



**THE REVOLUTIONARY GOVERNMENT OF  
ZANZIBAR**

**MINISTRY OF TRADE AND INDUSTRY**

**ZANZIBAR PRIVATE SECTOR DEVELOPMENT  
POLICY**

**2020**



## TABLE OF CONTENTS

TABLE OF CONTENTS .....	i
LIST OF ABBREVIATIONS AND ACRONYMS.....	v
FOREWORD .....	vii
PREFACE .....	x
EXECUTIVE SUMMARY.....	xii
DEFINITION OF KEY TERMS .....	xiv
CHAPTER ONE: .....	1
INTRODUCTION .....	1
1.1 BACKGROUND – OVERVIEW OF PRIVATE SECTOR DEVELOPMENT IN ZANZIBAR .....	1
1.2 NATURE OF THE ZANZIBAR PRIVATE SECTOR.....	1
<b>CHAPTER TWO .....</b>	<b>4</b>
<b>SITUATION ANALYSIS.....</b>	<b>4</b>
2.1 ECONOMIC SITUATION .....	4
2.2 INSTITUTIONAL AND LEGAL FRAMEWORK.....	5
2.3 TYPES AND PERFORMANCE OF PRIVATE SECTOR OPERATING IN ZANZIBAR.....	6
2.4 PRIVATE SECTOR FINANCING AND PPP .....	7
2.5 ENABLING PHYSICAL AND ECONOMIC INFRASTRUCTURE .....	8
2.6 SKILLS DEVELOPMENT .....	8
2.7 QUALITY BUSINESS SERVICES .....	9
2.8 ACCESS TO MARKET.....	10
2.9 MICRO, SMALL AND MEDIUM ENTERPRISES SUPPORT .....	10

2.10 CROSS-CUTTING ISSUES RELATED TO PRIVATE SECTOR DEVELOPMENT.....	11
<b>CHAPTER THREE.....</b>	<b>12</b>
<b>LINKAGE TO NATIONAL POLICIES FRAMEWORKS ...</b>	<b>12</b>
3.1 VISION 2020 .....	12
3.2 MKUZA III .....	12
3.3 STRATEGY FOR SUSTAINABLE SOCIAL AND ECONOMIC TRANSFORMATION (2015-2020).....	13
3.4 ZANZIBAR TOURISM POLICY 2017 .....	13
3.5 INDUSTRIAL POLICY 2019 .....	14
3.6 ZANZIBAR AGRICULTURAL SECTOR POLICY 2002.....	14
3.7 EDUCATION POLICY 2006 .....	14
3.8 ZANZIBAR VOCATIONAL EDUCATION AND TRAINING POLICY 2005 .....	15
3.9 ZANZIBAR AGRICULTURAL MARKETING POLICY 2013.....	15
3.10 ZANZIBAR TRADE POLICY 2006.....	15
3.11 SME’S POLICY 2006.....	15
3.12 ZANZIBAR INVESTMENT POLICY 2005.....	16
3.13 ENVIRONMENT POLICY 2014 .....	17
3.14 ZANZIBAR PUBLIC PRIVATE PARTNERSHIP POLICY 2014 .....	17
<b>CHAPTER FOUR.....</b>	<b>19</b>
<b>PRIVATE SECTOR DEVELOPMENT POLICY: .....</b>	<b>19</b>
4.1.1 VISION .....	19
4.1.2 MISSION .....	19
4.1.3 OBJECTIVES OF PRIVATE SECTOR DEVELOPMENT POLICY .....	19

4.1.4	GUIDING PRINCIPLES .....	20
4.2.1	POLICY ISSUE: PRIVATE SECTOR FINANCING:..	21
4.2.2	POLICY ISSUE: PUBLIC-PRIVATE PARTNERSHIP (PPP) .....	22
4.2.3	POLICY ISSUE: SUPPORTIVE REGULATORY FRAMEWORK.....	23
4.2.4	POLICY ISSUE: SUPPORTIVE TAXATION REGIME .....	23
4.2.5	POLICY ISSUE: ENABLING PHYSICAL AND ECONOMIC INFRASTRUCTURE.....	24
4.2.6	POLICY ISSUE: SKILLS DEVELOPMENT .....	25
4.2.7	POLICY ISSUE: QUALITY BUSINESS SERVICES .....	25
4.2.8	POLICY ISSUE: ACCESS TO MARKET .....	26
4.2.9	POLICY ISSUE: BUSINESS FORMALIZATION....	27
4.2.10	POLICY ISSUE: CROSS-CUTTING ISSUES RELATED TO PRIVATE SECTOR DEVELOPMENT .....	28
<b>CHAPTER FIVE: .....</b>		<b>29</b>
<b>LEGAL AND REGULATORY FRAMEWORK.....</b>		<b>29</b>
5.1	LEGAL FRAMEWORK.....	29
5.2	INSTITUTIONAL FRAMEWORK .....	31
5.3	ROLES AND FUNCTIONS OF KEY STAKEHOLDERS.....	32
5.3.1	CENTRAL GOVERNMENT .....	32
5.3.2	LOCAL GOVERNMENT AUTHORITIES .....	33
5.3.3	PRIVATE SECTOR .....	33
5.3.4	DEVELOPMENT PARTNERS .....	33
5.3.5	NON STATE ACTORS.....	34
5.3.6	ZANZIBAR DIASPORA.....	34
5.3.7	INDIVIDUALS.....	35

<b>CHAPTER SIX:</b> .....	<b>36</b>
<b>MONITORING AND EVALUATION</b> .....	<b>36</b>
6.1 POLICY IMPLEMENTATION, MONITORING AND EVALUATION APPROACH .....	36
6.2 REPORTING MECHANISM .....	37
6.3 MONITORING .....	38
6.3.1 Logical Framework for Monitoring .....	38
6.4 EVALUATION .....	39
6.4.2 EVALUATION CRITERIA AND GUIDANCE .....	42

## LIST OF ABBREVIATIONS AND ACRONYMS

AfCTA	African Continental Free Trade Area
AGOA	The African Growth and Opportunity Act
AIDS	Acquired Immune Deficiency Syndrome
BDS	Business Development Service
BLRC	Zanzibar Business Licensing Regulatory Council
BOT	Build Operate Transfer
BPRA	Zanzibar Business and Property Registration Agency
CIP	Census of Industrial Production
EABC	East African Business Council
EAC	East Africa Community
EPZ	Export Processing Zone
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
IDS	Industrial Development
KPIs	Key Performance Indicators
LGAs	Local Government Authorities
M&E	Monitoring and Evaluation
MALF	Ministry of Agriculture, Livestock and Fisheries
MCCT	Ministry of Construction, Communication and Transportation
MDAs	Ministries, Departments and Agencies
MoEVT	Ministry of Education and Vocational Training
MoFP	Ministry of Finance and Planning
MoH	Ministry of Health
MLHWE	Ministry of Land, Housing, Water and Energy
MSMEs	Micro, Small and Medium Enterprises
MTI	Ministry of Trade and Industry
NBS	National Bureau of Statistics
NSAs	Non-State Actors

NTBs	Non-Tariff Barriers
OCGS	Office of Chief Government Statistician
PBFP	Property and Business Formalisation Programme (MKURABITA)
PBZ	People's Bank of Zanzibar
PPD	Public-Private Dialogue
PPP	Public Private Partnership
R&D	Research and Development
SADC	Southern African Development Community
SEZ	Special Economic Zone
SMEs	Small and Medium Enterprises
SMIDA	Small and Medium Industrial Development Agency
TAHA	Tanzania Horticultural Association
TNBC	Tanzania National Business Council
TPSF	Tanzania Private Sector Foundation
TSH	Tanzania Shilling
TTB	Tanzania Tourist Board
VET	Vocation Education and Training
VTA	Vocational Training Authority
ZANEMA	Zanzibar Employers' Association
ZATI	Zanzibar Association of Tourism Investors
ZATO	Zanzibar Association of Tour Operators
ZATOGA	Zanzibar Association of Tour Guides
ZEXA	Zanzibar Exporters' Association
ZIPA	Zanzibar Investment Promotion Authority
ZNBC	Zanzibar National Business Council
ZNCC	Zanzibar National Chamber of Commerce
ZPSDP	Zanzibar Private Sector Development Policy
ZYEAP	Zanzibar Youth Employment Action



## FOREWORD

The thrust of Zanzibar Development Vision 2020 is the eradication of absolute poverty and the attainment of middle-income status. Ruling party manifesto stated that to reach a middle-income economy, Zanzibar should restructure its private sector as an engine for growth. The achievement of those goals requires the implementation of sound macroeconomic policies that create opportunities necessary for effective economic, social, and political engagements leading to a decent life and sustainable development. While the public sector is vital for its various roles, including setting a conducive environment for multidimensional human development, the private sector remains the growth engine for the economy. Government alone cannot do everything, but maximising on synergies with the private sector can pay substantial development dividends.

