



**THE UNITED REPUBLIC OF TANZANIA
ZANZIBAR INVESTMENT PROMOTION AUTHORITY
OPPORTUNITIES FOR INVESTMENT
IN FISHERIES & FISH PROCESSING**

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ОБЪЕДИНЕННАЯ РЕСПУБЛИКА ТАНЗАНИЯ

**УПРАВЛЕНИЕ ПО РАЗВИТИЮ ИНВЕСТИРОВАНИЯ
ОСТРОВА ЗАНЗИБАР**

**ВОЗМОЖНОСТИ ИНВЕСТИРОВАНИЯ
В РЫБОЛОВНОЕ ХОЗЯЙСТВО**

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1.0 Background

Zanzibar is situated on the east coast of Africa. Its coastline can be characterized by the occurrence of sandy, corals and rocks. These divisions determine the potential of the marine ecosystems, their access and influence of the choice of both fishing methods and equipment.

Zanzibar Islands have one of the most productive fishing grounds in East and Central Africa in particular. This productivity results from the nature of the current fishing system. It is also believed that the number of stocks is relatively high, likely due to stable environmental conditions and minimal exploitation of marine resources. The main marine resources are tuna, kingfish, red snapper and the like. Other resources include crustaceans (mainly prawns, lobsters and crabs), pelagic and demersal fish, shellfish and marine algae/seaweed, presently cultivated in the islands

By implementing stringent fisheries management policies, The Government of Zanzibar (GOZ) is now well on course with the complex process of re-building fish stocks. Within her internally recognized 200 nautical mile Exclusive Economic Zone (EEZ), the government is fully engaged in eliminating illegal fishing activities by foreign fleets. Special incentives for fisheries industrial development have been earmarked to attract foreign and local interests whereby shore based processing plants will have to grow both in number and in diversity.

Many of local businessmen have entered the sector before and after Independence. Recently, new foreign investors have continued to find and request valuable opportunities for investment in the sector, especially as the wholly owned or partners of Zanzibar companies in joint ventures.

The government initiative, to develop fisheries sector, aims to maximize its contribution to the economy and social wellbeing through ease of the constraints faced by people trying to generate income from fishing.

These constraints include a lack of fishing equipment; lack of access to soft finance, non-optimal fishing techniques; competition (sometimes illegal) for the same resources from the foreign fleet, poor fish-processing techniques and a lack of access to markets. Other impediments in this area include lack of knowledge, skills and organization necessary to best manage their social and economic activities in an effective and dynamic manner.

The Government is playing a key role in the management of the fishing industry. The long-term sustainability of the resources and the environmental impact are the key factors for the long-term sustainability, growth and development of the fisheries sector.

1.1 Mission

The main mission of the Government in so far as fishing industry is concerned, is to strengthen Zanzibar position as a leading fishing nation and contribute towards the achievement of the country's economic, social and conservation marine resources for the benefit of all Zanzibaris.

1.2 Objectives

The main objectives that the GOZ has set to achieve its mission are to:

- Promote and regulate the optimal sustainable utilisation of living marine resources within the code of conserving marine ecosystems;
- Establish conducive environment in which the fishing industry can prosper and derive optimal income from marine resources;
- Target the government interest within the international fishing sector;
- Provide professional, responsive and customer focused services;

- Deliver services efficiently and effectively providing best value for money; and
- Continuously invest in human resource development.

1.3 Importance of fish in the economy

Zanzibar has a prosperous fisheries sector that provides an important input to the social and economic development of the country and increases its percentage contribution to the GDP. The contribution of marine fishery to GDP varies between 2.2% - 10.4%. It also has a great potential for domestic and export market. Fishing is also a very important economic activity not only for generating jobs in the local labour force but also for the provision of protein to the local population as well as earning income for the country. Fisheries products are a major source of animal protein to the majority of Zanzibaris.

2.0 Institutional Set Up

2.1 The Ministry of Agriculture, Livestock and Natural Resources

Following the main Zanzibar development plan, the Zanzibar Vision 2020, the government national goal is to eradicate absolute poverty. This strategy was followed by launching of Zanzibar Poverty Reduction Plan (ZPRP) to implement the specific objectives.

