



ZANZIBAR INVESTMENT REPORT

Foreign Private Investments

2017



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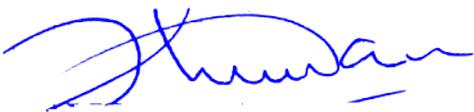
Foreign Private Investments

PREFACE

This report is the tenth series of publications jointly produced by the Bank of Tanzania (BOT), Zanzibar Investment Promotion Authority (ZIPA) and Office of the Chief Government Statistician (OCGS). It contains results of survey conducted between October and November 2018 with the analysis covering the period 2016-2017. These surveys are aimed at updating and assessing impact of Foreign Private Capital Flows (FPCF) on Zanzibar economy. The information collected is also used to design effective investment promotion strategies, policy review and formulation. The report presents survey findings, indicating types, magnitude, sources and composition of FPCF in Zanzibar.

Over the past 20 years, Zanzibar has witnessed strong and positive growth of private sector, and in particular, foreign private capital (FPC). The statistics on FPC values speak for themselves, though concentrated in a few activities, in particular those related to tourism. These achievements have been accelerated by policy formulations and reviews, which have focused in reforming the economy and improving business environment. With record levels of FPC and growing competitive investment environment elsewhere, further improvement of investment environment reflecting the underlying dynamics domestic and global economy will continue. At present, greater emphasis is on diversification of the economy for more sustainable economic growth. These efforts are well stipulated in Zanzibar Development Vision (2020), which is operationalized by Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP) with the current one being ZSGRP III.

It is my sincere hope that this publication will be a useful reference to various stakeholders including policy makers, private sector, research institutions, academia and the general public.



Salum K. Nassor – Executive Director
Zanzibar Investment Promotion Authority (ZIPA)

ABBREVIATIONS

BoT	- Bank of Tanzania
CPI	- Consumer Price Index
CSR	- Corporate Social Responsibility
DDI	- Domestic Direct Investment
EAC	- East African Community
MEFMI	- Macroeconomic and Financial Management Institute
FDI	- Foreign Direct Investment
FAL	- Foreign Assets and Liabilities
FPI	- Foreign Private Investment
GDP	- Gross Domestic Product
ISIC	- International Standard Industrial Classification
M&A	- Merger and Acquisition
MKUZA	- Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Zanzibar
OCGS	- Office of the Chief Government Statistician
OECD	- Organization for Economic Corporation and Development
OI	- Other Investment
PI	- Portfolio Investment
PCF	- Private Capital Flow
PSA	- Production Sharing Agreement
RGoZ	- Revolutionary Government of Zanzibar
SADC	- Southern African Development Community
SDDS	- Special Data Dissemination Standard
TZS	- Tanzania Shillings
UAE	- United Arab Emirates
UNCTAD	- United Nations Conference on Trade and Development
USD	- United States Dollar
ZATO	- Zanzibar Association of Tour Operators
ZATI	- Zanzibar Association of Tourism Investors
ZNBC	- Zanzibar National Business Council
ZSGRP	- Zanzibar Strategy for Growth and Reduction of Poverty
ZDV	- Zanzibar Development Vision
ZANEMA	- Zanzibar Employers' Association
ZIPA	- Zanzibar Investment Promotion Authority
ZNCC	- Zanzibar National Chamber of Commerce

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EXECUTIVE SUMMARY

Zanzibar as is the case for Tanzania mainland, has continued to take several actions targeted at improving investment climate by involving a number of initiatives including development and review of related policies, legal and regulatory reforms. In respect to policies and strategies, some aimed at diversifying Zanzibar economy to semi-industrialized and modern agriculture, while others focused on improving productivity and aid trade diversification of exports that meet international standards. These efforts, among others, have paid and continue to pay dividend with foreign direct investment (FDI) increasing and employment in FDI related investment growing.