The private sector plays a crucial role in providing the market access to necessary goods and services, creating a level playing field by allowing the private sector to thrive responsibly and create decent work for women and men to foster growth and development of Zanzibar (ZSGRP III). The Revolutionary Government of Zanzibar decided to introduce this Policy and its Implementation Strategy to improve the performance of the private sector. The Policy touches various activities such as Tourism Development, Infrastructure Development, Skills Development, and Search for new Product Markets, Agricultural Development, and other relevant ones.

The objectives and critical issues in the Policy were decided after a wide range of consultations and feedback from both the public and private sector stakeholders. The main intention is to improve

private sector participation and performance in the economic and social sectors. The specific objectives of the Private Sector Development Policy are to:

- i. Promote inclusive development through active private sector role;
- ii. Create a favourable business environment for private investment, enterprise growth, and competitiveness;
- iii. Strengthen the capacity of the private sector by enhancing its competitiveness and enable it to deliver quality goods and services for both local and foreign markets;
- iv. Promote entrepreneurship to respond to socio-economic needs such as income generation, poverty reduction and creation of employment opportunities through private investments;
- v. Strengthen private-public partnership (PPP);
- vi. Promote constructive dialogue and mutually beneficial engagement within the private sector and with other stakeholders both within the country and outside;
- vii. Address cross-cutting issues critical to private sector development; and
- viii. Facilitate the targeting of interventions by the Government in support of the private sector.

The Policy clearly defines the roles of the key players, such as the Central Government, Local Government Authorities, House of Representatives, Private Sector, Non-state Actors, Diaspora,

and Development Partners, in enabling and sustaining the growth of the private sector and its activities.

I confidently expect that each stakeholder will play their roles diligently to contribute to the process of transformation of the Zanzibar private sector for the improvement of the livelihood of our people and the economy of Zanzibar.

A handwritten signature in blue ink, consisting of several overlapping loops and lines, positioned above the name of the ambassador.

**HON. AMBASSADOR AMINA SALUM ALI  
MINISTRY OF TRADE AND INDUSTRY  
ZANZIBAR.**

## **PREFACE**

---

Zanzibar Vision 2020 recognises the private sector as an engine of growth. Private Sector Development Policy of Zanzibar has come at the time when the country is under socio-economic transformation to a middle-income economy. The private sector is the expected delivery vehicle of the transformation. The Zanzibar Private Sector Development Policy intends to unlock the potentials of Zanzibar in pursuit of the national development agenda. The Policy has been prepared jointly between the Government and Private Sector; through a thorough process of consultations with stakeholders. The consultations and review process revealed that, among other issues, the Zanzibar private sector is facing challenges that need quick intervention. Some of the challenges are limited access to finance and markets, high costs of production, excessive bureaucracy, and unfriendly taxation procedures. Thus, the policy, in addition to addressing the challenges hindering full participation of the sector in the national development endeavour, sets out to unleash the full potential of the private sector.

The Private Sector Development Policy has prioritised to address key issues. First, adequate financing, through the elimination of constraints to credit and reduction of business risks, to ensure access to finance. Second, Public-Private Partnership (PPP) for concerted effort to sustain growth and development. Third, the creation of a supportive regulatory framework to ensure a facilitative regulatory environment for private sector development and vibrancy. The supportive taxation regime is also addressed, with a focus on reforms leading to affordable tax rates through sharing the tax burden across the population. Additionally, the Policy emphasises on the establishment

of enabling physical and economic infrastructure and skills development in all professions; Diaspora engagement and improving the quality of business services; Formalisation of informal property and businesses to accelerate socio-economic development through promoting inclusive and sustained growth in Zanzibar.

The policy is prepared together with its implementation strategy, which guides its operationalisation to deliver the intended results. Therefore, the Revolutionary Government of Zanzibar urges all stakeholders to read and use this policy and its implementation strategy as both the private sector development guiding documents, and articulation of roles and coordination mechanisms.

## EXECUTIVE SUMMARY

---

The Zanzibar Development Vision 2020 acknowledges the existence of challenges in its envisaged transformation process. It, thus, underscores the need to empower and create opportunities for the people to eradicate absolute poverty. The eradication includes developing full potential, increasing production and household income, improving living conditions through better access to essential physical and social services, and establishing a social security system and other safety nets which protect the poor, disabled, the elderly and other vulnerable groups.

In recognition of the vital role played by the private sector in fostering growth and development of Zanzibar, the Revolutionary Government of Zanzibar, in collaboration with the private sector, formulated this Private Sector Development Policy to facilitate and deepen private sector engagement, for accelerating the socio-economic development of the Isles. The guiding vision is “a vibrant and committed private sector that plays a significant role in sustainable economic growth, poverty reduction, and human development for Zanzibar in the next decade and beyond”. On the other hand, the mission of the Policy is “to develop and manage dynamics of the private sector role and responsibilities towards middle-income economy and sustainable human development”.

Comprehensive consultations of stakeholders, both in the public and private sectors, helped in the identification of the key policy issues and interventions that form the backbone of this policy. They relate to private sector financing; public-private partnership (PPP); supportive regulatory framework; supportive taxation regime; enabling physical and economic infrastructure; skills development; quality business development services; international marketing for enhancing the competitiveness

of Zanzibar goods and services; formalisation of the informal properties and business; and cross-cutting issues. These identified policy issues have well-defined policy objectives.

Implementation of the Policy adheres to the set of fundamental principles derived from Vision 2020 and ZSGPR III that embrace the theory of change.

Implementation of the Policy (and Strategy), is supported by a legal and regulatory framework, an appropriate policy coordination system, effective monitoring, and evaluation mechanism.

This policy document is organised in six chapters: Introduction, Situation Analysis, Policy Linkages, Private Sector Development Policy Legal and Regulatory Framework; and Monitoring and Evaluation framework.

## **DEFINITION OF KEY TERMS**

---

**Business Enterprises:** Mean micro, small and medium-sized enterprises include any going concern by a group of persons, an individual or entity which trades in or produces goods or services for profit (SMIDA Act 2018).

**Business Environment:** Means external forces, factors, and institutions that are beyond the control of the business, and they influence the functioning of a business enterprise. These include customers, competitors, suppliers, Government, and social, political, legal, and technological factors.

**Enterprise Formalisation:** Means a process that firms go through when formalising their businesses. It includes registration and licensing.

**Foreign Direct Investment (FDI):** Means an investment made by a firm or individual in one country into business interests located in another country. Usually, FDI takes place when an investor establishes foreign business operations or acquires foreign business assets, including setting ownership (10 per cent or more) or controlling interest in a foreign company.

**Private Sector:** The part of the national economy made up of private enterprises with less direct state control. It includes the personal sector (households) and the corporate sector (companies).

**Public-Private Partnership (PPP):** Means the contractual agreement based on shared objectives between the Government and the private sector whereby the private sector is given the (in some cases exclusive) right and agrees to provide a public service or public infrastructure traditionally provided by the public sector



on behalf of the Government, in exchange for specific economic benefits over a specified period (PPP Policy 2014).

**Skills Development:** Means the entire process of improving workplace productivity, business competitiveness as well as the quality of life of workers, their work prospects to become skilled and capable workforce to support economic growth, and address social challenges of poverty and inequality.



# **CHAPTER ONE: INTRODUCTION**

---

## **1.1 Background – Overview of Private Sector Development in Zanzibar**

The economic transformation in the 1980s and the challenges that Zanzibar experienced during the 1970s to 1980s triggered the Isles' economic liberalisation programme. The two phenomena led to the opening up of the economy to the private sector, thus providing trade and investment opportunities. The liberalisation process led to the Government diluting its role from mainstream production and distribution of goods and services in favour of a more significant private sector role.

To strengthen the private sector role, the Government has been implementing various reforms that create an enabling environment for private sector participation in policy issues and economic development in general. These initiatives have included, among others, the placement of private sector representatives in public programmes and public institutions governing boards; engagement in law-making processes, and consultations on tax-related matters. Other measures to improve the business environment were the establishment of Zanzibar National Business Council to strengthening Public-Private Dialogue (PPD), reducing the cost of doing business by eliminating excessive bureaucracy that prevents businesses from starting-up and growing and tackling corruption.

## **1.2 Nature of the Zanzibar Private Sector**

Zanzibar depends on commercial and services sectors for economic growth. Meanwhile, the MSMEs do most of the activities in this sector. They engage in small scale businesses, manufacturing, agriculture, fishing, and business activities. These sectors,

together with the hospitality industry, contribute significantly to the GDP and poverty reduction through employment creation and direct taxes to the Government coffers.

Table 1 below summarises challenges facing the Zanzibar private sector, causes, interventions to turn these into opportunities for private sector growth.