These goals are as valid now as when they were first articulated and our progress to date has been rapidly increased.

In the fisheries sector, the government is to ensure that living marine resources are utilized optimally and at a sustainable level and, that the development of the fisheries industry contributes to the nation's overall economic and social development.

Understandably, there has been continuing challenges facing the development of fisheries sector in Zanzibar. However, the government has developed the policy and strategic plan which sets out the strategies and initiatives for further development. This includes the need to rebuild depleted stocks, the limitation of fishing effort on healthy stocks and the use of a precautionary approach to exploiting any newly discovered stocks. This program will help to focus on the tasks ahead and to develop fisheries sector for sustainable economic development. The fisheries sector is dynamic and the government will need to keep pace with change by continuously monitoring developments, reviewing the effectiveness of the strategies and developing further initiatives in support of Zanzibar fisheries industry.

2.2 Role of the Ministry

Among the major role of the Ministry of Agriculture, Livestock and Natural Resources is to manage the development of the fisheries sector both nationally and internationally. The main objectives of the Ministry on fisheries sector are to:

- Ensure that fisheries activity contributes to Zanzibar socio-economic development goals;
- Create a conducive environment in which the fisheries sector can grow to its full potential; and
- Ensure that Zanzibar is properly represented internationally and that national fisheries interests are protected; administer fisheries legislation and regulations; manage the collection of fees generated by fishing activities; manage the collection and preparation of information and fishery statistics.

2.3 Standards of Service

The Ministry of Agriculture, Live stock and Natural resources seeks

- **To be fair to those who rely upon the services**
 - by applying the law and regulations in a correct, consistent and impartial way
 - by keeping private information strictly confidential and using the information only as allowed by law
- **To provide efficient and professional services**
 - by identifying and taking notice of the needs of customers
 - by providing the best possible value for money
- **To be accountable for what it does**
 - by setting standards of timeliness and quality of work
 - by monitoring performance and publishing the results
- **To be helpful and courteous at all times, and**
- **To give prompt attention to enquiries**

2.4 Department of Fisheries

The Ministry has established a special department of fisheries in order to develop and safe guard the fisheries activities in Zanzibar. The department has the responsibility of monitoring, control and surveillance that entails regulating fisheries sector activity within the territorial water as well as the 200 nautical mile Exclusive Economic Zone (EEZ). The other objectives are to:

- Restrict fishing activity to those entitled to do so;
- Ensure that fishing activity is conducted within legal and administrative guidelines; and
- Ensure that revenue from landings is correctly calculated.

2.5 Role of Zanzibar Investment Promotion Authority

- Focal point for all investment.
- Approval and Certification.
- Assistance with other Ministries, Departments and Authorities
- Facilitation of permits (work, residence etc).

3.0 Policies and Regulatory Framework

3.1 Since last decades, The GOZ has put in place a completely new, modern legal and regulatory framework for fisheries management.

This legal framework has drawn much attention and wide praise both nationally and internationally. The fisheries policy was in place since 1999 which outlined the objective of developing fisheries sector in order to increase sustainable economic growth.

- The Territorial Sea Zone Act and Exclusive Economic Zone Act are to be finalised for the parliament to approve.
- Preparation of a Sea Fisheries Act which came into force in 1988 as amended in 2002 implementing the government policies on fisheries sector, which goes together with Sea Fisheries Regulations
- Tanzania follows the Convention for the Commission on Indian Ocean Marine Living Resources.

3.2 While environmental uncertainties must always be recognized as an issue in any strategy for the fishing industry, the government has accepted that some level of certainty for fishing companies must be in place. A clear statement of the government's intent in the development and management of the fisheries sector has thus been made and the mechanisms for long term rights and fish quotas established.

3.3 Fisheries as one of priority sectors within investment policy, therefore the government promote investors to come and explore this sector for social and economic development.