This is the 10th cycle of private capital flows (PCF) surveys covering information for the period of 2016-2017. The first survey was conducted in 2003. The 10th survey was administered between October and November 2017 involving complete coverage of enterprises with foreign liabilities of 10 percent or more. The survey aimed to update information on foreign private capital flows in Zanzibar in terms of type, magnitude, direction and composition; distribution of employment by sector, gender and origin; as well as involvement of FDI enterprises in Corporate Social Responsibility (CSR). Information from these reports will be used to formulate policies and design strategies to facilitate investment. Key findings of the survey included the following:

- **Foreign private investment (FPI) in Zanzibar increased** by 7.9 percent from 2016 with FDI accounting for more than 90.0 percent investment flows and stock.
- **The structure of FDI remained unchanged compared to 2015** with financing mostly originating from loans, equity and investment fund share. Accumulated retained earnings flow recorded a net decline of USD 24.9 million in 2017 resulting from losses incurred especially by recently established investments.
- **FDI inflow in Zanzibar was dominated by few sectors, mainly accommodation and food services.** FDI inflow to accommodation and food services amounted to USD 66.4 million in 2017 compared to USD 83.5 million in 2016 with the decrease largely associated with the payment of long-term and short-term loans.
- **FDI inflows continued to originate from a few countries.** The top ten investing countries in Zanzibar accounted for 69.0 percent of the investment stock (or USD 544.0 million). Most of the inflow originated from United Kingdom, Italy and Kenya. The three investors accounted for 70.9 percent of the total investment stock in 2017.
- **Organization for Economic Co-operation and Development (OECD) and Southern African Development Community (SADC) to dominate FDI profile.** The inflow from the two regions amounted to USD 75.4 billion, whereas the stock was at the tune of USD 480.0 million in 2017. United Kingdom dominated in respect to investment inflows and stock in the OECD grouping, while South Africa dominated in the SADC region.
- **Accommodation and food services activity generated most of the employment, accounting for 72.0 percent in 2017.** FDI inflow to agriculture, finance and insurance generated the lowest employment levels, accounting for 0.7 and 0.6 percent of the total share.

- ***Non-professional employees consisted the highest number of employees in FDI enterprises with male dominating at 63.2 percent.*** Locals, both from Tanzania Mainland and Zanzibar were less positioned in managerial levels.
- ***Corporate Social Responsibility (CSR) from FDI enterprises increased.*** In 2017, CSR amounted to USD 1.5 million, slightly higher than the amount recorded in 2016 by 5.2 percent. Much of the CSR funds were absorbed by education, 27.3 percent; water, 25.2 percent and security, 16.1 percent.

In order to improve investment environment and FDI absorption capacity, the following are recommended:

- Further, improve trade facilitative conditions including transport and communication to investment sites including fast-tracking development of infrastructure in free economic zones. This involves fast-tracking development of infrastructure and reviewing of tax regimes in order to mainstream and simplify their administration for improved efficiency in private sector.
- Fast-track development and/or completion of development projects with potential to attract more FDI, especially for agriculture, manufacturing, fisheries and seaweeds activities. Investments in these areas include rural infrastructures (roads and irrigation systems), marketing infrastructure and cold rooms for perishable goods.
- Develop right skills for the market particularly for tourism industry, garments and fish processing.
- Diversify tourism income generating activities by promoting and facilitating investments activities like conference facilities, health and education. This should go in tandem with putting more emphasis in promoting investment opportunities abroad.
- Continue to encourage investors to engage in Corporate Social Responsibility. This should go in tandem with building local communities capacity to set priorities and develop project write ups.
- The Government in collaboration with private sector need to support investment in organic farming, especially in horticulture; and establishment of green houses in order to improve linkage between tourism and agriculture sector.

CHAPTER ONE

INTRODUCTION

1.1 Background

This chapter highlights on trends of Foreign Direct Investment (FDI) at global and regional levels. It further discusses policies, strategies and plans at national and sectoral levels that are geared towards attracting FDI inflows in Zanzibar.

Foreign Direct Investment (FDI) continues to be an effective channel through which growth in emerging and developing economies is accelerated. It has not only complemented domestic savings, but also increased competitiveness of domestic economy through transfer of managerial capabilities, technology, infrastructure development, raising productivity, employment generation and integration of the economy with the world. It is in this regard that countries, especially developing ones, have been striving to come up with measures to facilitate trade and improve business environment to compete in attracting FDI. Type, value and distribution of flows of FDI across the globe is partly explained by inherent characteristics of a country in question and investment opportunities in place.

This is the tenth cycle survey, which covers information for 2016 and 2017. The report is prepared to keep stakeholders abreast of dynamics of FDI in Zanzibar, in particular nature of FDI flows and stocks distribution by sector, source country and region. It also provides FDI contribution in terms of employment and Corporate Social Responsibility. Recommendations from this report are expected to further improve investment climate in Zanzibar and increase economic gains for sustained and broad-based economic growth.

