development of niche markets and the ability to add value and uniqueness to the visitor experience. Investment in cultural tourism would increase the value added of the tourism sector, creating an enabling environment for longer stays, while preserving cultural values and accelerate participation and involvement of local population. By effectively enhancing customer satisfaction and generating value from various tourism products, the development of cultural tourism offerings will improve visitors' experiences in Zanzibar. Improved and diversified experiences of visitors through cultural tourism will promote and safeguards the island's cultural heritage and increases the number of return visitors as well as customer diversification

Business Model	Create cultural eco-tourism experiences such as tours showcasing traditional ways of the island life and/or develop and operate cultural heritage sites by utilizing the rich traditional culture and the various natural resources of the archipelago. Through a community-private-public partnerships, the private sector invests in tourism assets, the public sector provides the supporting infrastructure and the community provides the land, labour, local expertise and cultural experiences.
User or Beneficiary	The investment will directly benefit local communities who live near the historical areas, persons directly employed in the sector, rural communities whose tourist products are consumed among other things will benefit from preserving and promoting their cultural heritage, create job opportunities and boost local economy. Also, cultural tourism will protect rare and delicate cultural heritage sites and historical monuments while preserving environment.

Economic Factors	<p>The market size for culture tourism is estimated as ranging between USD 50 million USD. The average capital outlay (ticket size) is estimated at < USD 500,000 with Internal Rate of Return (IRR) of 20-25%.</p> <p>Medium Term: The indicative time-frame for this model is between 5 to 10 years, based on the feasibility studies on Mkomazi Nature Camp and International Convention Centre at Nyamanzi</p>
Enabling Factors	<p>Attractive fiscal and non-fiscal incentives offered to investors. Fiscal incentives: Aside from available general incentives for international investors such as exemption from payment of import duty, excise duty, and VAT, a fiscal incentive package is being developed for tourism, including cultural tourism, as part of the "Tourism for All" initiative. Other incentives include 100% foreign ownership, 33 to 99 years of land lease agreement, employment of expatriates in key positions, 100% allowance for R&D activities are some of the other incentives provided by the Government based on the size of the investment.</p>
Risk Factors	<p>(1) Two major risks are envisaged : (1) Weak level of product development of cultural tourism leads to weak consumption of the community-based tourism products and (2) Lack of standardization and common certification system to manage, standardize and enforce best practices of cultural tourism (2), which may result in companies putting forward extra effort on showcasing their sustainability to earn a certification.</p>
Impact Management	<p>IMP Classification C: Investments are likely to contribute to solutions as cultural tourism offerings empower the local community and preserve cultural heritage by expanding employment opportunities, access to resources and higher tourism revenue and promoting longer stays.</p>
Gender and Marginalization Impacts	<p>Cultural tourism will contribute to the range and value of goods and services provided by local MSMEs, thus will optimize the local value-added contribution by the sector while empowering local community who are excluded from the sun, sea and sand tourism.</p>
Policy Opportunities	<p>Promote the capacity of local communities on best practices for environmental management and socially responsible tourism. Need to take into account communities' interest and priorities so that touristic activities may experience a significant uptake and also benefit the communities.</p>
Case Studies	<p>Already there are several business cases available in the cultural tourism space. (i) Kidike Pemba Flying Fox Ecotourism is a private company dedicated to promoting culture tourism in the Pemba Island by offering site visits to the roost site of the endemic giant fruit bat, historical ruins and mangrove forests. (ii) Eco & Culture Tours is a tour operator company which is strongly devoted to offering top-notch travel experiences with guiding principle of respect for the environment, animals, and people. The company declares to be leading in conservation development and community empowerment.</p>

IOA 2: High-end Eco-Tourism Offerings on Small Islets

The Tourism and Hospitality sector contributes 28% to GDP and is the source of 82% of the foreign exchange earnings. Approximately 60,000 jobs are directly or indirectly linked to the sector. However, dominated by small to mid-sized hotels and guest houses, the sector lacks development of niche markets and the ability to add value and uniqueness to the visitor experience.

Through the investment, high-end eco-friendly tourism on small islands will create new employment opportunities for the community and generate higher income and value addition, mitigating the increasing pressure on the marine environment and attracting sustainable travelers. Increase in the international visitor numbers will benefit the local value chains in the Unguja and Pemba islands as the sectoral activity will be increased between main islands and the small islets. Sustainable and eco-friendly tourism options on small islets will increase the sustainable and diversified tourism products and activities, resulting in sustainable use of marine environment and decreased negative impact on coral ecosystem.

Business Model	Construct and operate tourism products and associated services such as high-end hotels, resorts, amusement and recreation activities by utilizing the rich and diverse terrestrial and marine environments of small islets to create high-end eco-friendly tourism experiences through a Land Lease Agreement with the government after a bidding process. Any type of high-end investment project could be proposed by the investor in the 2-stage bidding process based on the project advertisement.
User or Beneficiary	The investment will directly benefit Zanzibar's in general as the high-end ecological tourism will contribute greatly to the GDP share of the tourism sector as well as preserving natural well-being of the islands. Also, the marine ecosystem and natural environment of islets in general as the small islets will be preserved by the Small Island Leasing program's criteria, while the marine area will be maintained and preserved.
Economic Factors	<p>The market size for eco-tourism is estimated as ranging between USD 100 million and USD 1 billion. The average capital outlay (ticket size) is estimated at between USD 1 million and 10 million with the Indicative Return on Investment (RoI) of 20-25%.</p> <p>Medium Term: Chumbe Island Coral Park Ltd's business data indicates that it would take nearly 10 years for a break-even as the profit from the hotel (excluding marine park and forest reserve) is 300,000 USD in a year, while the investment cost was 3,500,000 USD.</p>
Enabling Factors	Financial incentives: UNDP and UNCDF are leading "Integrated Tourism Recovery and Resilience in Zanzibar", 2,996,000 USD worth project, to create conducive environment for sustainable and inclusive private investment in Zanzibar's tourism industry. Fiscal incentives entails a 5-year grace period on land and marina leases, a 100% duty and tax exemption for local purchases of building supplies and materials, an exemption from income tax and interest payments on capital borrowed from foreign banks. Other incentives includes 100% foreign ownership, employment of expatriates in key positions and 100% allowance for R&D activities.
Risk Factors	A major risk envisaged is that eco-friendly high end tourism products in small islets requires significant amount of upfront investment.
Impact Management	IMP Classification C: Investments are likely to contribute to solutions as high-end tourism offerings on small islands will lessen the industry-induced environmental burden, boost economic growth, and encourage the participation of local communities.

Gender and Marginalization Impacts

High-end eco-tourism offerings will increase economic prospects of the sector, thus will include inhabitants of the islets to the tourism value chain.

Policy Opportunities

Promote the capacity of local communities on best practices for environmental management and socially responsible tourism. Need to take into account communities' interest and priorities so that touristic activities may experience a significant uptake and also benefit the communities.

Case Studies

(1) Chumbe Island Coral Park Ltd is an award-winning private nature reserve including a fully protected Coral Reef Sanctuary and Forest Reserve, a marine park, 7 eco-bungalows, a visitor's center and staff quarters. All buildings and operations are based on eco-friendly technology, providing overnight stays in its eco-bungalows ranging from 280 to 360 USD and daily trips for 190 USD.

(2) Luxurious tourist destination, Manta Resort in Pemba was created by the Kwanini foundation on an eco-friendly and sustainable tourism strategy. By working with the local communities to educate them about and protect the natural ecosystem on which they depend, Kwanini aims to positively influence Pemba Island's future.

IOA 3: Halal-Friendly Tourism Offerings

Tourism and Hospitality sector contributes 28% to the GDP, being the source of 82% of the foreign exchange earnings in country. Approx. 60,000 jobs are directly or indirectly linked to the sector. Dominated by small to middle sized hotels and guest houses, the sector needs to diversify its accommodation stock to appeal to the growing market.

The Tourism and Hospitality sector contributes 28% to GDP and is the source of 82% of the foreign exchange earnings. Approximately 60,000 jobs are directly or indirectly linked to the sector. However, dominated by small to mid-sized hotels and guest houses, the sector lacks development of niche markets and the ability to add value and uniqueness to the visitor experience. Halal-friendly tourism offerings will increase the social cohesion between international tourists and local communities as the visitors will be diversified as more tourists will be attracted from Muslim countries.

Business Model

Set up and operate sustainable and halal-friendly tourism offerings, such as high-end hotels, resorts and guest houses which are customized based on the demands of Muslim travelers.

User or Beneficiary

Local people benefiting from the tourism sector in general as the sustainable halal-friendly tourism will contribute greatly to the GDP share of the tourism sector as it will add on a new segment of international visitors to the archipelago.

