

# **Realizing the Blue Economy in Zanzibar: Potentials, Opportunities and Challenges**

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# 1. Introduction

The Revolutionary Government of Zanzibar (RGZ) has determined to utilize its ocean resources to drive the development agenda outlined in the *Zanzibar Development Vision 2050* (RGZ, 2020a) and the *Zanzibar Blue Economy Policy* (RGZ, 2020b). The decision to base Zanzibar's long-term strategic direction on the blue economy is justified by, on the one hand, its limited inland resources, and, on the other, its strategic geographical location providing opportunities to create significant ocean-based wealth.

Hitherto, the livelihood of a typical *Zanzibari* has relied mainly on coastal and maritime services, as the economy of Zanzibar has been dominated by tourism (including beach), small-scale fishing and maritime trade. However, in spite of the growth potential of coastal and marine resources, pressure from human and natural developments has posed significant challenges to development and the well-being of Zanzibar's people. Recognizing this potential, the RGZ has embraced the blue economy as the framework for achieving Zanzibar's sustainable development.

This paper reviews the concept of blue economy, how it relates to Zanzibar and how to take advantage of the development opportunities it provides. In particular, the paper identifies the strengths of the blue economy and the opportunities available, and how these may be utilized to address development challenges and maximize societal benefits. The paper recognizes that implementation of the blue economy concept in Zanzibar is in its early stages. Therefore, it focuses on issues relating to formulation of a blue economy strategy in Zanzibar. The paper aims to stimulate constructive discussion to enrich and complement the efforts of the RGZ to develop this vitally important strategy.

The paper is structured as follows. Section 2 briefly presents the concept of the blue economy while Section 3 discusses reasons why the blue economy is relevant for coastal countries generally and for Zanzibar specifically. The status of the blue economy in Zanzibar is presented in Section 4, followed by discussion of the key steps needed to develop a strategy to realize a sustainable and competitive blue economy in Section 5. Section 6 highlights the necessity for making strategic choices to advance the blue economy and Section 7 discusses institutional challenges. Section 8 concludes the paper.

## 2. The Concept of a Blue Economy

The blue economy is defined as the sustainable use of ocean resources for the development of a country or community (World Bank, 2017). It encompasses two interdependent and mutually reinforcing development phenomena. The first is *enhanced sustainability* of ocean resources, achieved through restoration, protection, and maintenance of the diversity, productivity, resilience, core functions and intrinsic value of marine ecosystems. Central to this first aspect of the blue economy are sustainable practices for ocean resources, encompassing utilization of safe methods and technologies, renewable energy, and circular material flows to reduce waste and promote recycling of materials, as well as controlling over-exploitation. The second is *enhanced social and economic benefits* arising from superior economic and social opportunities of coastline communities, shared equitably across social strata and over current and future generations. The richness of the blue economy concept lies in the interdependence and mutual reinforcement of these two phenomena. Therefore, both must be fully and concurrently implemented to realize their potential benefits.

This departs from the earlier view which perceived the ocean as a means of free resource extraction and waste dumping. By appreciating and incorporating ocean values and services into the management of ocean resources, the blue economy seeks to improve people's livelihoods and protect ocean resources simultaneously. As the two phenomena also fulfil the requirements of the UN 2030 Agenda for Sustainable Development, the blue economy is an integral part of this global agenda. Expressed differently, the blue economy is about *greening* marine and coastal resources, as opposed to *browning* (UNEP, FAO, IMO, UNDP, IUCN, GRID-Arendal, 2012).

### 3. Why Coastal Countries Should Adopt the Blue Economy Strategy

Around 40% of the global population live along coastal areas, of which a significant proportion rely on ocean resources for their livelihoods and businesses. The sector is estimated to contribute USD 2.5 trillion annually to the global output but its contribution to individual economies varies widely. For example, ocean-based activities contribute around 4.1% of India's GDP, 11% of the GDP of Mauritius, and 70% of Norway's export revenues.

Contributions of the blue economy vary by sector. For example, about 80% of the world's international trade is transported by water, 50% of international tourists travel to coastal destinations, and around 30% of the world's oil and gas production comes from offshore.

In Africa, the huge potential of the blue economy remains untapped. Of the 54 African states, 38 are coastal countries and the continent has a total coastline of 30,500 kilometres. Yet, to date, most blue economy activities are small scale, taking place along coastal reefs using traditional methods and crafts. This means the blue economy has a huge potential for the socio-economic growth and transformation of African societies.