**Table 1: Challenge Analysis and Proposed Solutions**

S/No.	Issue	Sub Issue	Lead Causes	Proposed Intervention
1	<b>Operationalisation of the Policies</b>	Policies are less communicated to the stakeholders effectively and timely	Low awareness due to inadequate dissemination of policies	Develop a communication strategy for policies Organise sensitisation programs (such as seminars, workshops, media releases) for the main stakeholders
		Inadequate monitoring and evaluation of existing Policies	Performance Indicators (KPIs) not being comprehensive	Develop M&E with clear and comprehensive KPIs
		Implementation ineffectiveness	Insufficient budget	Allocate sufficient funds for policy implementation
			Less enforcement of laws and regulations	Develop appropriate laws and regulations for enforcing the implementation of policies
			Low skills of implementers	Capacity building of implementers of policies
		Complex import/export procedures	Inadequate Export/Import policy guidelines	Develop import/export guidelines
2	<b>Incompatibility of Policies and Laws</b>	Scattered policies and laws that support private sector development	Incompatibility of policies and laws that impact private sector development	Review policies and laws that inhibit private sector development
				Harmonise policies and laws to support private sector development

**Source: ZNCC and ZNBC, 2015.**

As shown in Table 1, the proposed interventions have a high potential for supporting private sector development.

The development of a robust private sector in a country is a complex

process that depends on internal and external factors. The efficient and competitive private sector does not develop solely because of its internal capabilities such as innovative entrepreneurs, skilled managers, dedicated and well-trained workforce, and efficient administrative and operational procedures. The external factors, such as essential public infrastructure, regulatory efficiency, market-wide fundamentals, and socio-economic conditions on the ground, are equally important.

Generally, the private sector needs a conducive and enabling environment that allows firms to grow and graduate to larger and more profitable establishments over time. The elements of such an environment include favourable political and social stability, physical infrastructure, macroeconomic stability, efficient financial system, competitive markets, supportive legal and policy framework, access to resources, and support services.

### **1.3 Rationale of Private Sector Development Policy**

The private sector is a cross-cutting issue, and some several policies and strategies emphasise private sector participation in economic growth. However, there is no specific leading policy document that provides clear guidance on coordination and distribution of roles between the Government and private sector. Private Sector has many challenges that need to be addressed comprehensively through a development policy and specific strategies.

Therefore, this policy has been developed as an instrument to tackle the constraints to growth and sustainability faced by the private sector, both local and international. Having inclusive private sector policy will unleash the potential of the private sector and create the conditions necessary to thrive and create the jobs, exports, investment, and growth needed to achieve the country's ambitious targets.

## CHAPTER TWO

### SITUATION ANALYSIS

---

#### **2.1 Economic Situation**

The private sector in Zanzibar has invested significantly in the tourism industry, transportation, banking industry, agriculture and general commercial activities which have transformed the economic landscape in the Isles over the past decade. Recently, new businesses are emerging to tap on potential opportunities provided by the conducive environment created by the Government. These direct investments are owned by both local and foreign ownership, and operate with differing levels of sophistication.

GDP structure shows that services sector, which is mainly provided by the private sector, was leading with a contribution of 51.3 per cent to total GDP in 2018 followed by agriculture; forestry and fishing, which had 21.3 per cent. Industrial sector contributed 17.8 per cent of a total GDP. The observed results from comparing statistics of 2017 represent incremental improvements in the services sector, and a decline in other sectors (Zanzibar Statistical Abstract 2018).

Zanzibar recorded Gross Domestic Product (GDP) growth of 7.1 per cent in real terms in 2018 below the 7.7 per cent recorded in 2017. This decline was attributed to the decrease in clove exports from 7,077 tonnes in 2017 to 860 tonnes in 2018, although the number of tourists rises from 433,474 in 2017 to 520,809 in 2018. The boom in tourism increased the share of accommodation and food services in GDP from 14.7 per cent in 2017 to 19.5 per cent in 2018. Though these statistics are impressive, there is still more

room for improvement in private sector contribution (Zanzibar Statistical Abstract 2018).

## **2.2 Institutional and Legal Framework**

There were several initiatives taken, in this respect, towards the improvement of the private sector. They include establishment of Zanzibar Investment Promotion Authority (ZIPA) to promote private investment, Zanzibar National Business Council (ZNBC) as a platform for dialogue between the public and private sector, Business and Property Registration Agency (BPRA) for easy business registration, Business Licensing Regulatory System Council (ZBLRC) to regulate licensing regime, Small and Medium Industrial Development Agency (SMIDA) to support MSMEs development in the Isles.

These measures notwithstanding, there is a further need for revisiting some regulations to provide a more conducive and facilitative environment to the private sector. According to stakeholder opinion, regulatory hindrances pose a risk of discouraging potential private operators from starting businesses, and even higher risk of discouraging private sector operators from participating formally in economic activities. The multiplicity of regulators and a range of unsynchronised requirements are a disincentive to private sector participation.

On the side of the taxation regime in Zanzibar, paying tax is a civic responsibility by the taxpayers. However, simplicity of tax payment process is necessary for effective voluntary compliance and reduction of both time and financial cost to taxpayers. These initiatives taken include simplification of application of taxpayer registration, simplification of tax payment procedures,

introduction of e-tax payments, and strengthening of taxpayer forum. However, tax compliance is very low due to lack of awareness to taxpayers, high tax rate and multiplicity of taxes.

### **2.3 Types and Performance of Private Sector Operating in Zanzibar**

Micro dominates Zanzibar private sector, Small and Medium Enterprises (MSME's) comprising approximately 27,281 enterprises and employing almost a total of 180,851 persons and an average of 6 persons per establishment (Census of Establishment 2016). This numbers of MSME's is known officially. However, a large proportion of MSMEs operate informally. Consequently, several drawbacks arise, including the limited identity of some businesses, risk of inadequate support, and loss of government revenue. While it is crucial to support MSMEs, in their present state, it is essential to formalise their business.

Informality has the inherent risks of missing markets and mispricing of property. Similarly, it is easy for the formalised entities to borrow and use resources from financial institutions to bolster their investments as one of the benefits of economic formalisation.

MKUZA II and Zanzibar Youth Employment Action Plan (ZYEAP) acknowledge the breadth of the informal economy and underscore the need to formalise such economic activities. MKUZA III recognises Property and Business Formalisation Programme (PBF) known as (MKURABITA), reduction of registration fees for MSMEs and awareness programmes among the effort of Government formalisation process. More, though, remains to be done for the economy to be mostly formal.



## **2.4 Private Sector Financing and PPP**

Financing of private sector investments is a key in bringing about the envisaged socio-economic transformation. Financial sector is dominated by commercial banks and financial institutions which offer loans up to seven years with more than 14 per cent interest.

Private sector financing faces several challenges, including limited sources of finance, limited access to loans and high cost of borrowing that includes high-interest rates and cumbersome procedures for raising loans. Long-term financing is a critical constraint to large private sector investment due to limited sources of long-term finance domestically and inadequately tapped long-term external finance. Access to financial services is not only hindered by credit information gap but also limited financial market with few instruments and financial products available for local investors to harness. Venture capitalists are generally unavailable, and specialised sectoral windows are limited.

The analysis shows that Zanzibar has a PPP policy; the PPP concept has not yet got sufficient tract and momentum in its implementation by public and private sector. The Public sector in Zanzibar concentrates on the traditional role of supplying public goods and services (law and order, stable and predictable operating environment). In contrast, private sector undertakes private investments and businesses. In most cases, the two sectors are still operating in isolation.

One of the challenges is about accelerating knowledge and technology accumulation. Effectiveness of private sector participation depends on the knowledge and level of technology reached. While public sector may be more efficient in resources

mobilisation, the private sector may be more efficient in accumulating knowledge and managerial skills. Partnership is likely to arise where there are differences in endowments between the sectors and hence the need to maximise synergies in sharing the differentiated endowments, namely, public sector effectiveness in mobilising resources and private sector efficiency in the production of goods and services.

## **2.5 Enabling Physical and Economic Infrastructure**

Physical and economic infrastructure is essential for the development of the private sector. The Government has taken remarkable efforts to improve physical infrastructure including improvement of road network both in urban and rural areas, availability of electricity, improvement of airports facilities (runway and passenger's terminal), and improvement of water supply services.

However, feeder roads, seaports, the stability of electric power, water supply and storage facilities for agricultural products and other perishable goods are limited.

## **2.6 Skills Development**

Skills development has a dividend of availability of local capable labour, which attracts investors to establish manufacturing firms, thus leading to high return decent jobs creation. Experience shows that most Foreign Direct Investments (FDIs) flow to countries where skilled labour is available. The strategic approaches to attracting FDIs include skills, development plan and strategy. Skills development has wide dimension, from administrative to technical considerations and across all sectors that are critical in the realisation of the Zanzibar Vision 2020. Training and skills

development will also raise innovation and human resources productivity, which are necessary for the growth and development of Zanzibar.

The Government has made initiatives to develop skills by establishing training centres such as Vocational Training Authority (VTA), Zanzibar Incubation Centre (ZIC) and Technical Colleges to serve private sector activities. However, there are still some skill gaps in manufacturing and fisheries subsectors, oil and gases, ICT and services sector.