1.2 Global FDI Trends

Over the past three years, there has been slow growth of FDI inflows globally. According to World Investment Report of 2018, global FDI inflows decreased by 2.8 percent in 2016 to USD 1.87 trillion and further by 23.4 percent in 2017 to USD 1.43 trillion. The outturn was largely associated with the decrease of cross border mergers and acquisitions from USD 887 billion in 2016 to USD 694 billion in 2017 (**Table 1.1a; Table 1.1b and Table 1.1c**). Largest decrease in values was registered in extractive industries, electronics, food and beverages. Developing countries recorded the largest increase in share of FDI inflow to 47.0 percent in 2017 from 36.0 percent in the preceding year. The inflow in these economies was absorbed by Asia in particular East Asia and Latin America at 71.0 percent and 22.6 percent, respectively. Africa absorbed USD 41.8 billion, equivalent to 6.2 percent with the gloomy performance partly associated with structural weaknesses and poor business environment. Markedly, investment decisions are influenced by amongst others, political stability, legal and regulatory framework, large domestic market, talented and skilled labour, local cost of labour and inputs, access to land and/or estate, macroeconomic and favorable exchange rate¹.

1 World Bank - Global Investment Competitive Report 2017/2018.

Table 1.1a: Global FDI Flows

	Millions of USD		
	2015	2016	2017 ^P
FDI inflows	1,921,306	1,867,533	1,429,807
FDI outflows	1,621,890	1,473,283	1,429,972
Change in FDI inflows (%)	52.2	-2.8	-23.4
Change in FDI outflows (%)	21.2	-9.2	-2.9

Source: World Investment Report, 2018

'p' denotes provisional data.

Table 1.1b: FDI Flows by Region

Regional Economy	Millions of USD					
	Inflows			Outflows		
	2015	2016	2017 ^P	2015	2016	2017 ^P
World	1,921,305.5	1,867,532.7	1,429,807.4	1,621,889.9	1,473,283.3	1,429,972.2
Developing economies	744,032.5	670,158.2	670,658.0	406,236.6	406,667.7	380,774.8
Transition economies	36,022.4	64,129.3	46,766.5	32,085.4	25,157.2	39,988.9
Developed economies	1,141,250.6	1,133,245.2	712,382.9	1,183,568.0	1,041,458.4	1,009,208.5
Africa	56,633.0	53,189.6	41,772.3	10,844.5	11,234.4	12,078.3
Eastern Africa	13,061.4	12,662.1	12,022.3	-	-	-
Asia	545,438.5	516,388.7	517,475.8	508,313.9	540,799.9	520,512.0

Source: World Investment Report, 2018

'p' denotes provisional data.

Table 1.1c: Share of FDI Flows by Region

Regional economy	Percentage					
	Inflows			Outflows		
	2015	2016	2017 ^P	2015	2016	2017 ^P
Developing economies	38.7	35.9	46.9	25.0	27.6	26.6
Transition economies	1.9	3.4	3.3	2.0	1.7	2.8
Developed economies	59.4	60.7	49.8	73.0	70.7	70.6
Africa	2.9	2.8	2.9	0.7	0.8	0.8
Eastern Africa	0.7	0.7	0.8	0.0	0.0	0.0
Asia	28.4	27.7	36.2	31.3	36.7	36.4

Source: World Investment Report, 2018

'p' denotes provisional data.