Economic Factors	<p>The market size for halal friendly tourism offering is estimated as ranging between USD 100 million and USD 1 billion. The average capital outlay (ticket size) is estimated at between USD 1 million and USD 10 million with the Indicative Return on Investment (RoI) of 20-25%.</p> <p>Medium Term: Investments in sustainable and high-end tourism models would break-even between 7 and 10 years.</p>
Enabling Factors	<p>Financial incentives: UNDP and UNCDF are leading "Integrated Tourism Recovery and Resilience in Zanzibar", 2,996,000 USD worth project, to create conducive environment for sustainable and inclusive private investment in Zanzibar's tourism industry. There are also attractive fiscal and non-fiscal incentives offered to investors including: Exemption from payment of import duty, excise duty, VAT and similar taxes on capital good. Strategic investors have more comprehensive benefits which consists long-term exemption from duties and tax, resident permit for the investors and their families etc. Other incentive include 100% foreign ownership, 33 to 99 years of land lease agreement, employment of expatriates in key positions, 100% allowance for R&D activities.</p>
Risk Factors	<p>Two major risks are envisaged (i) Although semi and fully halal tourism options are available in Zanzibar they are not highlighted enough to attract international investors due to inadequate visibility of the market potential and (2) Although local business environment is not very competitive, there is an increasing global competition for halal-tourism.</p>
Impact Management	<p>IMP Classification C: Investments are likely to contribute to solutions as Halal tourism offerings will empower the local Muslim community and attract more of a different segment of international visitors, while contributing to the sectoral revenue.</p>
Case Studies	<p>(i) Bera Alanya Beach Resort is an alcohol-free beach resort with mixed beach with dress code compliant to Islam, men- and women-only indoor and outdoor pools and spa (ii) Villa Tumaini in Zanzibar is a 5-bedroom villa with completely private pool, offering perfect seclusion for families with easy access to the white sand beach and coral reefs of archipelago, providing halal food and promoting halal-features of the facility (iii) Wild Secret Safaris Zanzibar offers fully halal holiday packages to its customers, which is called "Halal Zanzibar."</p>



IOA 1: Food Processing and Packaging Facilities

Agriculture is one of the main sectors in Zanzibar, contributing to 27.1% of the GDP. Despite the sector's key status in the economy, Zanzibar lacks significant production and processing capacity as well as private sector investments in the sector which leads to food insecurity, import-dependency and food availability being highly determined by external factors.

Developing food processing and packaging facilities will decrease the post-harvest losses and increase the food security. Improving food processing will enhance agricultural productivity, consequently decreasing the import dependency of Zanzibar, increasing local economic development and market participation.

Business Model	Set up and/or develop food processing and packaging facilities to provide processed food and food products of major food crops (rice, cassava, banana), fruits (coconut, pineapple, water melon), vegetables (tomatoes, sweet pepper) and spices (vanilla, ginger, chili) through business to consumer or business to business models.
User or Beneficiary	Zanzibar's in general as the agricultural productivity will decrease the import-dependency of the archipelago and increase the local economic development. Agricultural environment will also benefit as the post-harvest waste will be reduced.
Economic Factors	The market size for food processing and packaging facilities is estimated at < USD 50 million . The average capital outlay (ticket size) is estimated at < USD 500,000 with indicative Return on Investment (RoI) of 20% - 25% Short Term: The UNDP Stakeholder Consultations have disclosed that it takes 4-5 years for a food processing company to achieve break-even point.
Enabling Factors	Financial incentives: RGoZ has a planned PPP project for Mango Processing in Pemba. The World Bank also mobilized a \$2.3 billion worth Food Systems Resilience Program for Eastern and Southern Africa. There are also attractive fiscal and non-fiscal incentives offered to investors including: Exemption from payment of import duty, excise duty, VAT and similar taxes on capital good. Strategic investors have more comprehensive benefits which consists long-term exemption from duties and tax, resident permit for the investors and their families etc. Other incentive include 100% foreign ownership, 33 to 99 years of land lease agreement, employment of expatriates in key positions, 100% allowance for R&D activities.

Risk Factors	Two major risks are envisaged (i) Agricultural production is mainly dependent of rainwater harvesting, thus vulnerable to climate. (ii) There is a lack of proper processing infrastructure, facilities and special processing areas.
Impact Management	IMP Classification C: Investments are likely to contribute to solutions as food processing and packaging will strengthen agricultural value chain while reducing post-harvest losses and import dependency and improving food security.
Gender and Marginalization Impacts	Food processing and packaging facilities will increase per capita income of smallholder farmers by value-addition of their products and due to lesser post-harvest losses.
Policy Opportunities	The government needs to have “targeted” initiatives to establish dedicated Special Processing Zones for the targeted products. This will ensure commercial scale operations and a critical mass of products for value addition and export. The Government needs to protect farming communities by setting up a structured insurance risk finance particularly for managing disasters. Options for utilizing the UNDP Insurance Risk Finance (IRFF) should be considered.
Case Studies	(1) YYTZ Agro-processing is a fully mechanized modern cashew processing facility operating under superior safety and hygiene parameters. Have warehouse facilities in Toronto, Canada which enable the company to deliver directly to customers in USA/Canada. The company offers graded cashew kernels in sizes ranging from WW320, WW240, WW210. Dry roasted, flavored cashews are also available. Zanzibar Organic Producers (ZANOP) is a small local processor based in Zanzibar, sourcing and processing local dried ginger, dried chilli and vanilla.

IOA 2: Affordable and Flexible Financing Options for Artisanal Fishing

Agriculture is one of the main sectors in Zanzibar, contributing to 27.1% of the GDP. Despite the sector’s key status in the economy, Zanzibar lacks significant production and processing capacity as well as private sector investments in the sector which leads to food insecurity, import-dependency and food availability being highly determined by external factors.

Affordable financing options for artisanal fishing would enable artisanal fishers to harvest in deeper waters, thus meet the high demand of seafood through sustainable practices. The investment will enable the development of technical capacity, infrastructure and equipment, resulting in improving the value chains and sectoral development. The investment will also improve the production capacity of the artisanal fishers while contributing to the protection of coral reef ecosystem in the inshore.

Business Model	Set up and/or develop food processing and packaging facilities to provide processed food and food products of major food crops (rice, cassava, banana), fruits (coconut, pineapple, water melon), vegetables (tomatoes, sweet pepper) and spices (vanilla, ginger, chili) through business to consumer or business to business models.
User or Beneficiary	Zanzibar’s in general as the agricultural productivity will decrease the import-dependency of the archipelago and increase the local economic development. Agricultural environment will also benefit as the post-harvest waste will be reduced.

<p>Economic Factors</p>	<p>The market size for the financing of artisanal fishing activities is estimated at < USD 50 million , growing at a CAGR of 5%. The average capital outlay (ticket size) is estimated at < USD 500,000 with an average Gross Profit Margin of 10% - 15%</p> <p>Short Term: Data from a pilot project under the Ministry of Blue Economy comprising of 1,000 groups of 20 artisanal fishers shows that a group will be able to repay a 31,372,500 TZS (approx. 13,408 USD) loan facility within one year while estimated repayment period is 5 years (11).</p>
<p>Enabling Factors</p>	<p>Financial incentives: Agriculture and Fisheries Development Programme, worth 77 million USD, provide financial assistance to project participants through the Rural Finance Support Program, funded by IFAD via Smallholder CGS. There are also attractive fiscal and non-fiscal incentives offered to investors including: Exemption from payment of import duty, excise duty, VAT and similar taxes on capital good. Strategic investors have more comprehensive benefits which consists long-term exemption from duties and tax, resident permit for the investors and their her families etc. Other incentive include 100% foreign ownership, 33 to 99 years of land lease agreement, employment of expatriates in key positions, 100% allowance for R&D activities.</p>
<p>Risk Factors</p>	<p>Two major risks are envisaged (i) Low capital among fishermen to buy larger boats or equipment results in limited fishing activity restricted to inshore areas and fisherman cannot access lucrative deep-sea fishing opportunities and (ii) All artisanal fishers compete on the same and exhausted fishing grounds which leads to decrease of average per capita fishers' catch and income.</p>
<p>Impact Management</p>	<p>IMP Classification C: Investments are likely to contribute to solutions as providing affordable financing to artisanal fisheries will increase the sectoral productivity and growth, while ensuring local nutrition to everyone and preserve the inshore coral reef ecosystem.</p>
<p>Gender and Marginalization Impacts</p>	<p>Providing affordable financing options to artisanal fisheries will improve the productivity of the artisanal fishers in Zanzibar, which will contribute to the improvement of the local supply and local nutrition level of lower income groups.</p>
<p>Policy Opportunities</p>	<p>The Government needs to protect fishing communities by setting up a structured insurance risk finance particularly for managing disasters. Options for utilizing the UNDP Insurance Risk Finance (IRFF) should be considered.</p>
<p>Case Studies</p>	<p>CRDB Bank Plc has financed fisheries cooperatives in the islands of Unguja and Pemba. Current projects are worth TZS 169 billion, covering small scale to large scale fishing businesses. The CRDB's current exposure to the fisheries and aquaculture sector is USD 6.6 million. The bank expects to increase its exposure in fishing by at least TZS 40 billion by December 2022.</p>

IOA 3: Solar Powered Irrigation Systems

Agriculture is one of the main sectors in Zanzibar, contributing to 27.1% of the GDP. Despite the sector's key status in the economy, Zanzibar lacks significant production and processing capacity as well as private sector investments in the sector which leads to food insecurity, import-dependency and food availability being highly determined by external factors.