## **2.7 Quality Business Services**

Business development services are essential in the facilitation of market access. Clear information and efficient interactions between services providers and their clientele promote effective operations of businesses. Availability of reliable business development services in Zanzibar will not only unlock production potentials in the Isles but also strengthen Zanzibar's position as a trade hub in the region. Private sector development is hinged on production that is well linked with the markets or hooked to global value chains.

There are several efforts taken by the Government to improve the business services to private sectors such as emphases on the establishment of business information providers, consultancy services and financial services, among others. Despite these efforts, some challenges face quality business services, including limited market information, businesses plan development, business travel management, professional unpacking services and adequate information, communication technology and most of BDS concentrated in urban areas.

## **2.8 Access to Market**

There are several markets access opportunities for Zanzibar products such as domestic market, regional market (EAC, SADC and AfCTA), bilateral (AGOA) and multilateral market offered through several integrations. Given the pace of globalisation, competition in such markets is high, especially quality requirements and standards.

The Government has taken its commitments to promote private sectors through participation in trade exhibition both local and international, overseas trade mission, trade facilitation and support in standardisation initiatives.

Despite of all these initiatives, the private sector still faces market access problems due to lack of competitiveness, productivity, low quality of products, tariffs and non-tariff barriers and higher cost of productions and other supply-side constraints.

## **2.9 Micro, Small and Medium Enterprises Support**

Experiences show that developed economies transformed gradually from MSMEs into large scale establishments through supporting MSMEs.

In recognition of the role of SMEs, the Government of Zanzibar has established SMIDA among other functions; promote the creation and development of micro, small and medium industries, establishment of empowerment and youth funds and other supports.

However, MSMEs still face numbers of challenges such as insufficiency fund to accommodate demand, lack of knowledge

on funds uses among the MSMEs and lack of Industrial Development Centre (IDC).

## **2.10 Cross-cutting issues related to private sector development**

Cross-cutting issues that have been identified to have a significant impact on the success of Zanzibar Private Sector Development Policy are Climate Change and Environmental Sustainability, Gender mainstreaming, youth, people with disabilities and HIV and AIDS as well as other communicable and non-communicable diseases. The Government has seriously considered and set up guidance to all policies to address the cross-cutting issues.

## CHAPTER THREE

### LINKAGE TO NATIONAL POLICIES FRAMEWORKS

---

Zanzibar has implemented several well-defined policies and strategies aimed at achieving economic growth and private sector development. The main sectoral policies that are directly or indirectly concerned with private sector development are taken into account.

#### **3.1 Vision 2020**

The objectives of Vision 2020, among others, are to enhance the involvement of the private sector in the productive socio-economic activities in the nation. It is envisioned that private sector which include individual proprietorship, private companies, partnerships or cooperatives will substantially contribute to Zanzibar development.

#### **3.2 MKUZA III**

The Government will continue to improve the business environment to leverage and harness the power and innovation of the private sector. The Government will specifically promote industrialisation, by creating the necessary conditions, putting in place the right framework and incentives for the private sector to build industrial capabilities, and enhancing economic growth through collaborative action and effective State-business relations. The Government has already put in place legislation to facilitate involving the private sector through PPPs.

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

The Key strategy to leverage the guiding principles for transformation proposed is a “Twin Engine Economic Transformation” covering the promotion of Entrepreneurship and SME Development. The strategy provided, among others, a basic review of the economic performance in major strategic sectors with the involvement of the private sector. The review found that sectors such as tourism, agriculture, manufacturing and blue economy has potential for growth where the private sector can be engaged.

### **3.4 Zanzibar Tourism Policy 2017**

As tourism operators, the private sector plays a vital role in the planning and development of tourism. Also, being able to have suitable standards of their products and services to maximise the visitor’s experience, the private sector is expected to meet basic requirements for doing business internationally if their business will meet market demands and expectations. In addition, specifically, as it relates to responsible tourism, the private sector is expected to adhere to the policies and regulations established to minimise the negative impacts on the environment.

To maximise local engagement and greater distribution of economic benefits, the private sector is encouraged to utilise local products and services in their operations and to partner with community groups and organisations in the provision of their services. It is noted that in several instances, the private sector’s contribution may also include assisting the community with business development skills to ensure that the product or service offered by the community meets standards. The private

sector, primarily tour operators and tour guides who are the point of contact for many of the visitors' experience, should inform the tourists of Zanzibar's approach to responsible tourism and its core values concerning biodiversity conservation, cultural heritage and the utilisation of local products and services.

### **3.5 Industrial Policy 2019**

The industrial policy envisages, among others, the state of enterprise development which are mainly owned by the private sector. Enterprises and business development stimulate entrepreneurship that creates jobs and reduces poverty, focused on the programme to foster the adoption of sustainable and responsible enterprise practice.

### **3.6 Zanzibar Agricultural Sector Policy 2002**

The private sector consists of not only various entrepreneurs and traders but also farmers, fishers and livestock keepers. The Government recognises the essential role of the private sector in achieving agricultural growth and prosperity through investment in production, marketing and processing. Effective private sector participation will be stimulated through the provision of a favourable economic environment, promotion of agricultural technology, collection, and dissemination of information to reduce the risks inherent in agricultural investment. If well-coordinated and stimulated, the private sector could provide opportunities for employment creation in both rural and urban areas.

### **3.7 Education Policy 2006**

Education policy recognises the role of private providers as partners in education development. Private education is usually established in response to an existing demand and where people



are willing and prepared to pay for education provided. The private education can introduce flexibility or innovations in their programmes, and this way expose both learners and teachers to new ideas.

### **3.8 Zanzibar Vocational Education and Training Policy 2005**

Technical and vocational training is a necessary ingredient for poverty reduction as they provide opportunities for self-employment and innovation in increasing production which directly or indirectly enhance the attainment of private sector development. Thus, the overall objective of the Zanzibar vocational education and training policy is to provide a framework for learning opportunity for youth with that aim of creating employment opportunities and fostering entrepreneurship value and skills.

### **3.9 Zanzibar Agricultural Marketing Policy 2013**

The private sector is the mainstay of agricultural marketing in Zanzibar. The Zanzibar Agricultural Marketing policy recognises the importance of the private sector not only in enterprises development and investment but also in the provision of advocacy, advisory, training and other agricultural services. The private sector is anticipated to take an active role in investing in agro-processing, value-addition and strengthening marketing system along the agriculture value chain.

### **3.10 Zanzibar Trade Policy 2006**

The policy facilitates the smooth running of trade-related activities, strengthen informal sector participation and ensure the trade-related initiatives are implemented in a coordinated

manner. It has a direct link to the private sector in several key areas including national, regional and international trade regime which have bearing in shaping private sector practices. On the other hand, the Government is committed to creating a conducive business environment as well as facilitative/regulatory role in the trade sector. The private sector has a competitive advantage and opportunity to diversify and expand its operations, thereby provide employment opportunities and ensure the thriving of the business community.

### **3.11 SME's Policy 2006**

The policy addresses the main interventions to Small and Medium Enterprises (SME) development, including providing an enabling legal and regulatory framework, equitable tax regime, improved physical infrastructure, promote access to financial and non-financial resources, improve technical, business and entrepreneurial skills and enhance the linkages between SME's and large enterprises. It advocates for the development of sustainable, internationally competitive and export orientate SME's sectors. This policy has an important link with the Private Sector Development Policy in various areas, primarily through creating employment opportunities, fostering education and training on technical skills and entrepreneurship.

### **3.12 Zanzibar Investment Policy 2005**

The overall policy objectives will include attracting and optimising FDI's to complement local private sector efforts and develop a transparent legal framework, which facilitates and gives a guarantee of protection to all investors. The areas opened for private sector investment broadly include Financial and business services, Tourism, Manufacturing, especially with

an export orientation, agro-processing, Trade, Fish and Marine activities. The role of the policy is to ensure that line ministries and private sector institutions closely work with investors and the Investment Promotion Agency to stimulate investments.

The policy also ensures that the investors (private sectors) are protected from the acquisition of property, incentives are granted in according to the law, transferable of funds after paying taxes, right to employ key expatriate and access to legal assistance. The investors are obliged to observe all laws of the country, create employment and impart knowledge to local, provide access to government authorities, observe environmental protection and compensate adequately local land occupier.

### **3.13 Environment Policy 2014**

The policy articulates that the National and local governments would be encouraged to build a strategic partnership with the private sector and civil society organisations for effective environmental management, enforcement, and compliance. Also, the Policy addresses partnership for expansion and improvement of environmental services such as potable water supply, sewage disposal, efficient transport and efficient energy production.