Many of Africa's coastal countries are also classified as Least Developed Countries (LDCs) and/or Small Island Developing States (SIDS). The United Republic of Tanzania is one of 33 LDCs in Africa and the archipelago of Zanzibar, which consists of the two main islands of Unguja and Pemba along with smaller neighbouring islands, is a semi-autonomous region within the country. Viewed in isolation, Zanzibar shares many characteristics of a Small Island Developing State. Ocean-based activities contribute over 29% of Zanzibar's GDP and employ around 33% of its labour force (RGZ, 2020b). Therefore, the development of blue economy strategy in Zanzibar (and for the coastal areas of Mainland Tanzania) is vitally important to national development.

At present, the full resource potential of the blue economy can only be estimated due to scarcity of information. In addition, not all is known about the sector's contribution to livelihoods and businesses, especially in LDCs, since the sector is dominated by informal activities. However, as new technologies make exploration and exploitation of ocean resources more economically viable, the social and economic benefits of embracing the blue economy become clearer. Despite the information gap, there are obvious benefits for coastal countries to embrace a blue economy strategy which are outlined below.

#### Compliance with the UN 2030 Sustainable Development Agenda

The blue economy enables resource-constrained coastal countries, especially SIDS, to participate fully and achieve the UN 2030 Sustainable Development Agenda. This has been made possible since the 2012 United Nations Conference on Sustainable Development (UNCSD), also known as Rio+20, when, at the request of coastal countries, the definition of the green economy was extended to include the blue sectors (UNCSD, 2012). For many coastal countries, the green economy—based and presented in the context of sustainable development and poverty eradication—is more easily conceived and achieved through the blue economy, which is better suited to their circumstances, constraints and challenges.

#### Enhanced inclusiveness

Ocean-based resources contribute significantly to gross value added (GVA) and employment in coastal countries and island states. For these countries, whether rich or poor, the blue sectors are the backbone of people's livelihoods and businesses. In African countries, such as South Africa, Mauritius and Seychelles, early initiatives to implement national blue economy strategies have achieved successes and generated good practices that can be emulated by other African states.

Adopting the blue economy strategy as a logical continuation of the livelihood and business frameworks that already exist has two intertwined advantages. First, the strategy is implemented as an integral part of the

existing livelihood frameworks. It does not leave anybody behind. Second, the strategy uses existing local knowledge as a basis for upscaling ongoing activities and development systems and structures.

### **Improved sustainable use of ocean resources**

The potential of ocean resources to meet the sustainable development needs of coastal communities is enormous, but only if those resources can be protected, restored and maintained in a healthy and productive state. Human development activities (both inland and offshore), agriculture, land-based pollution, marine litter, and illegal and unregulated fishing have seriously taxed the resilience of the marine and coastal resource base. In addition, the impact of climate change on weather patterns (such as frequent floods and increased hurricanes) and the associated threats of rising ocean levels and ocean acidity have significantly undermined marine ecosystems. Therefore, adopting a blue economy strategy is key to protecting, restoring and maintaining biodiversity, ecological function and the provision of environmental services.

### **Increased economic growth and diversification**

The concept of blue economy has raised awareness of the unexploited potential of ocean resources, especially in resource-constrained coastal countries, such as SIDS. Countries originally constrained by inland resources have become resource rich, exposed to new possibilities and opportunities. This has enabled countries to think outside the box and to reason outside of the traditional focus on inland resources.

Ocean-based resources have offered new hopes for economic diversification, especially for the SIDS with highly vulnerable economies dependent on agriculture and tourism, which are susceptible to shocks arising from both natural and man-made environmental risks.

### **Enhanced linkages between inland and offshore activities**

The blue economy provides an opportunity to organically link inland development with ocean activities. As stated above, unsustainable inland human development activities have serious negative impacts on the marine and coastal resource base. Therefore, inland compliance with sustainable development is a prerequisite for good performance of coastal and offshore initiatives. Said differently, a green growth strategy in the inland is key to a good performing blue economy. Similarly, the positive performance of ocean resources flows on to inland (investment) capabilities and releases pressure on resource use and destruction.

## 4. Status of the Blue Economy in Zanzibar

The blue economy has diverse components, including established traditional ocean activities such as fisheries, tourism and maritime transport, but also new and emerging undertakings, such as offshore renewable energy, aquaculture, seabed extractives, and marine biotechnology and bioprospecting. A number of services provided by ocean ecosystems, for which markets do not exist, also contribute significantly to economic and other human activities, such as carbon sequestration, coastal protection, waste disposal and biodiversity.

Until recently, in many developing countries, ocean resources have generally been used as a means of accessing free resources and waste dumping, with economic and social costs excluded from discussions and decisions. In these countries, policy and regulatory interventions have been used to respond to and comply with global wishes and requirements rather than as instruments of national or local development. This has recently changed however, as LDCs generally, and SIDS in particular, have begun to appreciate the huge potentials and opportunities of ocean resources.