Solar-powered irrigation systems promote the growth of low-carbon irrigated agriculture and decrease the carbon footprint of the sector. Efficient and modernized solar powered irrigation systems will decrease the pressure and exhaustion of agriculture on limited water resources.

Business Model	Set up and operate companies that manufacture, distribute and/or install affordable solar-powered irrigation pumps for increased agricultural production
User or Beneficiary	Smallholder farmers who are dependent on rainwater harvesting and limited farming methods as they will benefit from increased agricultural productivity. There are also environmental benefits
Economic Factors	<p>The market size for all types of irrigation technologies in Tanzania was estimated to be USD 86.2 million in 2018 and expected to grow to USD 151.3 million by 2022. The average capital outlay (ticket size) for the investment is estimated at < USD 500,000 with an indicative IRR of > 25%</p> <p>Short Term: Solar water pumps have higher capital costs and lower operating costs than competing pump technologies with a payback in 4-6 years.</p>
Enabling Factors	<p>Financial incentives: The Government has a joint program worth of 112 million USD, funded by European Union on resource efficient and modern agriculture. The Government also has a planning stage project on mechanized agriculture, which is 14 Million USD. There are also attractive fiscal and non-fiscal incentives offered to investors including: Exemption from payment of import duty, excise duty, VAT and similar taxes on capital good. Strategic investors have more comprehensive benefits which consists long-term exemption from duties and tax, resident permit for the investors and their families etc. Other incentive include 100% foreign ownership, 33 to 99 years of land lease agreement, employment of expatriates in key positions, 100% allowance for R&D activities.</p>
Risk Factors	<p>Three major risks are envisaged (i) Low penetration of renewable energy irrigation technology due to high level of capital expenditure required as initial investment. This may particularly discourage smallholder farmers who have limited resources (ii) Renewable energy irrigation attracts high tax and import costs on parts or equipment necessary to develop a local industry. Both may impact availability and affordability and (iii) Limited skills and know-how regarding operation and maintenance of renewable energy irrigation may limit uptake, and farmers may be unable to select appropriate irrigation technology due to lack of advisor networks.</p>

Impact Management

IMP Classification C: Investments are likely to contribute to solutions as solar powered irrigation systems will improve agricultural productivity significantly, benefiting smallholder farmers and increasing food security and economic development.

Gender and Marginalization Impacts

Renewable backed irrigation would improve the lives of impoverished rural farmers, as the productivity will be improved, especially women, who perform 80% of the labor in agriculture.

Policy Opportunities

Need for requisite advisory and technical assistance services to support farming practices and agronomy knowledge, such as regarding water use, the impact of renewable energy irrigation may be limited. The Government needs to protect farming communities by setting up a structured insurance risk finance particularly for managing disasters. Options for utilizing the UNDP Insurance Risk Finance (IRFF) should be considered.

Case Studies

Several large international energy solution companies have operations in Zanzibar as a response to the market opportunity. These include: (1) Davis & Shirliff Group has a major branch at Mlendege Street Zanzibar, selling different solar energy products including water pumps and irrigation supply accessories (2) Power Providers provides a pumping system for irrigation in Iringa, Tanzania. With a total dynamic head (TDH) of 30 m and solar generator of 18.7 kWp, the flow rate of the pump amounts to 450 m³ per day, which enhances agricultural productivity and output in the region and (3) Kikwajuni Zanzibar Solar Shop in Zanzibar sells solar solutions, including water pump installations (23).

Renewable Resources & Alternative Energies

7 AFFORDABLE AND CLEAN ENERGY



13 CLIMATE ACTION



IOA 1: Roof Mounted Off-Grid Solar PV Installations

Zanzibar imports electricity, fossil fuels, and utilize native fuel-wood to meet its energy needs. (1) The islands import electricity from Tanzania's mainland, but Zanzibar needs alternate sources, such as renewable energy, due to unreliable energy supply and difficulties with electricity generation, transmission issues, high costs, and frequent outages.

Through the investment: (i) the availability and reliability of electrical power will be strengthened by increasing off-grid generation capacity and extend the access to energy to households without access to the national grid; (ii) The off-grid solar pv-solutions will enhance energy security towards possible technical and/or capacity failure from mainland and decrease dependency on imported energy and local fuel-wood; and (iii) Efficient use of energy, protection of the environment and reduction of GHG emissions will be promoted and enabled.

Business Model	Develop and operate rooftop solar energy systems to provide lighting and energy for other domestic and industrial uses, such as refrigerators, water heaters and other appliances, industrial consumers such as hotels and resorts, and for residential consumers specifically in areas where the national grid does not reach.
User or Beneficiary	Rural communities, who do not have access to national grid and Zanzibaris in general as there will be an independent and clean alternative for power generation. The environment benefits from the usage of renewable energy resources as it lowers the sector's overall GHG emission levels and dependence on imports of fuel-based energy and fuel-wood.
Economic Factors	<p>A feasibility study for the electrification through solar PV power generation and mini-grid distribution in Kokota islet show that demand for off-grid solar system is growing at a CAGR of 8.5 percent. Study shows that it is further forecasted CAGR to grow nearly 125 percent over the coming 10 years, growth being stronger in the first five years (CAGR 13.3%), largely due to high population growth and strong growth in consumption per connection following electrification. Zanzibar Statistical Abstract states that 33,049 new customers were connected to National Grid in 2021.</p> <p>Medium Term: According to the feasibility studies conducted in Kokota and Njau islets in Zanzibar, Zanzibar Electricity Cooperation (ZECO) estimates that economic payback period is 10 years. In a benchmark project from Uganda, an investment for a USD 250,459 off Feed-in-Tariff (FiT) rooftop solar energy system start yielding positive results from year 7 all through to year 15.</p>
Enabling Factors	Financial incentives: World Bank and Climate Investment Fund has an ongoing project on Energy Transformation in Zanzibar, consists promotion of solar energy and network strengthening, worth of 152 Million USD. There are also attractive fiscal and non-fiscal incentives offered to investors including: Exemption from payment of import duty, excise duty, VAT and similar taxes on capital good. Strategic investors have more comprehensive benefits which consists long-term exemption from duties and tax, resident permit for the investors and their families etc. Other incentive include 100% foreign ownership, 33 to 99 years of land lease agreement, employment of expatriates in key positions, 100% allowance for R&D activities
Risk Factors	Two major risks are envisaged: (i) There is a lack of modern system control and monitoring tools for solar PV installations and (ii) All costs for initial installation of the solar PV installations, including facilities and other mechanical subsystems, electrical facilities and foundation structures, as well as a training for maintenance of the system are costly

Impact Management

IMP Classification C: Investments are likely to contribute to solutions as off-grid rooftop solar PV installations in Zanzibar will result in less GHG emissions, less import-dependency of energy, more reliable energy generation and improved access to electricity.

Gender and Marginalization Impacts

Roof-mounted solar PV installations will be utilized for energy-intensive activities like cooking, improving the livelihood of rural women by maintaining familial health and welfare.

Policy Opportunities

Need for supportive policies to promote availability of accessories and spare parts to foster the efficiency of rooftop solar systems and optimize impact

Case Studies

(1) NAJ Solar Power Systems Ltd is a private company located at Kizimkazi, Zanzibar. The company is specialized in selling of solar equipment's, solar configuration, network installation, network equipment's, solar security systems and electrical fence. Most recently, they have installed Solar Panel System and Promise Land Lodge at Kizimkazi.

(2) Mango Tree Beach Hotel in Zanzibar installed solar photovoltaic systems in an autonomous territorial unit, located off the Indian Ocean, with a capacity of 400 kWp. At the same island, with a capacity of 300 kWp, a solar plant supplies the Baraza Hotel on Unguja. CMR group has also built a small 300 kWp solar power plant that supplies the Palms Hotel at the same territory.

