

ZANZIBAR COMMISSION FOR TOURISM (ZCT)

TOURISM INVESTMENT OPPORTUNITIES IN ZANZIBAR

A paper presented to the Tourism International Investment
Forum held at Arusha (AICC)- Tanzania, 22-24 October, 2002

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**TOURISM INVESTMENT OPPORTUNITIES IN ZANZIBAR:
A PAPER PRESENTED ON THE OCCASION OF TOURISM INVESTMENT
FORUM HELD I N ARUSHA – TANZANIA, 22 – 24 OCTOBER, 2002.**

1. INTRODUCTION:

I would like to begin by expressing my most sincere thanks for this privilege accorded to me to address this partnership International and Tourism Investment Forum. I would also like to extend a very warm welcome to all delegates who have joined us in this important forum in the history of the United Republic of Tanzania.

As per the purpose of this 3 days forum I would like to confine myself in highlighting the key issues that would activate and interact with the potential investors across the world to entice them to consider Zanzibar as one of their Priority area for their prospective investments in Tanzania.

Zanzibar is synonymous with trade. Its population is a product of centuries of immigration from Africa, India and Middle East, reflecting its central position as commercial center in the Indian Ocean trading system.

Zanzibar is the Island partner state in the United Republic of Tanzania. It is comprised of two main Islands Unguja and Pemba with an area of 2, 332 sq. km. The population is estimated to be 900,000 people, enjoying the tropical climate with temperature ranging between 20°C - 33°C through the year.

The Island are located about 35 kilometres of the East Coast of Mainland Tanzania at 39 degrees East and 6 degrees South of the Equator.

2. **POLICY FORMULATION AND INSTITUTION:**

The unsatisfactory economic performance in the late 70's and early 80's, which brought with it the economic hardship experienced by the majority, reforms programmes became necessary.

In 1985, Zanzibar adopted a liberalization policy, which is more pragmatic encouraging private sector participation. The aim of the policy is to liberalize trade and diversify the economy. It was followed by the Investment Promotion Act in 1986, which provides very generous incentives, including fiscal and non-fiscal incentives.

At this juncture Zanzibar adopted various development policies. The main ones being, Free Trade, Free Economic Zone Authority Act of 1992, Free Port, and more important in this aspect is the Tourism Promotion Policy. Zanzibar Trading Act No. 4 of 1989, encourages trade exchange between Zanzibar and the rest of the World. The Zanzibar Chamber of Commerce, Agriculture and Industry were subsequently formed in 1993 as private initiative to promote trade.

Under the Zanzibar Free Economic Zone Policy, goods can be stored, semi-processed or modified in Zanzibar and re-exported to other countries at low - custom clearance.

The Economic Processing Zone (EPZ) currently runs three development zones namely Fumba, Amaan Industrial Park and Micheweni processing zones.

The Free Port Policy declared in the 2000 is another attempt to revitalize the Zanzibar economy, and can effectively contribute to income generation, employment and multiplier effect. However, in order to flourish it needs heavy investment in improving port equipment and other enabling infrastructure. Some companies have responded and have set-up operations mainly for commodity consumed locally.

3. TOURISM PRODUCT DEVELOPMENT & DIVERSIFICATION.

Both the vision 2020 and the World Tourism Organization Report on Tourism Development Plan(1983) recognize the importance of tourism industry in the general development programme as one of major contributor to **Gross Domestic Product** as well the **Gross National Products** and realizes that for sustainable tourism development depends on the following attractions:-

- Zanzibar's unique Culture and tradition.
- Historical manifestation such as places and romantic stories of Zanzibar.
- Natural Attractions: which includes about 25 white sandy beaches with regional importance.
- The opulent and diversity of spices.
- Nature conservation areas include terrestrial and its rare animal species.

Being aware of its small size, Zanzibar is in process of creating new concepts, using the very available resources, to diversify its products, so as to increase the period of stay of the in bound tourists.

Excursions which were formally restricted to the Stone Town, a World Heritage Site, recently there has been an introduction of spice tour, Dolphin watching tours and eco-tours. Sports and regular mega events are now considered as one of the strategy for the promotion of tourism in Zanzibar. The Triathlon and Marathon; the Zanzibar International Film Festival and Cultural Festival started in 1998 and 1997 respectively attract a number of artists within and outside the region.