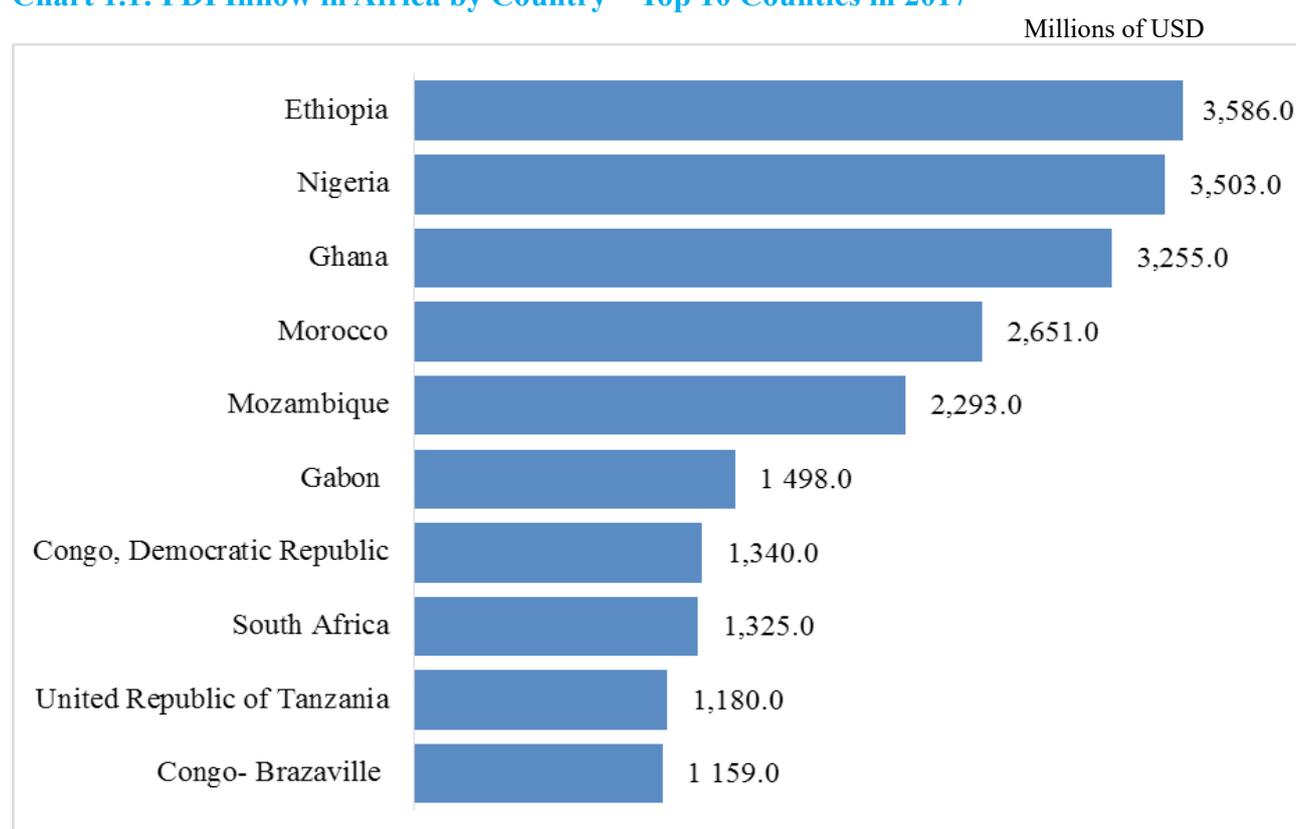
Global FDI outflow also exhibited a downward trend over the past three years declining by 9.2 percent to USD 1.5 trillion in 2016 and further by 3.0 percent to USD 1.4 trillion in 2017. For the second year in a row, developed economies contributed for the largest FDI outflow at 71.0 percent followed by Asia at 36.4 percent. The outflows were mainly from United States, Japan, Netherlands, Germany, Canada and France. Outflows for developing and emerging economies were from China, Hong-Kong, Russia and Republic of Korea.

1.3 Africa FDI Trends

FDI inflows in Africa also exhibited a downward trend, dropping by 6.1 percent to USD 53.2 billion in 2016 and by 21.5 percent to 41.8 billion in 2017 largely reflecting global decrease in investment inflows (**Table 1.2a**). Conversely, FDI outflows increased by 8.0 percent to USD 12.1 billion, which

accounted for 0.8 percent of global outflows with most of the investments originating from South African and Moroccan firms (WIR, 2018). Countries that absorbed much of the FDI inflows in 2017 included Ethiopia, Nigeria, Mozambique, Gabon, Democratic Republic of Congo and South Africa, in that order with primary commodity activities including oil and gas benefiting the most (**Chart.1**). While in East African region, Tanzania became the major FDI recipient in 2017, receiving USD 1,180 million; Kenya recorded the highest outflow of USD 107 million. North Africa recorded the highest FDI inflows at USD 13.3 billion, followed by East Africa, USD 12.0 billion and West Africa, USD 11.3 billion. Southern Africa was the least beneficiary with USD 2.1 billion only (**Table 1.3**).