Infrastructure

3 GOOD HEALTH AND WELL-BEING



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



IOA 1: Sustainable Solid Waste Management Solutions

Yearly tourist inflow in Zanzibar increases the need of infrastructural development in the country burdening the already existing real estate, infrastructural networks, electricity generation and other utilities. Combined with the archipelago's high vulnerability to the impacts of climate change, the burden on the infrastructure intensifies.

Sustainable waste management solutions will: (i) resolve the environmental and public health issues due to inadequate waste management in Zanzibar (ii) lead to clean environment especially in urban areas and tourist centres, which will increase the quality of livelihoods of Zanzibaris as well as the satisfaction of international visitors and (iii) improve Zanzibaris' waste management awareness.

Business Model	Set up companies that provide sustainable waste management services including establishment of waste collection/cycling facilities, development and operation of commercial dumpsites for the collection, storage and utilization of solid waste, e-waste and sewage from residential, commercial and industrial sources, procurement of modern waste management equipment, such as self-loading trucks, mixers and sorters.
User or Beneficiary	Urban population living in Unguja and Pemba Islands will benefit from the cleaner environment. The Marine environment will also benefit as the waste management solutions will decrease the amount of uncontrolled waste in the sewage
Economic Factors	Waste generation in Zanzibar is estimated to be 1,594 tons/day. The Municipal waste generation is expected to increase from 238,712 to 405,156 (tons/year) between 2018 and 2039. The average capital outlay (ticket size) for the investment is estimated at between USD 500,000 - USD 1 million. The Indicate Return on Investment Rol is estimated at 15% to 20%. Short Term: An economic analysis of solid waste management options in Morogoro Municipality suggests that at year 3 the benefits or outputs and cost of the management options can easily be tracked, such as for biogas, compost manure and recycled products.
Enabling Factors	Financial incentives: World Bank has an ongoing project "Boosting Inclusive Growth for Zanzibar: Integrated Development Project" which focus on solid waste management facility of the municipalities in Zanzibar. There are also attractive fiscal and non-fiscal incentives offered to investors including: Exemption from payment of import duty, excise duty, VAT and similar taxes on capital good. Strategic investors have more comprehensive benefits which consists long-term exemption from duties and tax, resident permit for the investors and their her families etc. Other incentive include 100% foreign ownership, 33 to 99 years of land lease agreement, employment of expatriates in key positions, 100% allowance for R&D activities.
Risk Factors	Two major risks are envisaged: (i) Lack of skilled personnel for sewerage and waste management system and (ii) A sizable portion of market traders are not registered and there is a lack of adequate and up to date waste statistics data and information for all regions which causes variations in the market.
Impact Management	IMP Classification C: Investments are likely to contribute to solutions as sustainable solutions for waste management will reduce environmental harm through decreased waste dumping and increased public awareness which will lead to a cleaner and healthier Zanzibar for all.
Gender and Marginalization Impacts	Sustainable waste management solutions will positively impact rural communities as their habitat will be protected from the rapid waste generation which harms common environment and marine system.

Policy Opportunities

Local governments should be willing and ready to mobilize communities in domestic waste collection to increase expected impact. Need to promote enforcement of local by-laws. Special incentives to encourage participation of low-income earners due to fee barriers, alongside sub-optimal distribution and logistics infrastructure, which may limit the expected impact especially in informal settlements.

Case Studies

Zanrec Company Ltd is a private company offering a fully integrated waste management solution for Zanzibar, handling all types of daily waste produced by both private and industrial/commercial sectors and ensure that it is processed sustainably. The company manages the collection, separation, recycling and up-cycling for over 100 hotels in Zanzibar at a fixed fee.

Note: The individual sources of the data points in the tables above are available on the SDG Investor Platform, which offers the full data sets of the IOAs.



5 . White Spaces

In addition to the eight (8) Investment Opportunity Areas (IOAs) with established business models presented above, the Zanzibar SDG Investor Map pinpoints five (5) “White Spaces” in addition to the IOAs with an established business model and the potential to address national development needs in line with policy goals through private sector participation. Once the market, policy, and regulatory settings advance in line with changing market dynamics and an enabling environment for private sector engagement is developed, these White Spaces will be poised to produce more private sector-led development effects. As the business models of these White Spaces are validated and the policy and regulatory improvements are in place, these areas could be developed into IOAs that are ready for the market and have extensive data sets.

Identified White Spaces with market- or policy-based challenges are listed below:

- Vanilla Farming
- Sustainable Aquaculture Production
- Wind Energy Generation
- Affordable Eco-Friendly Housing
- Cargo, Storage and Warehousing in Magharabi District

5.1 Vanilla Farming

Draft Business Model: Set up organic farms and greenhouses in Pemba island for vanilla farming to produce vanilla for export or to utilize to produce high-value-added products for dietary and pharmaceutical use.



Development Need

Agriculture is one of the main sectors in Zanzibar, contributing to 27.1% of the GDP^{iv}. Despite the sector's key status in the economy, Zanzibar lacks significant production and processing capacity as well as private sector investments in the sector which leads to food insecurity, import-dependency and food availability being highly determined by external factors^v. Only 139,415 hectare (43%) of arable land are under cultivation in Zanzibar^{vi}. There is a need for diversifying agro-products^{vii} particularly by tapping into the abundant local agricultural resources of Zanzibar. Zanzibar's climate and conditions are highly favourable for vanilla growth, the world's second most profitable crop.^{viii}

Emerging Private Sector and Market Potential

- A recent report by Zion Market Research in 2018 indicated that the global vanilla market accounted for 510 million USD in 2018 and is expected to reach 735 million USD by 2026 growing at CAGR of 4.7% between 2019 and 2026. The growth in demand for vanilla is largely driven by increased application in food and beverages, cosmetics and pharmaceutical industries.^{ix}
- Vanilla is the second profitable crop in the world apart from "saffron". One acre of vanilla yields 2,400 kg per year. A kg is sold at an average price of 1 million TZS, around 430 USD^x.
- According to Tanzania's Agriculture Ministry, vanilla production has increased significantly in the last five years, rising from 229.8 tons per year in 2015 to 1,949 tons in 2020.^{xi}
- Vanilla International Limited is a registered company operating in Zanzibar. The company mobilize investors to inject their capital in modern vanilla farming. Vanilla International is currently running the "Vanilla Village" project located in Bungi-Miembe Mingi, Central District, Unguja. Vanilla farming is undertaken in green house blocks under the contract farming vanilla plantations model. In the first year, customers pay for greenhouse blocks and irrigation system installation costs. The day-to-day management of the farming block is undertaken by the Vanilla International Team.^{xii}
- The cost of one greenhouse is estimated to be around 128,755 USD and can produce 240 kg of vanilla annually. The plan has an economic lifespan of 60 years.^{xiii}
- According to Micheweni Master Plan, out-growers scheme can be implemented to produce vanilla in Pemba, as the growing conditions and climate in the region is similar to Madagascar, which is the largest grower of Vanilla in Africa.^{xiv} The Government enables agricultural production diversification and improved productivity through encouraging policies and conducive benefits to the private investors which are provided through the Free Economic Zones.^{xv}

Market Based Challenges

- Although there is an emerging private sector momentum for agricultural products which also includes vanilla farming, the sector is at a nascent stage, facing challenges such as fluctuations in the vanilla prices, unstable market conditions in terms of demand and supply, lack of technical capacity and skilled farmers to harvest vanilla productively.

Policy Recommendations:

Despite the fact that vanilla farming has a great potential and a profitable business case in the Zanzibar context and mainly faces market-based challenges as put forward above, specific policies should be established to promote the diversified production of spices and encourage farmers to upskill themselves to harvest new products, particularly vanilla farming.

Recommendation 1:

Expand Zanzibar Agricultural Transformation for Sustainable Development (ZASDP) policy to include recent trends in spices market and update the list of prioritized cash crops, focusing on high-value spices such as vanilla, promote research and development and capacity building in the subsector, ways to enhance the post-harvest data monitoring system, and establish mechanisms for private-public cooperation in the production of spices.