### **3.14 Zanzibar Public Private Partnership Policy 2014**

The Policy gives the private sector right to provide public service or public infrastructure traditionally provided by the Government, in exchange for specific economic benefits over a specified period. The PPP agreements under this policy will generally be in the form of a concession or similar structure; however, selection for a particular project will depend on the policy of the sector, nature of the project, level of investment and potential economic benefits to be generated under such arrangement. PPP structure

can be considered either Greenfield or Brownfield project or a combination of both. Contract types can include Management Contract, Joint venture, Short term concession and Long-term concession including Build Operate Transfer (BOT), Build Lease Operate Transfer (BLOT) or others.

The reviewed frameworks and policies explicitly provide opportunities for private sector engagement and development. It mainly brings together all the “goodwill” into one document and derive specific interventions for private sector development in Zanzibar.

## CHAPTER FOUR

### PRIVATE SECTOR DEVELOPMENT POLICY:

---

#### 4.1 Vision, Mission, Objectives and Strategies

##### 4.1.1 Vision

“A vibrant, entrepreneurial, innovative, and competitive private sector, that plays a significant role in sustainable economic development

##### 4.1.2 Mission

“To develop and manage dynamic private sector towards high middle-income economy through creating conducive business environment, policy reforms, Public Private Partnerships and investment promotion”.

##### 4.1.3 Objectives of Private Sector Development Policy

Generally, the Policy is intended to engage Zanzibar private sector to enable it to play a leading role as the engine of growth and contribute to sustainable socio-economic transformation of Zanzibar. Specifically the Policy will:-

- i. Promote inclusive development through effective private sector role;
- ii. Create a favourable business environment for private investment, enterprise growth and competitiveness;
- iii. Strengthen the capacity of the private sector with a view to enhancing its competitiveness and enable it to deliver quality goods and services for both local and foreign markets;

- iv. Promote entrepreneurship to respond to socio-economic needs such as creation of employment;
- v. Strengthen private sector to engage in infrastructures development through partnership;
- vi. Promote constructive dialogue and mutually beneficial engagement of the private sector and other stakeholders both within the country and outside; and
- vii. Address cross-cutting issues critical to private sector development;

#### **4.1.4 Guiding principles**

In pursuit of the objective of engaging the private sector in achieving Zanzibar's overarching goal of attaining middle-income country status and sustained quality human development, ZPSDP implementation will adhere to a set of fundamental principles; derived from Vision 2020 and "Successor Strategy"/MKUZA III that embraces a theory of change. The guiding principles are:

- i. Public and Private Dialogue:** Promotion of sustained dialogue and consensus-building between the Government and private sector;
- ii. Innovation:** Embracing R&D, innovative approaches and entrepreneurial skills;
- iii. Equal Treatment:** Government shall serve the private sector with efficient and effectiveness; treating investors equally irrespective of status;

- iv. Ethics:** Upholding ethics, cultural respect, mutual respect and trust to ensure smart partnerships;
- v. Effective and efficiency:** Ensuring maximum effectiveness and efficiency;
- vi. Partnership and credibility:** all stakeholders shall promote positive collaboration in furtherance of national development and credibility of action;
- vii. Good Governance and Transparency:** Both Public and private sector and other stakeholders shall apply good governance and transparency.

## **4.2 Policy Issues, Statements and Strategies**

This section outlines the policy issues as prioritised by stakeholders. Each policy issue is supported by policy statements and strategies.

### **4.2.1 Policy Issue: Private Sector Financing:**

Private sector financing in Zanzibar faces several challenges including limited sources, Venture capitalists, limited access to loans and high cost of borrowing that includes high-interest rates and cumbersome procedures for raising loans.

**Policy Statement:** The Government will ensure access to finance for the private sector through the elimination of constraints to credit and reduction of business risks.

#### **Policy Strategies:**

- i. Ensure that private sector operators, both MSMEs and large, access operating and term finances at low cost;

- ii. Encourage the establishment of dedicated sector windows in existing banks to enhance private sector access to finance;
- iii. Promote investment in specialised sectoral development banks including Agricultural bank, and SMEs bank, among others;
- iv. Build capacity of MSMEs on financial management matters
- v. Ensure that all financial institutions offer various financial products.

#### **4.2.2 Policy issue: Public-Private Partnership (PPP)**

PPP concept has not yet got sufficient tract and momentum in its implementation in accelerating knowledge and technology accumulation. In most cases, the two sectors are still operating in isolation way. This is due to the information gap between these two sectors.

**Policy Statement:** The Government will ensure there is effective Public-Private Partnerships for capacity development of the private sector and sustained growth and development of Zanzibar.

##### **Policy Strategies:**

- i) Sensitise private sector on PPP concept and engagement on the PPP project;
- ii) Mobilise and manage financial resources to support private sector development;
- iii) Establish a joint public-private sector coordination committee.
- iv) Mainstream private sector development throughout government policies and programs



- v) Strengthen Public Private Sector Dialogue

### **4.2.3 Policy issue: Supportive Regulatory Framework**

Regulatory hindrances pose a risk of discouraging potential private operators from starting businesses, and even higher risk of discouraging private sector operators from participating formally in economic activities. Poor coordination, the multiplicity of regulators and a range of unsynchronised requirements are a disincentive to private sector participation.

Policy Statement: The Government shall put in place appropriate legal and regulatory framework in order to create an enabling environment for promoting private sector development.

#### **Policy Strategies:**

- i) Harmonise regulations and mainstream business-friendly regulatory reforms across all sectors;
- ii) Streamline and effectively enforce regulations relevant to the private sector
- iii) Ensure that information on existing, new and/ or updated regulations are effectively communicated and enforced
- iv) Ensure effective performance of a one-stop centre for businesses operation.
- v) Identify, review, and resolve institutional and procedural bottlenecks in private sector regulations

### **4.2.4 Policy issue: Supportive Taxation Regime**

Supportive tax regime is not friendly to taxpayers. There is a multiplicity of taxes, levies and other charges, as well as making a tax process cumbersome and discourage private sector's performance in Zanzibar.

**Policy Statement:** The Government will ensure supportive taxation regime through improving tax administration and rationalisation of taxes.

**Policy Strategies:**

- i) Identify, review and resolve tax regimes that are inhibitive to smooth private sector operation;
- ii) Ensure participation of the private sector on the tax review committee

**4.2.5 Policy issue: Enabling Physical and Economic Infrastructure**

Zanzibar has high potential in many productive sectors. Nevertheless, harnessing of these potentials is besieged with inadequate physical and economic infrastructural bottlenecks such as roads and ports. Other hindrances to the private sector operators are instability in electric power, water supply, storage facilities for agricultural products and other perishable goods.

**Policy Statement:** The Government shall improve physical and economic infrastructure, in order to reduce the cost of doing business for enhancing private sector productivity, competitiveness and vibrancy.

**Policy Strategies**

- i) Develop physical infrastructure to facilitate economic activities in general and functioning of the private sector in particular;
- ii) Ensure stability of supply of electricity at affordable tariffs;
- iii) Invest in large scale water projects to supply water

for various productive purposes including industrial, agricultural and other uses.

#### **4.2.6 Policy issue: Skills Development**

Inadequate entrepreneurial and technical skills reduce innovation and productivity, which are necessary for the growth and development of the private sector.

**Policy Statement:** Government will strengthen the technical and vocational institutions to develop skills in all professions so as to fulfil the needs of the labour market.

#### **Policy Strategies**

- i) Conduct needs assessment and identify skills gaps in key sectors where private sector engagement is high;
- ii) Expand vocational training in specialised areas of expertise to develop technical skills for the private sector utilisation in Zanzibar;
- iii) Enhance higher education training in terms of both quality and quantity, in order to nurture research and innovation as a way of raising labour productivity.
- iv) Pilot new public-private approach to train on skills development
- v) Expand internship and apprenticeship schemes.

#### **4.2.7 Policy issue: Quality Business Services**

There is low development of business services including but not limited to market information, business consultancy centres, businesses plan development, professional unpacking services and adequate information and communication technology.

**Policy Statement:** The Government will promote quality business services as a way of attracting and facilitating more investments within and outside Zanzibar.

### **Policy Strategies**

- i) Ensure a conducive environment for business development services (BDS) developed and strengthened;
- ii) Encourage the private sector to invest in business services companies;
- iii) Identify gaps and best practices in the provision of business services domestically and internationally; and
- iv) Enhance capacity building in the provision of quality business services areas.

#### **4.2.8 Policy issue: Access to Market**

Private sectors face market access problems due to lack of competitiveness, productivity, low quality of products, tariffs and non-tariff barriers and higher cost of productions in other supply-side constraints.

**Policy Statement:** The Government will ensure that Zanzibar products (goods and services) access for domestic, regional and international markets.

### **Policy Strategies:**

- i) Ensure compliance with international quality and standards on goods and services destined for both domestic and external markets;
- ii) Support low-cost certifications for international standard.
- iii) Enhance MSMEs knowledge hygiene requirements, packaging and marketing to be more competitive

- iv) Ensure conducive business climate to reduce the cost of doing business in Zanzibar;
- v) Strengthen international markets intelligence and enhance export promotion through more targeting of potential market.
- vi) Institutionalise reporting and monitoring of NTBs and works with countries in the region and institutions to steadily reduce NTBs

#### **4.2.9 Policy issue: Business Formalization**

Informality of the SMEs and other business entities has many drawbacks including limited identity of some businesses, inadequate support and financing, and loss of government revenue, access to markets and miss-pricing of property.