As mentioned earlier, the ocean-based economy is not a new phenomenon in Zanzibar. For centuries, the people of Zanzibar have engaged in domestic and international ocean-based activities, and the sector has grown in size, content and significance. The blue activities are estimated to have contributed around 29% of Zanzibar's GDP in 2019 and employ about a third of Zanzibar's labour force. Traditional blue activities have included coastal and marine tourism, fishing and maritime trade, but recently aquaculture, dominated by seaweed farming, has enjoyed significant growth. In addition, the tourism sub-sector accounted for about 30% of Zanzibar's GDP while fishing accounted for another 4.8%. The latter also employed directly around 63,000 fishers and a further 14,000 workers in related activities. The seaweed industry accounted for 21% of Zanzibar's exports (and 34% of total crop exports), and directly employed about 113,000 farmers, 80% being women. Further, 98% of the volume of foreign trade in Zanzibar was maritime-based. (RGZ, 2020b)

The importance of ocean resources to the livelihoods of the people of Zanzibar raises two fundamental questions. First, given the significance of this resource, does it contribute sufficiently to the growth and development of the population? Or is there potential for more growth? Second, are the current operations of the blue sector sustainable? Put differently, do they comply with the 2030 UN Sustainable Development Agenda? Or does Zanzibar need to do things differently?

To respond to these questions, the Revolutionary Government of Zanzibar developed the *Zanzibar Development Vision 2050* (hereafter referred to as Vision 2050) and the *Zanzibar Blue Economy Policy* (hereafter referred to as The Policy), and is in the process of developing the *Zanzibar Blue Economy Strategy* (hereafter referred to as The Strategy). Vision 2050 sets out the long-term goals and aspirations of Zanzibar and distinguishes the blue economy as a key strategic driver for realizing them. The Policy provides a guiding framework for the implementation of the blue economy, and has identified five areas of focus, namely, fisheries and aquaculture, maritime trade and infrastructure, energy, tourism, and marine and maritime governance. The Strategy shall detail the key strategic choices for the blue economy to achieve the goals and aspirations of Vision 2050.

As the RGZ is in the process of formulating its blue economy strategy, this paper aims to add value to its deliberations. The paper uses the tourism sub-sector to show how strategic choices for achieving a competitive sub-sector within the blue economy may be identified and provides a guiding framework for decision making. The analysis is by no means exhaustive but seeks to contribute to the government's development of the blue economy in Zanzibar.



## 5. Realizing the Blue Economy in Zanzibar

Vision 2050 details the long-term goals and aspirations of Zanzibar to achieve high middle-income status. It distinguishes the blue economy as the key strategic driver for realizing its development goals. Therefore, the blue economy has been tasked to deliver accelerated sustainable development through the sustainable utilization of ocean resources. From the economic and business point of view, achieving accelerated sustainable development requires a country to develop a competitive economy; in this case, a competitive blue economy for Zanzibar. To achieve this ambitious goal a realistic strategy must be developed and implemented.

How can such strategy be developed? What issues need to be considered? How are strategic choices for achieving a competitive blue economy in Zanzibar identified and organized?

### Why should a country aim to achieve a competitive economy?

Before discussing strategy formulation it is important to understand what a strategy aims to achieve, in this case, a competitive blue economy. Competitiveness is in relation to productivity, that is, the ability to produce more outputs with the same (or less) quantity of inputs. Therefore, competitiveness matters for four reasons.

- a) Competitive countries create greater wealth, higher incomes and improved well-being for their citizens.
- b) Competitive countries offer higher returns on investment; both private and public investments have greater potential to translate into economic growth.
- c) Competitiveness implies economic stability and resilience. *The Global Competitiveness Report 2009-2010* (World Economic Forum, 2009) shows that countries that have competitive strengths in a variety of areas are able to exit economic crises faster and to rebound much more strongly.
- d) Competitiveness protects local economies from more aggressive foreign competitors and facilitates exports.

This understanding can be read from H.E. President Hussein Mwinyi in his inaugural speech to the Zanzibar House of Representatives on 11 November 2020. In his address, he constantly used the phrase '*Mapinduzi ya Kiuchumi*' literally translated '*economic revolution*' to mean '*economic transformation*' (RGZ, 2020c). Only a competitive economy can achieve '*economic transformation*' and the ambitious goal of a high middle-income status for Zanzibar by 2050.