3.4 Status of Fisheries

According to UNIDO study done in 2003. Fisheries resources are vital source of food and along the coastal villages; fishing is the source of income for the economic development. Fisheries are almost 95% artisanal which accounts to majority fish catch produced by fishermen mainly operating in shallow water. The fishermen are using traditional fishing gears and vessels including small boats, dhows, canoes and outrigger canoes. They use uncomplicated fishing techniques and gears such as basket traps, fencing traps, nets, hook and line techniques. Species composition and size of the fish varies with gear type and location. The species that are used to subsistence are emperors, snappers, sweet lips, parrot fish, surgeon fish, rabbit fish, groupers and goat fish. Some are exported. Fish are brought by boat to a landing site and auctioned on the spot

Types of Fish harvested in artsarnal fisheries from 2000 - 2004.

N	FISH GROUP	2000 TONES	2001 TONES	2002 TONES	2003 TONES	2004 TONES
1	Spine foot	1,181.6	1,109.1	1,186.4	710.1	1,112.3
2	Parrot Fish	1,007	1,056.2	827.9	801.1	1058.5
3	Emperors	2,489.5	2,177.7	1,957.7	1,411.4	1,712.6
4	Groupers	200.2	287.6	268.0	176.7	617.9
5	Goat fish	282.4	1,738.7	707.5	363.5	638.4
6	Surgeon fish	269.1	548.3	684.1	521.4	588.6
7	Mullets	150.2	131.9	95.0	107.6	151.6

8	Anchovies	1,424.3	3,202.2	3,772.4	4,881.7	4,041.8
9	Sardine	971.5	571.8	899.0	711.0	1,138.6
10	Mackerels	1,002.2	1,506.3	1,357.3	1,725.7	7,046.6
11	Travellys	469.1	511.4	741.7	471.8	1,299.4
12	Yellow Fin Tuna	1,307.2	1,216.9	1,102.0	1,069.0	1,568.1
13	Sword fish	983.6	734.2	685.1	2,013.4	526.1
14	King fish	973.5	710.6	1,014.0	450.1	636.3
15	Barracuda	1,083.6	685.0	672.0	649.3	826.3
16	Sharks/Rays	891.2	641.5	870.5	1,245.3	1,832.8
17	Octopus/Squid	1,048.7	1,037.7	980.5	701.4	965.0
18	Lobster	305.8	68.4	30.5	64.1	81.1
19	Others	1,881.3	2,606.1	2,491.6	2,786.1	3,439.8
	Total	17,922.0	20,541.5	20,343.1	20,860.6	21,827.1

Resource Management exists to provide advice needed to manage the sustainable utilization and conservation of living marine resources.

The main objectives are to:

- Provide advice to enable sustainable fish catch.
- Provide advice so that policy on harvesting activity and techniques can be formulated.
- Provide advice on the inter-relationship of the environment and the impact this has on fish stocks.

There are limited storage facilities available near the landing sites. The record of the catch is done by beach recorders which form the basis of data for the artisanal fisheries producing. In artisanal fisheries the resources available are about 30,000 tones. However, fisherman harvest between 18,000 – 21,000 tones.

3.5 Fishing Industry

It is believed that Zanzibar's fishing grounds of 200 nautical miles are also amongst the most productive in the East and Southern African. Many commercially important fish species are landed using various fishing methods. To prevent overexploitation and to promote economic viability in the industry, the government issues fishing vessel licenses. The number of licensed vessels operating in Zanzibar waters from 1999 to 2005 is indicated below.

Deep Sea Fish Catch Characteristics for the Period 1999 - 2005

YEAR	FIESHERY	LICENSED VESSELS	FLEET TYPE	TARGET SPECIES
1999	Large Pelagics	11	Longliners	Tuna
2000	Large Pelagics	12	Longliners	Tuna
2001	Large Pelagics	5	Longliners	Tuna
2002	Large Pelagics	4	Longliners	Tuna
2003	Large Pelagics	104	Longliners	Tuna
2004	Large Pelagics	86	Longliners purseiners	Tuna
2005	Large Pelagics	81	Longliners purseiners	Tuna

Other Deep Sea (EEZ) fishing information (see Attachment A)

4.0 Investment Opportunities.

In fisheries sector fish processing and exporting to other countries is a vital part where large investment is required. Since the sector was open for private investments very few companies have started investing in this sector. The long-term approach however requires substantial modernization of the fishing industry to enable it make more positive contribution to the nation's economy

4.1 Deep Sea Fishing

The fisheries in Deep Water is so far unexploited because it requires high investment and hence knowledge of the resources available which is lacking among Zanzibar Local traditional fisherman. However, very few fishermen have participated in this sector. This can be totally owned by a foreign investor or under the joint venture with local investor.