Additionally, implementation of the determined intervention areas by ZASDP with a specific focus on vanilla farming is highly encouraged. Relevant action points of the ZASDP are listed below:

- Enhancing farmers' knowledge of the value of spices and the importance of choosing clean and healthy planting materials
- Promoting regenerative agriculture and organic spice farming through the adoption of integrated production and pest management (IPPM) practices through Farmer Field Schools (FFS)
- Providing infrastructures and technologies for breeding and plant propagation
- Increasing funding for research and development initiatives

Recommendation 2:

Introduce innovative financing mechanisms that help small-holder farmers in vanilla industry to access financing to upgrade post-harvest and handling equipment, improve their climate-adaptation techniques, cover operational and set up processing facilities to create value-added products. Vanilla farming could be integrated into the Agriculture and Fisheries Development Programme, developed in partnership with the IFAD, private sector and Revolutionary Government of Zanzibar. This would provide a framework for design and deployment of innovative financing mechanisms to enhance productivity, profitability and commercialization of small vanilla farms.

Recommendation 3:

Complementary to the above recommendation, it is suggested to introduce transparent marketing strategy on the state level that promotes spice industry and cooperate to conduct training for businesses on technical, financial and marketing aspects of spices farming. As part of the Agri-connect program, funded by European Union, specific capacity building and market access programmes could be developed for vanilla farming.^{xvi}

Recommendation 4:

Improve existing TVET policy to include curriculum offers that address the skills needed in the labour market such as the need of innovative (spices) farming practices and production technology, ensuring that the relevant institutional arrangements and provisions are in place to address those needs.

Recommendation 5:

According to the Inclusive Insurance and Risk Financing Diagnostic Report for United Republic of Tanzania, in Zanzibar there is a demand for agricultural insurance, to encourage investing in organic farms and/or green houses for vanilla by big-to-small-sized investors and/or farmers, Revolutionary Government of Zanzibar could set up policies and incentives for the agricultural insurance companies. The Diagnostic Report also puts forward that there is a need for significant subsidizing for the sector to be affordable for low-income earners.^{xvii}

5.2 Sustainable Aquaculture Production

Draft Business Model: Set up and operate sustainable aquaculture farms, in onshore and offshore areas, for the cultivation of high-value species such as espinosiam and cottoni seaweed as well as sea cucumber and mud-crab.



Development Need

- Seaweed farming, a significant business that supports the livelihoods and employment of coastal communities, particularly women (80% of seaweed production is undertaken by women), is the dominant kind of aquaculture production in Zanzibar, however the sector faces challenges due to the climate change which results in diseases in seaweeds hence decreasing the productivity and jeopardizing the livelihoods of communities. About 500 farmers work in the new aquaculture industry, which produces sea cucumbers and mud crabs. There is an increasing demand for sea cucumber and mud crab especially from East Asia for sea cucumber because the sea cucumbers are diminishing in that region due to pollution^{xviii}. To tap into this potential and help local communities reap the sustainable economic benefits of aquaculture mote, there is a need for improving the agricultural skills and resources of local people to begin sea cucumber and mud crab cultivation.

Emerging Private Sector and Market Potential

- “Food and live animals”, which includes seaweeds and other sea products, contributed 90% of the total exports in 2021. 12,611.10 tons of seaweed was exported, which accounts for more than 20% of all cash crop exports and more than 15% of all Zanzibar exports in terms of value. 90% of seaweed is grown on Pemba island, and around 80% of seaweed growers are women.
- Sea Cucumber is being practiced in Fukuchani village by a small group since 2012 but it has an unregulated trade in Zanzibar.
- A marine hatchery is established by government in 2018 which was funded by the Korea International Cooperation Agency (KOICA), RGoZ and the Food and Agriculture Organization of the United Nations (FAO), aiming at producing fingerlings of milkfish, sea cucumber and mud crabs.

Policy Based Challenges

- Although aquaculture production is prioritized by the government in the Blue Economy Policy published in 2021 by the Ministry of Blue Economy and Fisheries, the necessary regulations have not yet been introduced for the production and trading of the aquaculture products.
- Feasibility studies are needed for high-value species in Zanzibar to identify target markets as well as the specific gaps in the production and export processes.
- Government intervention is necessary to establish institutions that will train farmers and local communities, particularly women, on how to cultivate sustainable aquaculture and specific high-value species.

Policy Recommendations:

Recommendation 1:

Develop a specific aquaculture policy through adoption of new legislation, executive decrees or state programs, that sets a regulatory framework to establish the aquaculture product supply chain in general and defines a list of prioritized aquaculture species and a scheme to access high-quality feeds for farmers, and ways of improving post-harvest monitoring system to address losses along the value chain in particular.

Recommendation 2:

Facilitate private sector engagement within the ongoing projects developed and implemented by the Ministry of Blue Economy and Fisheries for “Commercial Sea Cucumber Farming” and “Strengthening Seaweeds Farming” which aim to establish a commercialized sea cucumber market through a new sea cucumber farm in Zanzibar and to increase production quality, quantity and price of seaweed in the Unguja and Pemba islands, respectively^{xx}. Engagement of private sector should be considered and integrated into projects from the very concept phase.

Recommendation 3:

Establishing the enabling environment at local government level for proper deployment of blended finance to help Zanzibar businesses in aquaculture sector, especially for small- and medium-sized enterprises, increasing access to financing and improving their adaptation to sustainable production techniques, ability

to purchase new equipment and cover their operational costs and capital expenditure. Ministry of Blue Economy and Fisheries already has an ongoing project, Development of Fisheries and Aquaculture Sector, which targets seaweed value addition through establishing a value chain through public-private partnership to purchase necessary equipment, construct cold storage facilities as well as an aquaculture firm^{xxi}. The partnerships arising with this project can lead the way for exploring blended finance options pooling in public and private capital at the local government level.

Recommendation 4:

Improve existing TVET policy to include curriculum offers that address the skills needed in the labour market such as the need of innovative (spices) farming practices and production technology, ensuring that the relevant institutional arrangements and provisions are in place to address those needs.

Recommendation 5:

According to the Inclusive Insurance and Risk Financing Diagnostic Report for United Republic of Tanzania, in Zanzibar there is a demand for agricultural insurance, to encourage investing in organic farms and/or green houses for vanilla by big-to-small-sized investors and/or farmers, Revolutionary Government of Zanzibar could set up policies and incentives for the agricultural insurance companies. The Diagnostic Report also puts forward that there is a need for significant subsidizing for the sector to be affordable for low-income earners.^{xvii}

5.3 Wind Energy Generation

Draft Business Model: : Install and operate indigenous large-scale wind power plants, connected to Zanzibar Electricity Cooperation grid, for domestic and commercial use. The wind power station is operated on a basis of capacity maintenance agreement (CMA) or conventional Operation & Maintenance (O&M) agreement, or an outsourcing service contract between Zanzibar Electricity Corporation (ZECO) and private sector entity.



Development Need

- Zanzibar imports electricity, fossil fuels, and utilize native fuel-wood to meet its energy needs . The islands import electricity from Tanzania's mainland, but Zanzibar needs alternate sources, such as renewable energy, due to unreliable energy supply and difficulties with electricity generation, transmission issues, high costs, and frequent outages.^{xxiii}
- Unreliable and inadequate energy supply, which is import-dependent, results in in homogeneous distribution of electricity and lack of electricity access of people especially living in rural areas. Renewable Energy emerges as a clean alternative to respond to these challenges, however, initial investment prices, technical capacity and the infrastructural requirements appear to be the key obstacles to the utility scale adoption of RE technology^{xxiv}.

Emerging Private Sector and Market Potential

- The electricity consumption in Zanzibar has increased by 59.3% from 2013 (246,962,000kWh) to 2020 (393,512,000kWh) .
- According to an existing feasibility study, there is a solid strength of wind energy, 6.35 m/s speed, in Zanzibar. Feasibility study was based on 5 onshore sites with 40 mw potential on the current ZECO grid infrastructure: Makunduchi, Bambi and Maremwe in Unguja & Micheweni and Muwambe in Pemba. However, it is suggested that further studies are needed to confirm the availability of wind resource in Zanzibar .
- The ZECO is actively collaborating with the Ministry of Land, Housing, Water, and Energy to evaluate the potential economic models for the development and delivery of renewable energy.
- Additionally, ZIPA has been promoting wind energy generation in Zanzibar through catalyzing private investments to the research and development and installation and operation of the wind power plants .

Policy Based Challenges

- National policy environment promotes clean energy transformation through Vision 2050, Blue Economy Policy and the ZECO Reform while the transformation process mainly stays at the assessment stage because of insufficient technical capacity, financial support and investments. Although the first steps toward energy transformation have been taken, the need for regulation that specifically targets renewable energy generation in Zanzibar remains. Furthermore, wind power needs to be separately distinguished and prioritized from other sources of renewable energy in the existing policy.
- ZECO is working in partnership with Zanzibar Utilities Regulation Agency (ZURA) to create a regulatory framework that would promote the most effective generation of renewable energy – and first studies suggest that wind power generation is cheaper compared to solar energy – while also fostering an environment that is favourable for international investors^{xxviii}. Currently, the development of the sectoral environment is focused on the pilot level.