**Policy Statement:** The Government will encourage formalisation of and businesses for accelerating private sector development and promoting inclusive and sustained high growth.

#### **Policy Strategies:**

The Government, in collaboration with stakeholders, shall:

- i) Expedite formalisation process with support of Property and Business Formalisation Programme;
- ii) Support small and medium enterprises in formalisation of their property and businesses;
- iii) Facilitate land survey and titling of informally occupied land across urban and rural areas of Zanzibar
- iv) Propose actionable measures for informal sector integration into the formal economy.

#### **4.2.10 Policy issue: Cross-cutting issues related to private sector development**

Cross-cutting issues have a significant impact on the success of the Zanzibar Private Sector Development Policy. Some of the issues are climate change and Environmental Sustainability, Gender Mainstreaming; youth; people with disabilities; and HIV and AIDS and others.

**Policy Statement:** The Government will ensure private sector mainstream cross-cutting issues their business activities

#### **Policy Strategies:**

- i) Ensure full integration of the identified cross-cutting issues in all private sector activities;
- ii) Develop and implement cross-cutting guidelines on private sector; and
- iii) Increase capacity of women, youth and people with disabilities to participate effectively in all private sector activities

## **CHAPTER FIVE:**

### **LEGAL AND REGULATORY FRAMEWORK**

---

Effectiveness of the Zanzibar Private Sector Development Policy will depend much on the efficient functioning of legal and regulatory frameworks to improve the general environment in which business is carried out. Consultations with stakeholders in the course of developing this policy identified some issues related to laws and regulation as challenges; for example, the existence of unfriendly laws, conflicts among certain laws or regulations and weaknesses in taxation practices. These challenges demonstrate the need to review the private sector regulatory environment to increase the sector's vibrancy and growth.

To this end, stakeholders called for the formulation of business laws and regulations that are friendly, and which promote the private sector working environment with greater private sector participation. They also asked for education and awareness creation on the legal and regulatory matters that impact private sector development.

Although some progress in the review of the legal framework for private sector development has been made, there is still room for further improvement; such as through enactment of laws for operationalisation of the Zanzibar Private Sector Development Policy which will be guiding the regulations.

#### **5.1 Legal Framework**

Operations of the private sector are governed by various laws and policies with important linkages as highlighted earlier, including the Zanzibar Constitution(1984); Women Protection and Development Policy (2001); Zanzibar Employment Policy (2007); Public Private Partnership Act (2015); the Local

Government Act (2014), the Land Act (1992); Fair Competition of Consumer Act (1995), Environmental Management Act (2015); Public Procurement Act (2006); Zanzibar Youth Development Policy (2005); Zanzibar Employment Policy (2007); Gender Policy (2016); Women Empowerment and Gender Equality in Zanzibar (2015); Vocational Education and Training (VET) Policy (2005); and Education Policy (2006). There are as several such initiatives which are in place that could yield better results if they were well integrated and coordinated to deliver optimum results as far as the private sector is concerned. Coordination is necessary for the private sector development.

Thus, implementation of this policy takes full institutional responsibilities of various private sector stakeholders. As far as the legal framework is concerned, the implementation of the policy will see to it that no contradicting laws or provisions are affecting the execution of the policy. If deemed so, such inhibiting legal provisions will be identified a priori and repealed, reviewed or new enactments may be passed as deemed necessary in order to align those provisions with the Government statements made in this policy. This is possible because it should be in the interest of the existing laws and this policy to develop the economy of Zanzibar. So, where it is necessary to review, repeal or enact a law to facilitate socio-economic policy, the stakeholders, Government and legislators are expected to act accordingly.

The principal legislation governing regulation, promotion and protection of investment is the Investment Protection Act which caters for large investments. The Act promotes and facilitates investment in Zanzibar and even oversees investments in transit trade. This is equally open to all, local as well as foreign direct investments.



Stakeholders had however raised concerns that though ZIPAA Act is open to all, in a way it is indirectly discriminative, it is somewhat prohibitive to local MSMEs which find the requirements for them to benefit from ZIPA too stringent to meet. With the bid to enhance industrial transformation in Zanzibar, development of this important sector has to be inclusive and build on a consensus about MSME challenges, goals and broad policy direction among the key MSMEs stakeholders who form the larger part of the Zanzibar private sector. Concerted effort to formalise MSMEs will, therefore, lead to huge benefits for the Zanzibar economy, including tax compliances and increased collection as well as transparency of trade statistics of the Isles.

It is important to restate here that the strategy has to coordinate efforts of institutional structures that make or affect policy (the House of Representatives, provincial councils and political parties), the administrators of policy (line Ministries, Local Government Authorities and regulatory structures), and public support organisations (MSME, export, investment, regional development, public sector education and training institutions, and financial institutions).

In this regard, various stakeholders implementing this Policy will have to adhere to the legal requirements and guidelines issued for ensuring its smooth implementation. A clear mechanism for enforcement will also be instituted to ensure proper coordination of efforts on the ground.

## **5.2 Institutional Framework**

Private sector development calls for an integrated approach by all stakeholders including central and local Government, private sector, donors, NGOs and Civil society. The Ministry

responsible for Trade shall play a coordinating role with other sectoral and line ministries. Such collaboration is essential for safeguarding Zanzibar's success in achieving both its short and long-term development goal in the implementation of this policy. Moreover, the private sector's roles and responsibilities have to be integrated into the national development strategy through business membership organisations, Business Development Service (BDS) and private financial services providers, trade unions and civil society organisations.

### **5.3 Roles and Functions of Key Stakeholders**

In implementing this Policy, the stakeholders need to be well-coordinated both vertically and horizontally to avoid overlaps, multiplication of roles and responsibilities and act with a common goal. It is in this way that synergies can be maximised and risks minimised. To this end, the Government will ensure that the implementation of the Policy is regularly monitored and evaluated at the agreed intervals. The key stakeholders and their roles in ensuring successful implementation of the policy are identified as follows: -

#### **5.3.1 Central Government**

The Ministries, department and Agencies of Central Government shall be to:

- Promote collaboration and formulation of sector policies and laws with full recognition that all /sector policies and laws have a direct or indirect effect on the private sector growth and development
- Facilitate creation of business-friendly regulatory, legal, and institutional arrangements;

### **5.3.2 Local Government Authorities**

The role of these Authorities shall be to:-

- Plan for and develop a business-friendly environment for the facilitation of growth and development, especially for micro, small and medium enterprises;
- Stream local business regulations, and entrench transparency and accountability in dealing with the private sector;

### **5.3.3 Private Sector**

The role of the private sector shall be to: -

- Respond to the Private Sector Development initiatives through investment, job creation;
- Contribute constructively to policy formulation at sectoral and national level;
- Nurture trust in Government policies and programmes and taking part in service delivery, including PPP.
- Mobilise the population to consume the goods and services locally produced.
- Mobilise financial resources to finance investments in Zanzibar

### **5.3.4 Development Partners**

The role of these institutions shall be to: -

- Support Government agenda on private sector development initiatives through financial and technical contributions.
- Grant much needed technical assistance and financing infrastructure in coordinated multi-donor approaches aligned to priorities identified.

- Resource mobilisation to support implementation of this policy.

### **5.3.5 Non-State Actors**

The role of these institutions shall be: -

- Campaigning, advocacy, lobbying, dialogue and sensitise to ensure successful implementation of this policy.
- Facilitating the micro and small businesses to grow into medium and large enterprises and informal firms to transform into the formal economy;
- Supplying the Zanzibar private sector with the requisite state of the art information, knowledge, and skills to enable the private sector to gain competitiveness and thus engage the other international private sector actors beneficially.

### **5.3.6 Zanzibar Diaspora**

The role of Diaspora shall be to: -

- Mobilise financial, human and managerial resources for private sector development as well as investing directly in Zanzibar.
- Play advocacy and lobbying role and communicate the policy and the opportunities it offers in the countries of their domicile.
- Support domestic investments technologically and financially.

### **5.3.7 Individuals**

The role of Individuals shall be to: -

- Play the role of Advocacy and lobbying to ensure that goods and services produced by the domestic private sector are consumed;
- Encourage individual innovation and desire to invest in the country.
- Participate actively in all private development initiatives;

## **CHAPTER SIX: MONITORING AND EVALUATION**

---

To realise the intended objectives, the implementation of this policy should be closely monitored and evaluated. Monitoring and evaluation (M&E) serves to gauge relevance, effectiveness, impact and continued fit of policy. The two processes are critical in informing policy implementation continually, and where deemed necessary, such information can be used for strategic repositioning of the policy instruments. The outputs of these processes are usually in the form of reports that are used to inform the implementation of the policy.