### Issues and implications for realizing a competitive blue economy

So, what issues need to be addressed when formulating a strategy to achieve economic competitiveness? Strategy formulation involves two important stages. The first is to conduct a situation analysis of the envisaged strategy. This is an objective assessment of the environment within which the strategy is to be developed and implemented and the factors which may impact implementation. This is a purely technical exercise. The second stage is to identify and organize strategic (factors) choices for driving competitiveness. This exercise is not entirely technical; political decisions may influence choices.

#### **Situation analysis**

It is important to evaluate the environment within which the strategy will be implemented and the factors which will impact (negatively and positively) its implementation. To a large extent, this is about placing the strategy within a realistic context, one that fully recognizes that during implementation the strategy will be impacted by both internal and external environments.

The internal environment encompasses capacity strengths and weaknesses that, respectively, support and impede strategy implementation. Strengths include positive factors and/or areas of success such as resources, culture and traditions, financial and human resources, technology, etc. The identified strengths must be of the nature that give the country capacity uniqueness. Once identified, strengths/uniqueness must be enhanced and fully utilized to drive strategy implementation. However, in some instances, the same internal capacity areas may become sources of strategy weakness and, hence, impact negatively on strategy implementation.

Once identified, weaknesses must be improved or complemented to support strategy implementation. It can be noted that internal capacity factors are within the control of the strategy owner and can be managed internally.

The external environment encompasses (external) opportunities and threats which, respectively, work to facilitate and impede strategy implementation. Opportunities are positive factors that may emanate from external forces (political, economic, socio-cultural, technological, environmental and legal). Once identified, opportunities must be fully exploited to support strategy implementation. But the same external environment areas may produce threats which impact negatively on strategy implementation. Once identified, threats must be monitored and (where possible) managed. It can be noted that issues arising from the external environment are outside the control of the strategy owner and cannot be fully influenced or managed internally. However, collaboration and partnership with external partners may enhance the benefits arising from the opportunities and reduce the negative impact of potential threats.

The critical requirement for undertaking the situation analysis is to exercise honesty. As this exercise is a country's self-assessment of its internal capacity against the external environment, there can be temptation for bias. Only unbiased information can produce a strategy for achieving economic competitiveness. This is possible only with open and frank participation of key stakeholders. Hence, inclusiveness is a fundamental prerequisite in the situation analysis exercise.

### ***Making strategic choices***

The situation analysis aims to provide the basic information for formulating the desired strategy. Based on this information, the next stage is to select and organize strategic (factors) choices for achieving economic competitiveness. As mentioned earlier, this exercise is not entirely technical; political decisions may influence choices.

The question is how to identify and align strategic choices to achieve economic competitiveness? As described earlier, a country's competitiveness is driven by its internal capacity strengths/uniqueness, supported by external opportunities. On the other hand, its competitiveness is weakened by internal weaknesses and external threats. Therefore, a country's competitiveness is a result of a careful and realistic alignment of its (internal) capacity strengths and weaknesses with the (external) environment. Aligning (internal) strengths and weaknesses with (external) opportunities and threats enables the performance, competition, risk and potential of the strategy to be assessed in relation to the identified goals. To achieve economic competitiveness, a country is advised to organize choices as follows:

- a) Make the most out of available strengths. It is important that strategic projects/activities are based on the country's internal capacity strengths. As mentioned earlier, a country's internal capacity strength is its uniqueness in the production environment, i.e., the country's ability to produce unique products and services. Since customers seek out unique products or services—and they are generally prepared to pay for them—uniqueness works to reduce head-on market competition and protect profitability. By avoiding head-on competition, uniqueness also opens room for more players in the market and broader wealth creation.  
From the strategy's point of view, a country's strengths/uniqueness can be utilized to maximize or take advantage of available opportunities and to minimize or avoid real and potential threats. For the former, a country can use its competitive advantage to reduce or eliminate market competition (and increase profitability), as well as penetrate a new (or lost) market or introduce a new product. For the latter, a country can use its strengths or competitive advantage to stop new entrants.
- b) Capitalize on opportunities. External opportunities may come in different forms, including financial and human resources, new and lost markets, technology, partners, etc. In addition to complementing available strengths, opportunities may be used to minimize or overcome a country's weaknesses, for example, using external alliances and/or resources to grow the business.
- c) Strengthen internal capacity weaknesses. A country must work on its weaknesses to build a better future. A country and its competitors face similar weaknesses and external threats, and it is likely competitors are aware of your internal weaknesses. It is important to minimize internal weaknesses and turn them into future strengths if possible.
- d) Monitor real and potential threats and manage them as far as possible.

## The Zanzibar tourism sub-sector as a case study

The tourism sub-sector in Zanzibar is used to demonstrate how strategy formulation can be undertaken to achieve the desired competitive outcome. As stated above the first step is to undertake an objective situation analysis.