Policy Recommendations:

Recommendation 1:

Develop a specific regulatory framework for the renewable energy sector, covering solar and wind predominantly, that addresses current challenges and gaps in the industry such as tariffs, local energy infrastructure, improving capacity building and promoting research and development.

Recommendation 2:

Facilitate the creation of energy infrastructure to connect more households to the local grid by exploring different public-private partnership

(PPP) modalities like Build-Operate-Transfer (BOTs) and Design-Build-Operate (DBOs). Explore cooperation and partnerships with international players in the wind energy field and enable technology and know-how transfer through establishment of joint ventures or other partnership structures.

Recommendation 3:

Conduct further research on the wind energy capacity of the archipelago as suggested by the already conducted feasibility studies, while testing the wind strength of the available locations under the Free Economic Zones.^{xxix}

5.4 Affordable Eco-Friendly Housing

Draft Business Model: Construction of affordable and eco-friendly housing for different income groups through a lease- or rent-to-own model. The housing units could be constructed through the climate-friendly and regrowing natural building material technology which enhances energy efficiency and reduces operating costs in the long term.



Development Need

- Yearly tourist inflow in Zanzibar increases the need for infrastructural development in the country burdening the already existing real estate, infrastructural networks, electricity generation and other utilities. Combined with the archipelago's high vulnerability to the impacts of climate change, the burden on the infrastructure intensifies.^{xxx}
- Zanzibar suffers major impacts from climate change, periodically affected by heavy precipitation (floods) and dry spells (droughts). Enhanced coastal erosion together with increasing water levels threatens shore infrastructure and low-lying areas of the islands.^{xxxi}
- Although the archipelago's economic potential is curbed by this inadequate physical and economic infrastructure, the demand for real estate is increasing due to Zanzibar's strategic location and the real estate sector already contributes to the GDP by 8% and offers long-term viability.^{xxxii} However sustainable real estate options are not affordable for the local population due to expensive pricing for eco-friendly real estate and the insufficiency of a self-financing approach to purchasing real estate.
- The population density for Zanzibar increased from 530 person/sq.km in 2012 to 603 person/sq.km in 2019, with a population growth rate of 2.8%^{xxxiii}. According to the latest national household survey of Zanzibar, on average 2.2 people use one room for sleeping, which indicates a dense utilization of housing by the population and the need for additional housing in the archipelago.

Emerging Private Sector and Market Potential

- In Zanzibar there are eco-friendly housing options such as Fumba Uptown Living. According to Fumba Town Master Plan by Zanzibar Investment and Promotion Authority (ZIPA), the complex was planned to target the middle class, however additional infrastructure costs have pushed prices up and made the real estate inaccessible to the locals. Building in a free economic zone, which enables foreigners to acquire homes on a 99-year lease, guaranteed by the local investment authority, benefits real estate investors while excluding the local community.^{xxxiv}
- Fumba Free Economic Zone is one of five Free Economic Zones in the country with more favorable economic regulations and real estate investment opportunities. There are currently two real estate developers (Fumba Town Zanzibar and Fumba Uptown Living).

Policy Based Challenges

- Favourable incentives are available for the real estate sector which benefits foreign investors; however policy environment lacks incentives or subsidies to enable local populations access to housing opportunities such as mortgage financing and insurance schemes to mitigate the risks associated with housing financing.

Policy Recommendations:

Recommendation 1:

Adopting new innovative financing mechanisms for affordable houses, particularly, collaborative models such as pooling and recycling surpluses and linked revolving funds that could operate alongside subsidy mechanisms encouraging lower-cost and less-per-unit subsidy through competition.

Recommendation 2:

Revolutionary Government of Zanzibar's Residential Housing Project on construction of housing estates for low-income people in Zanzibar could be leveraged to promote affordable credit mechanism by engaging finance providers, banks and agreeing on a mechanism where the payment plan is designed in a way that homeowners cover the cost through installments in a similar fashion to rental payments

5.5 Cargo, Storage and Warehousing Facilities in Magharabi District

Draft Business Model: Develop and maintain handling equipment, storage and light manufacturing facilities at the Maruhubi Free Port Zone and Fumba Zone, through public-private partnership agreements with the main port operators including packaging, warehousing and international and handling of national gateway containers.



Development Need

- Malindi Port is the main entry point handling International Trade for the Islands of Zanzibar. Around 95% of Zanzibar's imports and export passes through this Port which results in overcrowding of the port and capacity overflow.
- Container congestion, caused by capacity overflow, impede trade and supply chain and incur significant costs to merchants, leading to price inflation^{xxxvii} and/or shortages of key goods, so important for an island with high food import dependence.

Emerging Private Sector and Market Potential

- Although the expanding containerization trend causes a drop in overall cargo traffic, container traffic in Malindi Port continues to grow at an average rate between 20% and 25% annually for the last 6 years.
- In 2021, Zanzibar seaports handled 1,111,936 tons of traffic and the number of containers handled in seaports increased from 68,707 to 70,461 TEUs compared to 2020 .^{xxxviii}

Policy Based Challenges

- The port services in Zanzibar are administered by public authorities which limits the exposure to full commercial competitive pressures that could otherwise improve efficiency and cargo security. Hence, there is a need for privatization for engaging private sector investors in the expansion and development of new services.

Policy Recommendations:

Recommendation 1:

Develop the privatization strategy to the port facilities, construction and operation, in line with development agenda of Zanzibar, to respond to the increasing marine traffic of the archipelago. To speed up the transformation, the privatization process can be boosted by private-public partnership agreements and blended finance options for private sector. The Government, based on the requirements of the particular project, can develop an integrated work stream under a co-funded development project. For example, the Development of Malindi Fish Landing and Market Facilities project in Magharabi, in collaboration with Japan International Cooperation Agency (JICA), targets rehabilitation of processing and fish landing facilities at the region. Privatization of these facilities could be positioned as one of the integral parts of the implementation and/or follow-up phase

Recommendation 2:

Revolutionary Government of Zanzibar plans to implement a 50 million USD worth project on construction of a multipurpose abattoir in Kasa Saka region (in Magharibi). Private-public partnership-based business opportunities can be promoted for cold storage facilities in line with this project, which could be further incentivized by available free zones (Maruhubi Free Port Zone and Fumba Zone) near the target region.^{xi}

5.6 Way Forward

- The legislative and regulatory insights from the Zanzibar SDG Investor Map, along with the identified public stakeholders, may be utilized to address the White Spaces and the responding policy recommendations, while encouraging private sector engagement. For instance, a comprehensive integration of Zanzibar Private Sector Development Policy with identified sectoral policy and regulatory documents can lead to developing a focused private sector strategy to support the idea of a market-driven economy. This will result in improving the coordination of policies and initiatives aimed at expanding and developing business enterprises and facilitating performance management and measurement of national initiatives to increase the competitiveness of the private sector. Through focused policy conversations with the Government, White Spaces and IOAs, the described market, and policy and regulatory momentum may also be further investigated.
- Following the SDG Investor Map launch, businesses and investors can come together around priority sectors, or individual IOAs and may consider formulation of concrete investment relations around business models, by increasing awareness of the SDG investment opportunities and showcasing market intelligence. This convenings could be also utilized with another lever for comprehensive policy dialogues around the White Spaces, working groups and round table sessions for specific policy areas, especially building on the existing market momentum.
- The Revolutionary Government of Zanzibar can establish working groups under relevant Ministries and Departments, in collaboration with business associations and key private sector actors, for the identified policy gaps and challenges to construct practical frameworks to respond them in line with the existing policies and priorities of the Government and the current market structure.

6. Conclusion and Next Steps

The SDG Investor Map presents 8 Investment Opportunity Areas (IOAs) that can direct private capital towards achieving sustainable and inclusive economic growth for Zanzibar. In addition, 5 emerging IOAs have been identified with potential to attract private sector investment once market and policy challenges are addressed. These have been developed through an extensive literature review and stakeholder consultation process. The Zanzibar Investment promotion Agency (ZIPA) was the Lead Government Institution in coordinating and championing the process. The objectives of the consultations were to confirm findings and provide additional data and information. Stakeholder interviews took place throughout the mapping process to validate and complement the findings.

A total of 42 themes emerged consistently across multiple documents reviewed. These essentially represented the areas where SDG needs and national policy priorities overlapped. This resulted into a short list of four (4) sectors: Services, Agriculture, Renewable & Alternative Energy and Infrastructure. The identified sectors were further subjected to a deeper analysis to derive a shortlist of sub-sectors to be accorded high priority. The emerging sub-sectors in brackets are (i) Food & beverage (agricultural products, and processed foods) (ii) Infrastructure (waste management); (iii) Services (hospitality & recreation); (iii) Renewable and alternative energy (technology).