There are many monitoring and evaluations approaches used for policies and programmes. However, for private sector development policy of Zanzibar in specific, the “results-based” monitoring and evaluation approaches will be the lead in informing the policy implementation.

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

This policy adopts results-based implementation, monitoring and evaluation approach since it intends to change the way institutions operate by improving performance, programmatic focus and delivery of the set objectives. One good reason for the results-based approach is to reflect the processes and resources used on the achievement of nationally agreed results. Results-based implementation and monitoring should be participatory and team-based approach involving dialogues among the stakeholders and follow-ups to ensure the achievement of measurable results and impact of the policy. It is a partaking approach to strengthen the country’s capacities and to promote accountability of all major

stakeholders in pursuit of the clearly stated objectives and results of the private sector development policy of Zanzibar.

Given this, monitoring and evaluation of the results will be done to make sure that this policy is not just drafted and place on the shelves, but applied to guide private sector development process in the manner that delivers measurable results to the country. Results-based implementation, monitoring and evaluation is an approach hinged on four principles, namely:

- i. Planning, implementation, monitoring and evaluation are intertwined parts of the chain that assures results;
- ii. Constant learning by doing is a prerequisite for results;
- iii. Risk management (mitigation) and accountability are vital for the achievement of measurable results; and
- iv. Putting in place the measures to promote the culture of results orientation in policy and planning is necessary.

## **6.2 Reporting Mechanism**

To be able to do proper monitoring and evaluation of the results, accessing accurate and reliable information is inevitable. Therefore, the Ministry responsible for Trade will be the focal point for reporting progress in the implementation of this policy. It will mobilise the rest of stakeholders, the private sector in particular, and act as a source for such information. Private sector as the main partner will coordinate the generation of outputs that track performance and measurable results.

Progress reports will be submitted as the official documents with details of implementation progress, tendered periodically and continuously by the stakeholders responsible for private sector development, notably, the line ministries, development partners

and private sector umbrella organisations, Business Council, among other things. The objective of monitoring reports is to inform the policy implementation process.

### **6.3 Monitoring**

Implementation framework is a subject of regular monitoring progress. It is intended to gauge the efficacy of instruments towards achieving the desired policy objectives. Monitoring informs the stakeholders whether implementation is on track along the desired path.

The responsible Ministry, in collaboration with the private sector, will design the implementation framework and develop feasible Key Performance Indicators (KPIs) to enable assessment of the progress. This will involve developing baseline data and information as a benchmark for tracking progress. Relevant committees will be constituted to oversee the implementation and monitoring process of the policy. It is expected that these committees will be inclusive and represent the broad spectrum of stakeholders. Monitoring will be done based on the standard logical framework for measurable outcomes.

#### **6.3.1 Logical Framework for Monitoring**

A logical framework or log frame is a matrix which conceptualises foundations upon which monitoring and evaluation system is created. The monitoring log frame indicates clear objectives of the policy or programme and how achievement of these objectives should be judged using some specified measurable indicators.

A logical framework for monitoring has to be prepared for all policy objectives and targets to facilitate the monitoring and accountability of the responsible implementers. For logical



framework preparation, there must be an understanding of the policy instruments required, inputs, outputs, outcomes, and expected impact. These should be understood and differentiated because the measurable indicators for the M&E system are reflected in the hierarchy of distinct activities. The content and layout of the public policy monitoring log frame can be directed by the guide shown as Table 3.

**Table 3: Monitoring Log Frame for Classification of key Activities**

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

**Source:** UNDP M&E Handbook, 2009

The nature and frequency of implementation reports will have to be specified according to feasibility and sustainability.

## 6.4 Evaluation

Periodic review of the Zanzibar Private Sector Development Policy will be necessary for evaluating its continued fit with

developments within Zanzibar and outside. Evaluation will also inform the implementation strategy. Though there are no pre-determined timelines for evaluation of a policy, this should be done when major shifts in policy stance unfold or at least after every two years. Results of the evaluation will be findings that confirm continued fit, call for the revision of the same policy or call for a new policy to be developed in the event of being found a misfit.

Policy implementation evaluation is a systematic and objective assessment of an on-going or some completed targets regarding its design, implementation and indicated results. Evaluation should be comprehensive and independent assessment by design and methodology; and has to involve extensive analyses; an up-front activity not just a back-end activity (linear logic); and integrative in understanding, learning and corrective actions, i.e. with “multiple observations”.

The aim of evaluation should be focused on the determination of the relevance and achievement of the stated policy objectives, developmental efficiency, and effectiveness of implementation, impact and sustainability of the outcomes. Evaluation process shall involve collection, analysis and use of information to answer several questions about the achievement of the policy targets. Analyses done for evaluation comprise those related to the rationale for the costs, implementation process, outcomes or impacts, and the need for policy review.

Evaluation should come after the monitoring process, and will provide lessons to decision-makers and policy implementers from the reported reliable and useful information. As a result of the evaluation, the financiers/sponsors, managers, beneficiaries, and other stakeholders of the private sector development will gain

knowledge from experience and thus enabled to make essential interventions for improvement. Usually, evaluation frameworks look back to how things have been done and what differences they have made as impact or outcome, which means is generally focused on measuring progress toward the pre-established targets and the impacts generated as results.

#### **6.4.1 Principles of Evaluation of Policy Implementation**

Evaluation is important for learning, validating results and decision making going forward. It enables policy implementers to make informed decisions and plan strategically. Evaluation may be focused on target(s) achievement, outcome or impact of the implemented policy. The standard principles of evaluation process will govern the evaluation of private sector development policy of Zanzibar. Implementation of the policy is for the sectoral development and therefore, the nation, which is intrinsically a public matter. In a standard way, the evaluation will be undertaken based on the following principles of good practice:

- i) Credibility, i.e. removing bias, maximising objectivity, meeting minimum quality standards;
- ii) Independence, which means no imposition of undue restrictions;
- iii) Ethical by ensuring the absence of conflict of interests;
- iv) Transparency as a way to enhance credibility and to ensure the utility of the evaluation;
- v) Clear focus at the on-set, which involves indication of the rationale and decisions to be based on it, among others;
- vi) Legal mandate, i.e. to be done by the authorised but independent agent;
- vii) Based on strengthened data collection and processing systems; and

viii) Timeliness, i.e. design and completion in some order for the findings to be useful.

#### **6.4.2 Evaluation Criteria and Guidance**

The evaluation process should be properly managed to succeed in producing the useful reports. The evaluation process must be guided by some prior stated criteria and also follow specific guidelines. There should also be aids to guide how evaluation processes has to be planned, commissioned, conducted, reported and utilised. Evaluation guidelines will have to be drawn from the best practices of international standard to ensure that evaluations are accurate and reliable for decision making. The criteria specific statements will be targeted to what to evaluate in the process, and how to do the evaluation activity. No policy evaluation will be done without proved proper plan.

Private sector development policy will be evaluated from the criteria based on particular policy objective(s) and targets to validate whether it is/was necessary to implement the stated objective(s) for achievement of such targets. Evaluation will inform about the effects the policy has on the beneficiaries, i.e. whether the policy is/was efficient in terms of effective use of resources and how long the effects will be sustained. In this regard, in every evaluation process, there shall be specific questions or issues to be addressed based on well-defined criteria as the principle.

**LOG FRAME FOR IMPLEMENTATION STRATEGY FOR ZANZIBAR PRIVATE SECTOR DEVELOPMENT POLICY**

<b>No.</b>	<b>OBJECTIVES</b>	<b>STRATEGIES</b>	<b>TARGETS</b>	<b>RESOURCES (TZS) IN MILLION \$</b>	<b>TIME FRAME</b>	<b>RESPONSIBLE</b>
1.	Access to finance for private sector ensured.	<p>Ensure private sector operators, both MSMEs and large, access operating and term finances at low cost;</p> <p>Encourage the establishment of dedicated sector windows in existing banks to enhance private sector access to finance.</p> <p>Build capacity of MSMEs on financial management matters</p>	<p>Ensure access to finance at low cost by 2025</p> <p>Special windows established by December 2022.</p> <p>Capacity building of financial management commenced by 2021</p>	45  9,000	2021 - 2025  2021 - 2022	MoFP & MTI  MoFP, MTI & Private sector
2.	Effective Public-Private Partnerships, for sustained growth and development of Zanzibar, ensured.	<p>Promote investment in specialised sectoral development banks including Agricultural bank, and SMEs bank, among others;</p> <p>Ensure that all financial institutions offer various financial products.</p> <p>Sensitise private sector on PPP concept and engagement on the PPP project.</p> <p>Mobilise and manage financial resources to support private sector development</p>	<p>Specialised Sectoral Development Banks established by 2025</p> <p>Variety of financial products with low cost implemented by 2025</p> <p>Sensitisation of the private sector on PPP and engagement on PPP project</p> <p>Financial resources to support Private Sector mobilised and managed by 2025</p>	56  1,000  1,000  110  50	2021-2025  2021 - 2025  2021 - 2025  2021 - 2025	MTI & Private Sector  MoFP. & Private sector  MTI, MoFP & Private Sector  MoFP, MTI & Private Sector  MoFP & Private Sector