As also described above, the participation of key stakeholders in the situation analysis is an important requirement. Therefore, a focus group discussion was convened on 1 June 2021 involving fourteen experts and representatives from the RGZ and the private sector. The following questions were raised and discussed to assess the internal (capacity) and external environment surrounding the tourism sub-sector in Zanzibar.

**Strengths:** Are there unique capacity factors that distinguish Zanzibar from others? Are there capacity areas that Zanzibar is doing better than others?

**Weaknesses:** Are important capacity factors lacking in Zanzibar? Are there capacity issues that others are doing better than Zanzibar? What are Zanzibar's resource limitations?

**Opportunities:** Are there underserved markets? What about emerging demand? Where is the competition least intense? Is media coverage positive?

**Threats:** Are there emerging competitors in the market? Are there emerging competing (substitute) products in the market? Are there geo-political conflicts that may negatively impact the strategy? Are there developments that may speed up climate change? Is there negative media coverage?

The results of the discussion regarding available (internal) resources and capabilities and the (external) environment for the tourism sub-sector in Zanzibar are summarized in Tables 1 and 2 below.

**Table 1: Strategic analysis of Zanzibar tourism sub-sector**

<b>STRENGTHS/UNIQUENESS</b>	<ol style="list-style-type: none"> <li>1. Infrastructure: Unique historical buildings and roads- architecture and landmarks</li> <li>2. Spice farms: Variety of spices not easily found elsewhere</li> <li>3. Jozani Forest and Butterfly Centre: Zanzibar red colobus monkeys and butterflies</li> <li>4. Rich cultural history that incorporates Arab, Swahili and Islamic traditions</li> <li>5. Coral reefs: undamaged, suitable for scuba diving</li> <li>6. Whales and dolphins in large numbers locally, but also migratory species</li> <li>7. Green back turtles on the list of endangered species</li> <li>8. Prison Island</li> <li>9. Unique <i>Zanzibari</i> cuisine</li> </ol>	<b>WEAKNESSES</b>	<ol style="list-style-type: none"> <li>1. Inadequate human competencies; poor customer practice and care, limited skills, including language proficiencies to match emerging markets</li> <li>2. Guides not trained to cater for the Swahili speaking local tourists</li> <li>3. Inadequate financial resources</li> <li>4. Inadequate supporting infrastructure, including ports, hotels, roads and sewage system</li> <li>5. Inadequate/ineffective marketing, including e-marketing, branding</li> <li>6. Inadequate information/data</li> <li>7. Cumbersome visa procedures</li> <li>8. Destructive human activities including pollution, unfriendly behaviours against dolphins</li> <li>9. Inadequate law enforcement, for example against encroachment</li> </ol>
<b>OPPORTUNITIES</b>	<ol style="list-style-type: none"> <li>1. Skilled HR available in neighbouring countries</li> <li>2. Strategic location vs mainland tourist sites</li> <li>3. Underserved (recently lost) markets, including Germany, Britain, Japan</li> <li>4. Emerging foreign and local markets (domestic middle-class)</li> <li>5. Technology including social media to facilitate e-marketing</li> </ol>	<b>THREATS</b>	<ol style="list-style-type: none"> <li>1. Negative feedback from Western and local media</li> <li>2. Negative impact of climate change</li> <li>3. Conflicts in neighbouring countries</li> <li>4. Terrorism</li> </ol>

The list of (internal) resources and capabilities and the (external) environment of the Zanzibar tourism sub-sector shown in Table 1 may miss important information because of the limited representation of key players from the sub-sector. Further efforts to refine and expand the information collected have not been made given that the exercise is for illustrative purposes. However, the importance of adequate stakeholders' representation in the situation analysis cannot be overstated.

In addition, the tourism sub-sector may also be impacted by factors external to the sub-sector but internal to Zanzibar. From the perspective of the sub-sector's strategy formulation these must also be recognized. Aspects such as strong political support for the blue economy are positive factors which may not feature in the situation analysis for specific sub-sectors but have strong impact on implementation. Therefore, in addition to the tourism-specific situation analysis undertaken above, there is need to identify (internal) strengths and weaknesses as well as (external) opportunities and threats that cut across the entire blue economy.

This exercise is important for the following reasons:

- a) Cross-cutting strengths and opportunities are supportive to all sub-sectors. Strengths must be preserved and reinforced, and enabling conditions must be created to exploit available opportunities.
- b) Cross-cutting capacity weaknesses negatively impact all sub-sectors. Short-term measures to complement and long-term remedies to reverse weaknesses and improve capacities must be put in place.
- c) Cross-cutting threats weaken strategy implementation in all sub-sectors. They must be monitored and possibly managed.
- d) Cross-cutting factors are more effectively coordinated centrally, although local or community participation is key to ensure success and sustainability.