The identification of priority sub-sectors was followed by “deep-dive” analysis of solutions and investable and scalable business models that could address the identified needs. These were shared with stakeholders for validation as well as filling data gaps in the already identified IOAs.

The information and findings derived from the SDG Investor Map process will be operationalized under four (4) thematic areas summarized

below.

1. Originate a project pipeline for SDG investment: engage on and deepen investment opportunities for private sector uptake, identify enterprises to deliver on investment opportunities and support their investment readiness, and develop portfolios in partnership with financiers and intermediaries.
2. Access public and private capital for SDG investment: facilitate networking with capital providers, and develop innovative financing instruments and modalities.
3. Support enabling policy environment for SDG investment: address policy opportunities, deliver evidence for policy reforms, and provide solutions for effectively resourced sustainable development priorities.
4. Ensure impact integrity of SDG investment: support enterprises and investor towards the alignment of business operations with SDGs, disclosure of impact and delivery of SDG reporting, and impact measurement and management learning opportunities.

The full market intelligence of the Zanzibar SDG Investor Map is available on the global SDG Investor Platform, which will increase global investor outreach. The information in the SDG Investor Map will continuously be updated. UNDP will host annual Public Private Dialogue Forums with the view to: (i) review progress on the investment opportunity areas and stimulate further action; and (ii) facilitate exchange of best practices, and policy development for the replication and implementation of successful business models and innovative financing mechanisms. Through this report, industry experts, government partners, investors, and concerned citizens are all invited to continue the discussion and engagement on sustainable investment opportunities.

7. References

Situational analysis and methodology

1. UNDP/URT: Development Finance Assessment – Zanzibar, September 2022
2. International Monetary Fund, 2022. Regional Economic Outlook for Sub-Saharan Africa.
3. <https://www.thecitizen.co.tz/>

Services-Tourism

1. World Bank. 2022. Tanzania Economic Update: Empowering Women - Expanding Access to Assets and Economic Opportunities.
2. World Bank. 2019. Zanzibar Tourism Integrated Strategic Action Plan.
3. Zanzibar Planning Commission. 2020. Zanzibar Development Vision 2050.
4. UN Women. 2021. Zanzibar's Gender Indicators.
5. UNECA Sub Regional office for Eastern Africa (SROA-EA). 2022. Zanzibar tourism satellite account : estimating the contribution of tourism to the economy of Zanzibar.
6. Zanzibar Tourism Strategic Plan. 2015. Zanzibar Commission for Tourism.
7. Zanzibar Commission for Tourism. Zanzibar Tourism Policy.
8. Zanzibar Investment Promotion Agency. 2022. Zanzibar Investment Guide with Sectoral Profiles.
9. The Revolutionary Government of Zanzibar. 2020. Blue Economy Policy
10. Office of the Chief Government Statistician. 2022. Zanzibar Statistical Abstract, 2021
11. Inversor. 2022. <https://www.inversor.org.co/en/portafolio-2/waya-guajira/>
12. Revolutionary Government of Zanzibar, 2020. Feasibility Study for Bundle of PPP projects
13. Revolutionary Government of Zanzibar (RGZ), 2019. Tourism Integrated Strategic Action Plan (TISAP)
14. Office of the Chief Government Statistician. 2022. Zanzibar Statistical Abstract, 2021
15. CRM Land Consult Limited. 2019. Micheweni Free Economic Zone Master Plan 2019-2039, Interim Report.
16. Revolutionary Government of Zanzibar. 2009. Zanzibar Tourism Act.
17. Revolutionary Government of Zanzibar. 1995. Hotel Levy Act.
18. Revolutionary Government of Zanzibar. 1996. Environmental Management for Sustainable Development Act.
19. Future Market Insights. 2022. Halal Tourism Market Snapshot (2022-2032).
20. COMCEC. 2017. Muslim Friendly Tourism: Regulating Accommodation Establishments In the OIC Member Countries.
21. COMCEC. 2016. Muslim Friendly Tourism: Understanding the Demand and Supply Sides In the OIC Member Countries
22. UNDP. 2022. Fact sheet: Integrated Tourism in Zanzibar 2022.

Agriculture

1. Office of the Chief Government Statistician. 2022. Zanzibar Statistical Abstract, 2021
2. Zanzibar Investment Promotion Authority. 2020. Zanzibar
3. Zanzibar Planning Commission. 2020. Zanzibar Development Vision 2050.
4. Ministry of Finance and Planning Tanzania. 2021. Tanzania National Five Year Development Plan.
5. Tanzania Ministry of Agriculture. 2017. Tanzania Agricultural Sector Development Strategy Phase II.
6. Zanzibar Investment Promotion Agency. 2022. Zanzibar Investment Guide with Sectoral Profiles.
7. Office of the Chief Government Statistician Ministry of Finance and Planning Zanzibar. 2020. 2019/20 Household Budget Survey
8. Revolutionary Government of Zanzibar. 2007. Zanzibar Strategy for Growth and Poverty Reduction.
9. Zanzibar Agricultural Transformation for Sustainable Development, 2010-2020. 2009
10. Revolutionary Government of Zanzibar. 2008. Zanzibar Food Security and Nutrition Policy.
11. Ministry of Trade and Industrial Development. 2020. MSME Policy.
12. World Bank. 2022. Tanzania Economic Update: Empowering Women - Expanding Access to Assets and Economic Opportunities.
13. Ministry of Agriculture and Natural Resources. 2021. Assessment of Post-Harvest Losses of Major Food Crops and Fish in Zanzibar.
14. World Bank. 2022. Food Systems Resilience Program for Eastern and Southern Africa.
15. RGoZ and Ecoland and Herbs and Spices GmbH, 2018. Feasibility Study for Industrial Spice Processing centre in Zanzibar
16. United Nations. 2022. Sustainable Development Report 2022.
17. United Republic of Tanzania. 2019. Voluntary National Review (VNR) 2019.
18. Zanzibar Planning Commission. 2020. Annual Sustainable Development Goals (SDGs) Implementation Report, 2019/2020 Zanzibar
19. Revolutionary Government of Zanzibar. 2013. Zanzibar Agricultural Marketing Policy and Implementation Strategy
20. Revolutionary Government of Zanzibar. Zanzibar Plant Protection Act 1997.
21. Revolutionary Government of Zanzibar. Zanzibar Food Security and Nutrition Act.
22. Revolutionary Government of Zanzibar. 2013. Zanzibar Trading Act.
23. Revolutionary Government of Zanzibar. 2015. Public Private Partnership Act.
24. FAO, 2021. Financing fisheries in Africa, Case studies from the United Republic of Tanzania and Zambia
25. Ministry of Blue Economy and Fisheries, 2021. Intervention Plan for Zanzibar Fisheries Sector
26. The Revolutionary Government of Zanzibar. 2022. Zanzibar Blue Economy Policy.
27. Revolutionary Government of Zanzibar. 2010. The Zanzibar Fisheries Act.
28. Foreign, Commonwealth & Development Office, of the United Kingdom, 2019. Tanzania Market Snapshot, Horticulture Value Chains and Potential for Solar Pump Technology
29. CRM Land Consult Limited. 2019. Micheweni Free Economic Zone Master Plan 2019-2039, Renewable and Alternative Energy
30. RGoZ. 2003. Agriculture Sector Policy.
31. RGoZ. 2018. Zanzibar Agriculture Sector Development Program (ZASDP)
32. Infrastructure
33. RGoZ, Global Climate Adaptation Partnership. 2012. Technical Report on Assessing the Benefits of a Lower Carbon Development Pathway for Zanzibar
34. United Nations. 2022. Sustainable Development Report 2022.
35. USAID, 2020. Case Study Growth of Tanzania's Horticulture Sector: Role of TAHA in Reducing Food Loss
36. SmartSolar Tanzania. 2022
37. Revolutionary Government of Zanzibar. Zanzibar Food Security and Nutrition Act.
38. Revolutionary Government of Zanzibar. 2006. Zanzibar Water Act.