4. INVESTMENT PROFILE.

Investment statistics show that by August, 2002 (ZIPA), Zanzibar Investment Promotion Agency approved about 265 projects worthy US \$ 114,372,535.15, out of which 154 (58%) are tourism oriented projects valued at US\$ 66,632,303.85.

TABLE 1: APPROVED PROJECTS – ZIPA BY ZIPA: 1986 - 2002

SECTOR	NR. PROJECTS	%	PROPOSED CAPITAL	ACTUAL CAPITAL
1. Hotel and Tourism	122	46	\$ 257,718,047.00	\$ 63,625,926.85
2. Tour Operation	32	12	\$ 11,227,969.00	\$ 3,006,377.00
3. Business and Services	35	13	\$ 59,403,931.00	\$ 8,286,160.30
4. Sea Transport	13	5	\$ 20,995,031.00	\$ 47,913,870.00
5. Agr/Fisheries	23	9	\$ 32,404,108.00	\$ 2,123,770.00
6. Industry	30	11	\$ 26,889,901.00	\$ 17,360,684.00
7. Air Transport	10	4	\$ 4,681,117.94	\$ 2,056,747.00
TOTAL	265	100%	\$413,320,104.94	\$144,372,535.15

Source: ZIPA Aug, 2002

5. TOURISM GROWTH:

The number of visitors arrival increases at an average rate much higher than the world and African rates. Where in 1986 there were 22846 visitors, in the year 2000 there were 97165 visitors. The 2000 figure of 97,169 visitors indicate that Italians contributed 27 percent (25,764) visitors alone followed by 17 percent (16,307) British, 8 percent (7628) Scandinavian, 5 percent (4918) Germany and so on. From the African region, Republic of South Africa with 4 percent (3482) and Kenya with 3 percent (2729) are on the upper level. The year 2001 the scenario remains the same as far as data is concerned, the number decreased to 76,329, which relates with the problem of terrorist event of 11 September in USA. This also indicates that Europe is still number one market for Zanzibar.

Almost a quarter of visitors are coming by Charter Plane mainly from Italy, Spain, Israel, Switzerland and Germany, the rest are coming in small groups as independent travelers.

Statistics (ZCT, August.2002) shows that at present there are 188 accommodation units with the capacity of 3,247 rooms and 6,482 beds already in supply. The number includes those projects under ZIPA auspices and those approved by the Commission for Tourism. In other words these include those which meet the International Standard, i.e. Serena Hotels, Protea Hotels, Blue Bay Hotel, Karafuu Hotel, Breeze Beach Club, Mnemba Fishing Lodge, Tembo Hotel, Mazson Hotel, Ras Nungwi Hotel, the middle class and the budget ones.

This is a very challenging move, if at all Zanzibar wishes to maintain the sustainable development on tourism Industry. The question is should Zanzibar encourages more hotel projects and if so at what level?

Dear business Community, it is this point that could highlight areas of preference of which you as the prospective investors can meet your keen interest and aspiration:

6. TOURISM INVESTMENT OPPORTUNITIES IN ZANZIBAR:

Much to the investment statistics shown in Table No. 1 there is still a great potential for further investment. It is necessary so as there must be a balanced rather imbalanced investments. As much as the tourism industry is one of the best options to most of the existing investors, there must be deliberate measures to attract investors to other supporting sub-sectors. Tourism will never sustain without the processing industry, Transportation industry and the like. However, for the purpose of this forum, the following are some of the great potential for further tourism investment:-

i. Hotel sub-sector:

Based on the survey made by the Commission for Tourism in May, 1997, it is currently estimated that less than 60 percent of the total supply of 6482 beds cater for the International visitors. Where as the average growth rate of international tourists arrival from 1991 - 2000 is 5.52% (see Table No.2), there is a great need of encouraging the sound hotels, with adequate and specific facilities and services as to fulfill the required market segment.

These are the hotels with golf course, Town hotels and Airport hotel (for business segment), a part from beach hotels that are many. First class hotels ranging from 4 to 5 stars standard are encouraged.