Table 2 shows the situation analysis for factors or issues that cut across all sub-sectors in the blue economy in Zanzibar.

**Table 2: Cross-cutting internal capacity and external opportunities and threats for the Zanzibar blue economy**

<b>STRENGTHS/UNIQUENESS</b>	<ol style="list-style-type: none"> <li>1. Strategic location of Zanzibar—good weather, market accessibility across the Indian Ocean and with land-locked states in Eastern Africa</li> <li>2. Clean and undisturbed natural resources</li> <li>3. Strong political will championed by the President</li> </ol>	<b>WEAKNESSES</b>	<ol style="list-style-type: none"> <li>1. Limited capacity for coordination—horizontal, vertical, regional</li> <li>2. Weak marketing and inadequate market infrastructure</li> <li>3. Inadequate human and financial resources</li> <li>4. Inexperience in developing and implementing effective monitoring and evaluation (M&amp;E) systems</li> <li>5. Limited data availability</li> </ol>
<b>OPPORTUNITIES</b>	<ol style="list-style-type: none"> <li>1. Emerging markets from emerging economies</li> <li>2. Availability of globally accepted natural resource management models, for example, the Natural Resource Charter (NRC) for non-renewables</li> <li>3. Availability of technology for almost all sub-sectors</li> <li>4. Availability of competent human resources across the globe</li> </ol>	<b>THREATS</b>	<ol style="list-style-type: none"> <li>1. Degraded water and ocean resources</li> <li>2. Maritime insecurity</li> <li>3. Geopolitical issues</li> <li>4. Climate change threats</li> <li>5. Unfair trade practices</li> </ol>

## 6. Policy and Strategy Choices

As mentioned earlier, the RGZ is determined to utilize ocean resources to deliver accelerated sustainable development through the sustainable utilization of ocean resources. To achieve this, the Government needs to develop a winning strategy, one that has a set of strategic choices that will enable Zanzibar's blue economy to effectively compete within the region and globally. Development of this strategy is a two-stage exercise. First, unique strategies for all blue economy sub-sectors will need to be formulated which are targeted to meet the requirements of defined clients. The second is to consolidate these sub-sectors strategies into the unique *Zanzibar Blue Economy Strategy*.

Strategy is about winning in this competitive world. It is about identifying and organizing available factors to produce unique products/services to satisfy chosen clients. In the current context, it is about implementing a set of strategic choices that will enable Zanzibar's blue economy to produce unique goods and services to effectively compete within the region and globally.

This implies that not every customer will be targeted and not everything will be implemented. The decision as to which clients to target and, therefore, what to produce will largely depend on Zanzibar's present strengths and opportunities. It is also about identifying low-hanging fruits. Therefore, the RGZ will use technical grounds to decide which sub-sectors to prioritize and, in turn, the activities within each chosen sub-sector. With time, internal capacity will grow, and more sectors, sub-sectors and activities can be incorporated. Sequencing implementation along the path of the country's strength and opportunities will help to ensure economic competitiveness and the success of the strategy.

However, many times, strategy decisions are not entirely technically determined. Often technical and political factors mix to produce a societal decision. This combination of factors aims to achieve not only economic competitiveness, but also works to balance technical considerations with public expectations

For example, Zanzibar has strengths and opportunities to target all three levels of tourists: low income (mass), middle income and high income. However, it would be too complicated and frankly not feasible to target all three levels at the same time. This is because the selection of a client implies a chain of choices needed to produce a unique product for that client, that is, some choices for client A may constrain client B, and vice versa. Therefore, a decision must be made about which category of tourist to target. Each decision has advantages and disadvantages. These must be known and weighed to determine the final decision.

In Zanzibar, if the decision is made to target low-income (mass) tourism, existing internal capacity would meet requirements, aligning well with the currently limited financial and human resources available and enabling the participation of local investors, workers (skills), service providers, etc. But mass tourism is generally associated with environmental and infrastructural damage, cultural conflicts, and, in the case of small nations, tourists seemingly drive out the locals. On the other hand, if decision is made to target high-income tourists, internal capacity would have to be complemented with outside capacity using available external opportunities. The result would be almost opposite.

A technical decision for small islands such as Zanzibar would be to target high-income tourism. However, this would generate outcry from the public, which may face unemployment and economic exclusion, especially among unskilled and inexperienced youth and service providers. Therefore, a more likely political decision is to target high-income tourism in the long term but adopt a phased implementation approach aligned with internal capacity.