4.2.1 Types of Fish available.

The most important species sustained by the current are tuna like fishes (**attachment A**). However, these fish stocks are subject to pronounced natural fluctuations due the general instability of the oceanographic and biological environment. Fisheries information shows that tuna resources are available in the EEZ of Mozambique, Kenya and Somalia. Since Zanzibar's EEZ is in between Mozambique and these countries, we highly optimistic that during their migratory pattern from south to north to south they must be passing through Zanzibar EEZ. Some fish stocks can even break down completely for a period of time and changes in species composition can occur.

4.2.2 Types of Vessels and Main Fishing Gears.

This sector is capital intensive, hence ships are the main vessels. The fisheries and their main gears are:

- The purse seine fishery -- this fishery targets pilchard and juvenile horse mackerel with purse seine nets.
- The deep-water fishery -- this fishery is targeting sharks, sail fish, sword fish, marlin etc.
- The tuna fishery targets albacore, big-eye and yellow-fin using long lining and pole and line methods;
- The lobster fishery -- small vessels are used to bring the live and dead lobster ashore every day.
- The crab fishery -- is a small fishery that uses traps to deep water crab, this fishery operates throughout the whole year.

4.2.3 Capital Investment

Proposed estimated capital investment to range from US\$ 1,000,000-25,000,000. This will include vessel (ship), gears, on shore cold store facility (if need be) etc.

4.3 Frozen Sea Food

The project entails the construction of a modest processing plant. The plant aims to buy and freeze the fish and make them available during the year. A fishing unit of boats can also be established which will be actively involved in the fishing process. For this sub sector, artisanal fishermen will be able to sell their fish to the processing unit. Special exportable species such as lobster, marlin shellfish, tuna, groupers and emperors will be purchased from the fishermen. Therefore, the catches are mainly relied from artisanal fishermen.

4.3.1 Capital Investment

Proposed estimated capital investment to range from US\$ 700,000-2,000,000. The cold storage facilities, processing shed, packaging machines and so on are inclusive in the capital estimation.

4.4 Fish Processing and Canning Plant

The project will entail the processing and packaging of Tuna Mackerel and Sardine Fish of high quality for domestic and export markets. At a later stage the factory envisages to diversify into packing prawns, lobster and octopus. The canning factory's proposed location is expected to be in the industrial area.

Small fishermen of Zanzibar are unable to expand their business in the absence of proper marketing, fishing gear and storage facilities. Though there's ample fish stock in the territorial waters of Zanzibar, this remains unexplored due to these constraints. Hence, this project would directly benefit the nationals and will increase exports in value added terms.

4.4.1 Capital investment

Proposed capital investment to a minimum of US\$ 1000,000 will be required in the fisheries sub sector.

4.5 Fish Farming.

Fish farming is expanding world-wide in both developed and developing countries because this fishes can be cultured under very basic conditions and so is ideal for rural subsistence farming. In Zanzibar, it has come to play a vital role in supporting rural communities. The government has established a pilot scheme in some of its provinces to judge the feasibility of, and market for, so as to attract larger operation. The possible aims of fish farming include the production of fish for domestic consumption and for export market.

Intensive fish farming is costly and requires careful management. It is a huge investment and it involves many experts from soil analyst, water, and chemical analyst, and every stage of growth to the processing plant. Consistently Quality is the most important aspect for the existence of the company and export. Therefore, the government is promoting this sector to attract foreign investment.

5.0 Market

As the fisheries sector gained importance in national economies, high prices, sustained demand, and generally open access to fisheries resources led the rapid growth of demand for fish and fish products in recent

years, both domestically and in export markets, Hence, fisheries investments became more attractive to both entrepreneurs and governments.

The main marketing areas for the project will be East and Central Africa, the Gulf States, Far East and Europe, but the quality of the product will be the main criterion for penetrating into these markets. Therefore, technical know how is needed for the production of quality fish products.