No.	OBJECTIVES	STRATEGIES	TARGETS	RESOURCES (TZS) IN MILLIONS	TIME FRAME	RESPONSIBLE
		Establish a joint public-private sector coordination committee	Joint Public-Private Sector Committee established by 2023	50	2021 - 2025	MTI, MoFP & Private Sector
		Mainstream private sector development throughout government policies and programs	Private sector development mainstreamed throughout government policies and programs by 2025	50	2021 - 2025	Government Ministries & Private Sector
		Strengthen Public Private Sector Dialogue	Public Private Sector Dialogue strengthened by 2023	25	2021 - 2023	MTI & Private Sector
3.	Facilitative regulatory framework for private sector development and vibrancy ensured	Harmonise regulations and mainstream business-friendly regulatory reforms across all sectors.	Regulations and mainstream business-friendly regulatory reforms harmonised and mainstreamed across all sectors by 2025	40	2021-2025	MTI, MoFP & Private Sector
		Streamline and effectively enforce regulations relevant to the private sector	Regulation relevant to private sector are enforced and streamlined by 2025	50	2021 -2025	MTI, MoFP & Private Sector
		Ensure that information on existing, new and/ or updated regulations are effectively communicated and enforced	Information on existing, new and updated regulations communicated and enforced by 2021	50	2021 -2025	MTI, MoFP & Private Sector
		Ensure effective performance of a one-stop centre for businesses operation.	Effective Performance of One-stop centre for businesses operations ensured by 2025	1,000	2021 - 2025	MTI, MoFP & Private Sector
		Identify, review, and resolve institutional and procedural bottlenecks in private sector regulations	Institutional and procedural bottlenecks in private sector regulations identified, reviewed and resolved by 2025.	50	2021 - 2025	MTI & Private Sector

No.	OBJECTIVES	STRATEGIES	TARGETS	RESOURCES (TZS) IN MILLIONS	TIME FRAME	RESPONSIBLE
4.	Supportive taxation regime developed and facilitated	Identify, review and resolve tax regimes that are inhibitive to smooth private sector operation;	Tax regimes that are inhibitive to smooth private sector operation identified, reviewed and resolved by 2025;	50	2021 - 2025	MoFP, MTI & Private Sector
		Ensure participation of the private sector on the tax review committee.	Participation of the private sector on the tax review committee ensured by 2025.	700	2021 - 2025	MoFP, MTI & Private Sector
5.	Physical economic infrastructure improved.	Develop physical infrastructure to facilitate economic activities in general and functioning of the private sector in particular.	Physical infrastructure to facilitate economic activities, in general, and functioning of the private sector, in particular, developed by 2025.	350	2021 - 2025	MCCCT, MTI & Private Sector.
		Ensure stability and supply of electricity at affordable tariffs.	Stability and supply of electricity at affordable tariffs ensured by 2024.	400	2021 - 2024	MLHWE, MTI & Private Sector.
		Invest in large scale water projects to supply water for various productive purposes including industrial, agricultural and other uses.	Large scale water projects to supply water for various productive purposes including industrial, agricultural and other uses invested by 2025	135	2021 - 2025	MALF MCCCT, MTI & Private Sector
6.	Skills in all professions, for Zanzibar to maximise on its human resources for achievement of development agenda outcomes, developed.	Conduct needs assessment and identify skills gaps in key sectors where private sector engagement is high.	Needs assessment for identifying skill gaps completed by 2022.	204	2021 - 2022	MoEVT, MTI & Private Sector
		Expand vocational training in specialised areas of expertise to develop technical skills for the private sector utilisation in Zanzibar.	Specialised skills in technical education enhanced by 2023.	275	2021 - 2023	MoEVT, MTI & Private Sector.

No.	OBJECTIVES	STRATEGIES	TARGETS	RESOURCES (TZS) IN MILLIONS	TIME FRAME	RESPONSIBLE
		Piloting new public-private approach to train on skills development	Piloting new public-private approach to train on skills development established by 2024	1,000	2021 - 2024	MoEVT, MTI, Private Sector & Dev. partners
		Expanding internship and apprenticeship schemes.	Internship and apprenticeship schemes expanded by 2025	800	2021 - 2025	MTI, Private Sector & Dev. Partners
		Enhance higher education training in terms of both quality and quantity, in order to nurture research and innovation as a way of raising labour productivity	Higher education training in terms of quality and quantity to nurture research and innovation for raising labour productivity enhanced by 2023	1,000	2021 - 2023	MoEVT, MTI & Private Sector.
7.	Quality business development services promoted.	Ensure a conducive environment for business development services (BDS) developed and strengthened	Conducive environment for business development services (BDS) developed and strengthened by 2023	10	2021 - 2023	MTI & Private Sector.
		Encourage the private sector to invest in business services companies.	Encouraged private sector has invested in business services companies by 2022	500	2021 2022	MTI, Private Sector & Dev. partners
		Identify gaps and best practices in the provision of business services domestically and internationally	Gaps and best practices in the provision of business services domestically and internationally identified by 2022	300	2021 - 2022	MTI, Private Sector & Dev. partners
		Enhance capacity building in provision of quality business services areas	Capacity building in provision of quality business services areas enhanced by 2022	45	2021 - 2022	MTI & Private S
8.	Maintenance of high quality and			55		



No.	OBJECTIVES	STRATEGIES	TARGETS	RESOURCES (TZS) IN MILLIONS	TIME FRAME	RESPONSIBLE
	standards for Zanzibar goods and services in Domestic, Regional and International markets ensured.	Ensure compliance with international quality standards on goods and services destined for Domestic and external markets. Support low-cost certifications for international standard Enhance MSMEs knowledge on hygiene requirements, packaging and marketing to be more competitive Ensure conducive business climate to reduce the cost of doing business in Zanzibar Strengthen international markets intelligence and export promotion through more targeting of potential market Institutionalise reporting and monitoring of NTBs and works with countries in the region and institutions to steadily reduce NTBs	Compliance with international quality standards on goods and services destined for Domestic and external markets. Low-cost certifications for international standard supported by 2022 Knowledge on hygiene requirements, packaging and marketing for MSMEs enhanced to be more competitive by 2022 Conducive business climate to reduce the cost of doing business in Zanzibar ensured by 2023 International markets intelligence and export promotion through more targeting of potential market strengthened and enhanced by 2023 Reporting and monitoring of NTBs institutionalised and NTBs among partner States reduced by 2025	300 15 40 700 500	2021-2025 2021-2022 2021-2022 2021-2023 2021-2023 2021-2025	MTI, MoH & Private Sector MTI, MoFP & Private Sector. MTI, MoH & Private Sector. MTI, MoFP & Private Sector MTI & Private Sector MTI & Private Sector

No.	OBJECTIVES	STRATEGIES	TARGETS	RESOURCES (TZS) IN MILLIONS	TIME FRAME	RESPONSIBLE
9	Informal property and businesses formalised	<p>Expedite formalisation process with support of Property and Business Formalization Programme</p> <p>Support small and medium enterprises in formalisation of their property and businesses.</p>	<p>Formalisation process expedited with support of Property and Business Formalization Programme by 2025</p> <p>SMEs supported in formalisation of their property and businesses by 2025</p>	40	2021 - 2025	MTI & Private Sector.
		<p>Facilitate land survey and titling of informally occupied land across urban and rural areas of Zanzibar</p>	Land survey and titling of informally occupied land across urban and rural areas of Zanzibar facilitated by 2025	400	2021 - 2025	MLHWE, MTI & Private Sector
		Propose actionable measures for informal sector integration into the formal economy	Actionable measures for the informal sector into the formal economy proposed and integrated by 2025	80	2021 - 2025	MTI & Private Sector
10	Integrate all private-sector related cross-cutting issues in private sector activities	<p>Ensure full integration of the identified cross-cutting issues in all private sector activities.</p> <p>Develop and implement cross-cutting guidelines on private sector</p> <p>Increase capacity of women, youth and people with</p>	<p>Full integration of the identified cross-cutting issues in all private sector activities ensured by 2025</p> <p>Cross-cutting guidelines on private sector developed and implemented by 2025</p> <p>Capacity building for women, youth and people</p>	60	2021 - 2025	MTI & Private Sector
				500	2021 - 2025	MTI & Private Sector
				56	2021 - 2025	MTI & Private Sector

No.	OBJECTIVES	STRATEGIES	TARGETS	RESOURCES (TZS) IN MILLIONS	TIME FRAME	RESPONSIBLE
		disabilities to participate effectively in all private sector activities.	with disabilities to participate effectively in all private sector activities increased by 2025.			
<b>TOTAL COST</b>				<b>22,291</b>		