## 7. Institutional challenges

Many of the (internal) capacity weaknesses and external threats included in Tables 1 and 2 are related to institutional inadequacies. This is not unique to Zanzibar. Lack of institutional capacity is a cross-cutting challenge generally for LDCs. LDC leaders dedicate substantial time and resources to build institutions, as opposed to their Western counterparts who focus on running already established institutions (Museveni, 2014). Institutional challenges also featured prominently in discussions during the Blue Economy Forum co-organized by the RGZ and the UONGOZI Institute in Zanzibar in June 2021. This issue is given more attention in this paper because institutions may determine the success or failure of a strategy and leaders are encouraged to think through the implications.

North (1990) defined institutions as formal and informal rules and norms that shape social, political and economic relations. In the blue economy context, these would typically be reflected in the central and local government's policies, laws (by-laws) and regulations, as well as global legal requirements. But rules and norms need organizations to implement and enforce them. Therefore, a country, in this case Zanzibar, needs appropriate institutions and organizations to implement a competitive blue economy.

In their discussions, stakeholders raised institutional challenges which they felt needed immediate attention as Zanzibar proceeds to develop and implement the blue economy strategy. It may be noted that many of these institutional challenges are capacity related.

### Framework for managing the blue economy

The blue economy is a complex industry, involving renewable and non-renewable resources. While the *Natural Resource Charter (NRC)* provides guidelines to assist governments and societies to effectively manage non-renewable natural resources in a way that generates economic growth, promotes the welfare of the population and is environmentally sustainable, no such guidelines have been developed for renewables. Therefore, fundamental questions need to be addressed by policy makers: How should Zanzibar's resources (renewables and non-renewables) be managed? What institutional setup is required for managing the blue economy sector? Should the sector be managed under one entity (ministry), two entities (split between renewable and non-renewable resources), or by sub-sectors (fishing, mining, etc.)?

### Framework for coordinating blue economy activities

As the blue economy involves multiple sectors, its successful implementation requires effective coordination at three levels:

#### ***Horizontal coordination across sub-sectors and sectors***

As a multi-sectoral activity, implementation of the blue economy will involve multi-sectoral projects that are likely to bring in multi-sectoral teams. Effective and efficient coordination starting from project formulation and resource mobilization to implementation is key to project success. Who is doing what and how do they relate to others?

#### ***Vertical coordination within sub-sectors***

At each level of implementation *within* each blue economy sub-sector, from the highest to the lowest, decisions must be made as to who is doing what and how they relate to others. This may get more complex when semi-autonomous state-owned institutions (SOIs) are part of the institutional framework, which also have some having profit-making functions.

#### ***Regional coordination among countries sharing ocean resources***

Peace, security and stability are needed as pre-requisites for smooth implementation of the blue economy. This necessitates cooperation among the countries and communities in the region, which in the case of

Zanzibar, is the western Indian Ocean region. The blue economy provides an opportunity for countries to project themselves as 'net security providers.' Zanzibar's uniqueness as part of the United Republic of Tanzania (URT) presents an interesting context, especially when the Union Government is lagging behind in the implementation of the blue economy. Do policies, laws and regulations in the URT and Zanzibar align with the rest of the region? Are they enforceable? Are they being enforced?

### **Framework for mobilization of resources**

The Revolutionary Government of Zanzibar is determined to implement the blue economy (covering the five sub-sectors) as a strategy to realize the ambitious *Zanzibar Development Vision 2050*. Therefore, substantial human and financial resources have to be mobilized within the period to facilitate implementation.

At this early stage, the blue economy sector requires a dynamic and creative human resource with the ability to *adapt* to rapidly changing circumstances. In the medium to long run, targeted investments to enhance Zanzibar's human resource capacity are unavoidable. However, in the short to medium run, targeted mobilization may have to be sourced from outside Zanzibar. Is the legal and policy environment in Zanzibar supportive of this seemingly unpopular move? Is the framework for developing the required human resources to meet future needs in place?

On the other hand, the mobilization of adequate financial resources and building the required human capital to support the blue economy cannot be left entirely to the RGZ or the public sector. Therefore, the RGZ has committed to partner with the private sector to ensure that adequate capacity is available for smooth implementation of the blue economy. However, experience from other LDCs shows that in order for the partnership to work smoothly, there is need for clarity on the division of responsibilities/tasks. Areas to be left entirely to the Government, those which can be jointly implemented, and those to be left entirely to the private sector need to be clearly delineated. This clarity is important because the private sector needs predictability of policy and laws to invest substantial amounts. Has Zanzibar instituted an attractive public-private partnership framework to support sustainable private sector participation?