Chart 1.1: FDI Inflow in Africa by Country – Top 10 Counties in 2017



Source: World Investment Report, 2018

Table 1.2: Africa's FDI Flows

Millions of USD

Region	Inflows			Outflow		
	2015	2016	2017 ^P	2015	2016	2017 ^P
Africa	56,633.0	53,189.6	41,772.3	10,844.5	11,234.4	12,078.3
North Africa	12,327.1	13,847.7	13,191.0	1,364.1	1,513.9	1,322.8
Eastern Africa	13,061.4	12,662.1	12,022.3	-	-	-
West Africa	10,179.3	12,694.4	11,307.3	2,224.2	2,187.9	1,888.0
Southern Africa	3,865.6	2,878.6	2,139.5	5,598.1	4,153.4	6,934.1
Central Africa	17,199.5	11,106.8	3,112.3	1,391.9	3,052.9	1,834.9

Source: World Investment Report, 2018
'p' denotes provisional data.

1.4 Private Sector Investment Development

1.4.1 Policies, Strategies and Plans

Zanzibar broad macroeconomic development is broadly guided by Zanzibar Development Vision (ZDV) 2020 and Sustainable Development Goals, 2030 and operationalized through Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP III), sectoral policies, strategies and plans. Zanzibar Strategy for Growth and Reduction of Poverty III 2016-2020 focuses in five key result areas including the setting up of facilitative conditions for sustainable and inclusive growth. Initiatives undertaken so far have improved increased participation of private sector in the economy and efforts to further improve the current state of affairs are ongoing. **Table 3.2** provides a short summary of broad and specific sector policies, strategies and plans developed and implemented by the Government over the past 20 years with the objective of promoting private sector growth in Zanzibar.

Table 1.3: Private Sector Development Policies, Strategies and Plans—Zanzibar

S/N	Policy/Strategy/Initiative	Objectives	Private sector/investment promotion aspects
	Zanzibar Development Vision (ZDV) 2020	Transform Zanzibar to a middle-income and inclusive economy by 2020 driven by high-class tourism industry, industrial activities and development of human capital.	Envisages on transforming the Zanzibar's economy to diversified semi-industrialized and modern agriculture for competitiveness in regional and global economies.
	Zanzibar Strategy for Growth and Reduction of Poverty of 2007-2010; 2010/11 to 2014/15 and 2016 - 2020 (MKUZA I, II and III)	Operationalizing ZDV 2020 by focusing in reduction of both, income and non-income poverty; and ensure the attainment of sustainable growth.	Focuses on improving business environment, infrastructure, and modernization of agriculture, manufacturing and tourism sectors, which are sectors with high growth potential in Zanzibar
	Zanzibar Trade Policy 2006	Diversify economic activities by widening involvement of private sector through creation of conducive business environment and supportive infrastructure.	Works to improve productivity and aid trade diversification of exports that meet international standards.
	Zanzibar Fisheries (draft) Policy, 2016.	Aims to among others: <ul style="list-style-type: none"> • Develop aquiculture industry by encouraging public and private partnerships for investment to address domestic and export markets • Increase fish production and fish products in line with food security and safety requirements in compliance with international standards 	Focuses in enhancing employment, income and exports by creating conducive environment for more investment by private sector in the whole fishing industry.

S/N	Policy/Strategy/Initiative	Objectives	Private sector/investment promotion aspects
	Zanzibar Tourism Development Policy, 2017	Permit the establishment of the country future tourism development with greater emphasis on sustainability, quality and diversification. The policy focuses in utilizing more effectively tourism potentials for sustainable and inclusive growth of Zanzibar economy.	Seeks to enhance growth of tourism activities through participation of private sector.
	Agricultural Sector Policy of 2002	Promote sustainable development of the agricultural sector by among others, to increasing agricultural productivity and exports.	Modernizing agriculture to improve productivity and linkages with tourism and industrial activities, which are important in improving people's livelihoods
	Small and Medium Enterprises Policy 2006	Transform the economy by creating business environment for quick and sustainable SMEs growth.	Seeks to complement, build on and activate national initiatives and principles of private sector driven growth. Potential sectors of focus include agriculture, fishing and seaweed farming; manufacturing and business services.