NOTE: Such projects could be developed in the designated Tourism Zoning areas in place

ii. Conference centers:

Conference centers and facilities is another investment possible area not yet touched. Congress hotels and conference centers with comprehensive modern facilities are high in demand.

iii. Restaurants and Catering Facilities:

In Zanzibar modern restaurants and catering facilities are few that cannot accommodate the growing population of first class tourists visiting the islands. This is another existing opportunity to be tapped by both local and foreign investors.

iv. Cruising:

Cruising from Zanzibar Islands to other islands and destinations in the East African Coast and Indian Ocean in general is an attractive investment opportunity. Cruising can cater for tourism purpose and as an integrated factor among countries along the East Africa coastline and those bordering the Indian Ocean.

v. Diving and Game fishing facilities:

Being a world-class diving paradise, Zanzibar is receiving 15 percent of tourists interested in diving and game fishing. Beach hotels provide for these services, yet there is a need to separate diving and game fishing units to make them accessible so as to offer services to every interested client.

vi. Tourism and Hotel Training Centers:

The Government intends to promote first class tourism as the tourism sector grows. The demand for quality staffs and their quantity are of higher importance. The Maruhubi Hotel and Tourism Training Centre, established in September 1992 to undertake these duties only concentrates on immediate training needs and offer nine months certificate courses, which cannot meet the desired requirement of first class tourism. Thus, on this perspective, the need for private training centers or even partnership ventures are welcome.

7. INCENTIVE PACKAGES:

Recognizing that investment funds go where they are welcome and where the prevailing business climate supports efficient and profitable operations the ZIPA, through its Regulations, has put in place a number of fiscal, physical, institutional and procedural incentives to promote and facilitate private sector investment. The overall objective of the incentives is, therefore, the facilitating and attracting the investment inflows and the creation of an enabling environment for such investments. All approved investments facilitated by ZIPA that initiated by both developers and entrepreneurs, are in entitled to the following incentives:-

- ❖ 100% foreign ownership is permitted.
- ❖ There is no exchange control restriction on:
 - (a) Receipt of export proceeds;
 - (b) Payment of business expenses;
 - (c) Foreign capital transactions;
- ❖ Right to hire expatriate employees
- ❖ Renewal preferential land lease of up to 49 years
- ❖ Suspension of land rent during construction.
- ❖ One- stop-shop investor service at ZIPA Authority office.
 - No import duty or sales tax is charged on machinery, equipment, spare parts, raw materials, and supplies necessary for investment initiatives established under the investment Act of 1986.
 - Goods (and other personal effects) imported for the personal use of expatriate are exempted from import duties for a period of six months from the date of the expert's first arrival in Zanzibar.

Despite this attractive and competitive package of incentives you may still ask yourself: "Why should I invest in Zanzibar?" You should, because in addition to the incentives, which I have just mentioned, Zanzibar has other trade and operational advantages.

8. OTHER ADVANTAGES:

a. Zanzibar's geographic position is by itself strategic not only Tourism development but even for transit trade and for the export of manufactured goods. Zanzibar position allows investors to easily import raw materials and semi - finished products for their production lines without necessarily incurring too much overheads while continuing to be competitive in their respective markets.

b. Zanzibar's other added advantage is its labor force. Although it is of low and medium- skill it is literate and highly trainable. It can immediately absorb labor - intensive investments and transit trade undertakings. In addition, if it is exposed to intensive training programs, this labor force can easily be adapted for high-tech employment. So potential investors in high-tech operations should not shy away. Our labor force has all the qualities required to minimize loss and maximize profits - it is hardworking, trustworthy and conscientious.

c. Security and political stability is another component that complement your presence to Zanzibar. It is the responsibility of the state to maintain peace and security, which is an important element of creating an enabling environment for the growth of investment.

d. Development of infrastructure:

Although Zanzibar inherited a poor infrastructure unlike Kenya, Uganda, Zimbabwe and other countries in the region, Zanzibar government has seriously undertaken urgent measures towards the development of the basic required infrastructure which include the road - net works, communication net - works, electricity, water and the like.

It is the foremost consideration in our planning as all the above can only be attained if there is superior infrastructure and reliable utilities. The Government is currently in the process of improving both ingredients, which are vital to the investment.

9. CONCLUSION:

Having said that, I would like to once again register my profound gratitude for the opportunity to address this forum. Like wise express our desire to welcome investors to step in this virgin Island whose environment is intact and strictly presented and we assure you of an efficient and quick response. We have already resolved to be your partner in our progress.

Thank you,