Renewable and Alternative Energy

1. Zanzibar Planning Commission. 2020. Zanzibar Development Vision 2050.
2. Zanzibar Energy Sector Transformation Project.
3. Ministry of Water and Energy. Zanzibar Renewable Energy and Energy-Efficiency Programme.
4. Ministry of Water and Energy. Zanzibar Renewable Energy and Energy-Efficiency Programme.
5. World Bank. 2019. Project Information Document (PID).
6. Ministry of Water, Construction, Energy and Lands of Zanzibar. 2009. Zanzibar Energy Policy.
7. Ministry of Water and Energy, Department of Energy and Minerals. 2021. Energy Sector
8. Zanzibar Electricity Cooperation (ZECO). 2018. Electrification of Kokota Islet, Zanzibar
9. Zanzibar Electricity Cooperation (ZECO), 2018. Electrification of Njau Islet, Zanzibar
10. Mathew Matimbwi et al, 2020. Tanzania Energy Situation.
11. Ministry of Water, Construction, Energy and Lands. 2009. Zanzibar Energy Policy.
12. Intec, Suntrace. 2019. Preliminary Feasibility Studies for Wind Parks, Solar Farms and Solar Home Systems
13. Climate Investment Fund. 2021. DPSP III: Zanzibar Energy Sector Transformation Project (ZEST).
14. Office of the Chief Government Statistician Ministry of Finance and Planning Zanzibar. 2020. 2019/20 Household Budget Survey
15. RGoZ, Global Climate Adaptation Partnership. 2012. Technical Report on Assessing the Benefits of a Lower Carbon Development Pathway for Zanzibar.
16. Zanzibar Planning Commission. 2020. Annual Sustainable Development Goals (SDGs) Implementation Report, 2019/2020 Zanzibar
17. ZURA Strategic Plan 2017-2020
18. Revolutionary Government of Zanzibar. 2013. Zanzibar Utilities Regulatory Authority Act.
19. Revolutionary Government of Zanzibar. 2006. Zanzibar Trade Policy.
20. ZECO Master Plan.
21. Zanzibar Planning Commission. 2021. Zanzibar Development Plan.

Infrastructure

1. African Development Bank. 2021. Gender Responsive Climate Resilient Solutions in Africa.
2. Ministry Of Trade and Industrial Development Zanzibar. 2020. Private Sector Development Policy.
3. Zanzibar Investment Promotion Agency. 2022. Zanzibar Investment Guide.
4. World Bank. 2019. Zanzibar Tourism Integrated Strategic Action Plan.
5. Zanzibar Planning Commission. 2020. Zanzibar Blue Economy Policy.
6. World Bank. 2019. Zanzibar Tourism Integrated Strategic Action Plan.
7. Revolutionary Government of Zanzibar. Vision 2020.
8. International Journal of Current Research, 2014. Municipal solid waste management of Zanzibar: Current practice, the challenges and the future
9. RGZ, 2018. Solid Waste Management Strategy for the Zanzibar Archipelago
10. Sokoine University of Agriculture, 2016. Economic Analysis of Solid Waste Management Options in Morogoro Municipality, Tanzania
11. UNEP. 2021. From Pollution to Solution: A global assessment of marine litter and plastic pollution.
12. International Journal of Current Research, 2014. Municipal solid waste management of Zanzibar: Current practice, the challenges and the future
13. Awattif Aboud et al, 2016. Challenges and Problems of Solid Waste Management in Three Main Markets in Zanzibar
14. Kajsa Stina, 2012. Assessment of the Waste Management System on Zanzibar
15. Zanzibar Planning Commission. 2020. Annual Sustainable Development Goals (SDGs) Implementation Report, 2019/2020 Zanzibar

16. World Bank. 2022. Boosting Inclusive Growth for Zanzibar: Integrated Development Project.
17. Revolutionary Government of Zanzibar. 2000. Zanzibar Water Policy
18. Revolutionary Government of Zanzibar. 2011. Zanzibar Health Policy
19. Revolutionary Government of Zanzibar. 2007. Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP-III).
20. Revolutionary Government of Zanzibar. 2019. Urban Municipal Council Solid Waste Management Regulations.
21. Revolutionary Government of Zanzibar. 2015. Public Private Partnership Act.
22. Zanzibar Planning Commission. 2021. Zanzibar Development Plan.
 - i. Ministry of Blue Economy and Fisheries, 2021. Intervention Plan for Zanzibar Fisheries Sector
 - ii. ZIPA. 2022. Blue Economy. <https://www.zipa.go.tz/sectors/blue-economy/>
 - iii. ZIPA. 2022. Islets. <https://www.zipa.go.tz/islets/>
 - iv. Office of the Chief Government Statistician. 2022. Zanzibar Statistical Abstract, 2021
 - v. Zanzibar Investment Promotion Authority. 2020. Zanzibar Investment Guide. <http://www.zipa.go.tz/pdf/guide2020.pdf>
 - vi. Ministry of Finance and Planning Tanzania. 2021. Tanzania National Five Year Development Plan. <https://www.effectivecooperation.org/system/files/2022-02/FYDP%20III%20English.pdf>
 - vii. Revolutionary Government of Zanzibar. 2008. Zanzibar Food Security and Nutrition Policy.
 - viii. UNDP Stakeholder Consultations
 - ix. Ibid.
 - x. Ibid.
 - xi. Makoye, K. (2021). Tanzania farmers choose vanilla over coffee for profit. [http:// www.aa.com.tr](http://www.aa.com.tr).
 - xii. Ibid.
 - xiii. UNDP Stakeholder Consultations
 - xiv. Ibid/
 - xv. CRM Land Consult Limited. 2019. Micheweni Free Economic Zone Master Plan 2019-2039, Interim Report.
 - xvi. Zanzibar Agricultural Transformation for Sustainable Development, 2010-2020. 2009.
 - xvii. <https://www.gafspfund.org/sites/default/files/inline-files/ATI.pdf>
 - xviii. The Revolutionary Government of Zanzibar. 2022. Zanzibar Investment Guide with Sector Profile.
 - xix. UNDP. 2022. Inclusive Insurance and Risk Financing Diagnostic Report for United Republic of Tanzania.
 - xx. FAO. 2020. How Sea Cucumbers Are Boosting Bio Economy in Zanzibar. <https://www.un.org/africarenewal/news/how-sea-cucumbers-are-boosting-bioeconomy-zanzibar>
 - xxi. Office of the Chief Government Statistician. 2022. External Merchandise Trade Statistics Annual Report 2021.
 - xxii. The Revolutionary Government of Zanzibar. 2022. Zanzibar Investment Guide with Sector Profile.
 - xxiii. Ibid.

- xxiv. Zanzibar Planning Commission. 2020. Zanzibar Development Vision 2050. <http://planningznz.go.tz/doc/new/ZDV2050.pdf>
- xxv. Ministry of Water and Energy. Zanzibar Renewable Energy and Energy-Efficiency Programme. <https://www.zanzibar-energy.com/about-doem/programs/3.-zanzibar-renewable-energies-and-energy-efficiency-programme/>
- xxvi. The Revolutionary Government of Zanzibar, 2022. Blue Economy Policy.
- xxvii. Office of the Chief Government Statistician. 2022. Zanzibar Statistical Abstract, 2021
- xxviii. Intec, Suntrace. 2019. Preliminary Feasibility Studies for Wind Parks, Solar Farms and Solar Home Systems
- xxix. ZIPA. 2022. Blue Economy. <https://www.zipa.go.tz/sectors/blue-economy/>
- xxx. ZECO. 2018. The Reform of Zanzibar Electricity Corporation
- xxxi. Intec, Suntrace. 2019. Preliminary Feasibility Studies for Wind Parks, Solar Farms and Solar Home Systems.
- xxxii. African Development Bank. 2021. Gender Responsive Climate Resilient Solutions in Africa. <https://www.afdb.org/en/documents/gender-responsive-climate-resilient-solutions-africa>
- xxxiii. Revolutionary Government of Zanzibar. 2013. Zanzibar Climate Change Strategy.
- xxxiv. Ministry Of Trade and Industrial Development Zanzibar. 2020. Private Sector Development Policy.
- xxxv. Office of the Chief Government Statistician. 2022. Zanzibar Statistical Abstract, 2021
- xxxvi. ZIPA. 2022. Fumba Master Plan Report.
- xxxvii. Ibid.
- xxxviii. The Revolutionary Government of Zanzibar. 2022. Zanzibar Investment Guide with Sector Profile.
- xxxix. Zanzibar Ports Corporation. 2022. Malindi Port. https://www.zpc.go.tz/malindi_port.html
- xl. Ibid.
- xli. The Revolutionary Government of Zanzibar. 2022. Zanzibar Investment Guide with Sector Profile.
- xlii. Ibid.

Contact us

Zanzibar Investment Promotion Authority (ZIPA).

Malawi Road, Maruhubi Complex,

P. O. Box 2286,

Zanzibar, Tanzania

+255 (024) 223 3026

+255 (024) 223 7353

info@zipa.go.tz