### **Framework for effective monitoring and evaluation (M&E) of blue economy**

Successful implementation of the blue economy will depend on the availability and ability of the M&E system to track implementation of programs and activities; to determine if they are on course, seek explanations for any performance deviations and prescribe solutions. The strength of an M&E system lie in its simplicity, practicability and completeness. Many governments in Africa, including Zanzibar, have limited experience in developing and implementing M&E systems. How should the M&E system be instituted? What are adequate human and financial resources needed to effectively manage the system?

Equally, the strengths of an M&E system are its data and the collection system. Yet, for many countries embarking on a blue economy, a major gap in planning is the lack of information. Accurate and timely information is needed to serve two key purposes. First, basic data is a pre-requisite for developing realistic and implementable strategies and projects. Is the baseline information available to start the ball rolling? Second, data is needed to feed into the M&E system to track and evaluate implementation. Is there effective system for data collection, who is doing what, and how do they relate to others?

### **Framework for supporting marketing and market infrastructure.**

Consumers have never had more choice and every industry is facing disruptions. Producers and suppliers need to be focused on providing unique quality products and services, quickly (in a timely way) and at a competitive price. In addition, products must meet safety and other compliance regulations, including environmental credentials, which are increasingly becoming important to ethically-aware consumers. Has Zanzibar instituted a system to comply with these market requirements? If yes, is it being enforced?

### **Framework for regulating human development activities**

To a large extent the policy and legal framework in Zanzibar is supportive of sustainable marine and coastal habitats. Yet, blue economy activities have experienced uncontrolled human developments ashore and in

marine areas which have been rapidly degrading coastal and ocean resources. Therefore, this situation principally reflects inadequate enforcement of existing policy and the legal provisions. Hence, the RGZ needs to assess what measures are being put in place to enhance enforcement?

#### **Framework for maintaining maritime security**

Inadequate care for marine resources and ecosystems is a governance challenge, arising from participating countries and communities' inability to maintain maritime security. Gaps in governance can lead to illegal fishing, piracy, terrorism, human and drug trafficking, as well as environmental destruction, and, therefore, poor implementation of the blue economy. Are systems in place to address maritime security issues? Are they enforceable?

#### **Framework for addressing geo-political issues**

Geopolitical tussles in various regions, especially the Indian Ocean region, limit countries from achieving the full potential of blue economy. Are existing frameworks for addressing geo-political conflicts efficient and effective?

#### **Framework for addressing climate change threats**

Climate change threats endanger successful implementation of the blue economy, not only in the easily observable increase in the frequency of severe weather events like cyclones, but also the less observable penalties such as sea-level rise as well as changes in sea temperature, acidity and major ocean currents. Are existing frameworks efficient and effective to mitigate and/or adapt to climate change?

#### **Framework for addressing Unfair trade practices**

Oftentimes, fishing agreements allow access to foreign operators. These operators restrict transfer of fishing knowledge to national stakeholders leading to low appropriation of export revenues by domestic fisheries. Over the long run, the potential for local exploitation (and benefit) from these ocean resources is reduced. Does Zanzibar have efficient and effective frameworks for addressing unfair trade practices?



## 8. Conclusions

The decision by the RGZ to focus on the blue economy as the means to socio-economic transformation is logical. Indeed, it is the only feasible path to sustainable development and poverty eradication for a natural resource constrained Small Island. This is clearly elaborated in Vision 2050 which has set out the long-term goals and aspirations for Zanzibar. The accompanying Blue Economy Policy has identified focus areas/sub-sectors and a guiding framework for implementation, and The Strategy currently being developed shall detail strategic choices for achieving the goals of Vision 2050. This paper has proposed a framework to guide strategy formulation, in general, but with a focus on the particular circumstances and choices facing Zanzibar.

Strategy is about choice. And a good strategy is about choosing to become competitive, to deliver unique products and services to meet the requirements of a targeted client and, therefore, to perform against market competition and profitability.

Unique products and services come from a country's strengths. Therefore, a good strategy is one that aligns with a country's strengths, and where necessary, with the support of external opportunities. The exercise of developing a strategy requires objectivity, inclusiveness and openness, but it is not entirely a technical process. It must also consider current socio-political pressures, in this case, Zanzibar's particular social and political context.

In many LDCs, institutional inadequacies pose serious challenges to strategy implementation. Inadequacies in policies, laws (by-laws) and regulations at the local, regional and global levels may hinder implementation of a good strategy. More importantly, policies, laws and regulations need organizations to implement and enforce them. Therefore, the institutional framework for implementing the blue economy strategy needs to be thoroughly articulated and incorporated in the final strategy. This is especially important given the size and complexity of the blue economy.

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