Under the Lome Convention there is no quota for Zanzibar products to the European Markets, hence Zanzibar could be the nearest supply and center for that market.

5.1 Asia

Demand for fish is expected to increase in the areas severely affected by Tsunami especially in Indonesia, Malaysia, Thailand and Sri Lanka. The main reason for this trend is the declining supply of marine fish from their local fisherman who are hard bit by the disaster , most consumers are reluctant to buy or eat fresh fish from the affected fishing areas. Therefore relief agencies which are providing food may also bring in a large quantity of fish to the areas.

5.2 South America

The production of sea food has decreased significantly in most of the South American countries. E.g. Peru, For the period of January October 2004, canned seafood dropped by 51% to 42,000 MT from 86,200 MT recorded during the same period in 2003. As a result, the exports value of canned seafood also declined slightly from US\$ 31.5 million in 2003 to US\$30.9 million in 2004.

5.3 Europe.

The importation of fish is also expected to increase rapidly in many European and Scandinavian Countries. The main reason behind this increase is the major declining of the supply of chickens from different poultry farmers. Most of these countries are severely affected by birds' flues which also inhibit the consumption of chicken. As a result more European consumers will shift from eating chicken to fresh or canned fish.

5.4 United States of America.

The demand for fish in the United States of America is strong in both regions which, combined with a moderate growth in production and means that the exporters expect to see a reasonably increase of market share over the next few years. The Fish Market offers freshest and highest-quality seafood in all hotels and restaurants business. The market also offers shellfish specialties, chowders and cioppino, seafood cocktails, smoked fish and pasta appetizers, as well as salads and sandwiches. The companies which deal with fish business are very proud for being seafood people in American market.

The American market is open to every country. The exporters do not need export certificate to enter into the market. They are required to contact the US Food and Drug Association (FDA) for their certification of fish and fish products. The company can export seafood but they have to comply with FDA seafood requirements. The exporters are also required to use Good Manufacturing Practices (GMPs) and they should identify all drugs and chemicals used in farming and processing in relation to safety of the products.

6.0 INFRASTRUCTURE

International port/airports- recently rehabilitated, various shipping line call at Zanzibar Port, connected to national power grid via under the water marine cables, efficient telecom system, all major road networks under major repairs.

7.0 INCENTIVES FOR INVESTORS

7.1 Free Economic Zones may grant the following tax incentives;

- (a) 10 – Year Corporate Tax Holiday and 25% Tax for the subsequent ten years.
- (b) 10 – year withholding tax holiday on dividend to non-residents.
- (c) Duty and VAT Exemption on raw materials, machinery, equipment and other inputs.
- (d) Stamp duty Exemption.
- (e) 100% investment deduction on capital expenditure within 20 years.
- (f) Exemption from tax on dividend for ten years.
- (g) Duty and Tax Free Import of goods from domestic tariff area permissible.
- (h) Duty Free import of material for construction of factory buildings.
- (i) Duty Free export of goods produced.

- (j) Exemption of Income Tax on interest on borrowed capital.
- (k) Exemption from payment of all taxes and levies imposed by local government authorities for goods and services produced in a Free Economic Zones.
- (l) On site customs inspection of goods in lieu of off-port inspection.
- (m) No foreign exchange restriction.

7.2 Investors investing outside Free Economic Zones may also be granted the following tax incentives.

- (a) During the construction phase for an approved enterprise, or approved domestic enterprise, the enterprise shall be exempted from customs and import duties and other similar taxes on machinery, equipment, spare parts, raw materials, vehicles and other goods necessary and exclusively required by that enterprise for the construction phase.
- (b) Raw materials for the trial operations of an approved enterprise or approved domestic enterprise may be exempted from import duties.
- (c) Provided the quantity of such raw materials does not exceed eighteen months' supply for one shift production operation.
- (d) Five year tax holiday.

CONTACT US

The Executive Director
Zanzibar Investment Promotion Authority

MARUHUBI INVESTMENT COMPLEX
P.O. Box 2286 - Zanzibar
Tel: +255 24 2233026, +255 24 2237358
Fax: +255 24 2232737
E-Mail zipaznz@zanzinet.com
zipa@zanzinet.com
Website: www.investzanzibar.org