Together with these policies, strategies and plans, there are other ongoing initiatives at national and sectoral levels aimed to further improve performance of private sector:

- (i) Establishment of online electronic system to facilitate business transactions across the Isles by providing online services to private sector;
- (ii) Promoting investment in oil and gas industry including exploration activities. As part of the initiative, the RGoZ signed oil and gas Production Sharing Agreement (PSA) with the RAK Company of United Arab Emirates (UAE) in 2018.
- (iii) Strengthening one stop centre in ZIPA. As at the end of 2018, nine key institutions were stationed in ZIPA headquarter to speed up provision of services to investors.
- (iv) Infrastructure development and services at airports and ports. Currently, Abeid Amani Karume International Airport Terminal 3 is in the final stage of completion. Upon completion by the end of 2019, the airport's passengers handling capacity would expand from around 700,000 passengers to 1.5 million passengers annually.
- (v) Strengthening Zanzibar Bureau of Standards (ZBS) by among others, modernizing the laboratory. ZBS is mandated to ensure that products, whether produced in Zanzibar or imported to Zanzibar market, comply with developed or internal standards. It is governed by Zanzibar Standards Act No. 1 of 2011.

1.4.2 ZIPA Initiatives

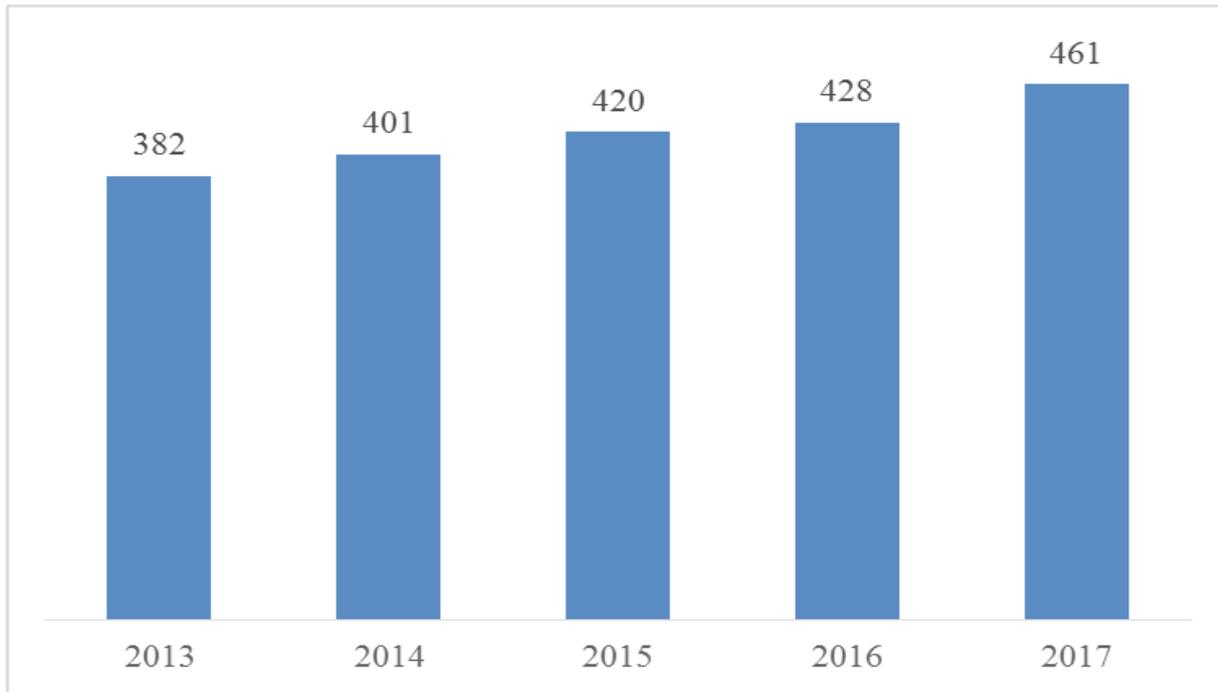
There are a number of initiatives under Zanzibar Investment Promotion Authority (ZIPA) focusing on increasing the number and quality of investors. Some of these initiatives are already implemented and

others in the process of implementation. Currently, ZIPA through the Ministry of Finance and Planning has enacted Investment Promotion and Protection Act No. 14 of 2018 which repeals Investment Promotion and Protection Act No. 11 of 2004. This is in tandem with initiatives to set up infrastructure at Fumba Free Economic Zone and directing more resources in development of other earmarked free economic zones including Micheweni Free Economic Zone. As regards to promotional efforts, the Government through ZIPA has also prioritized sectors for promotion to accelerate economic growth for the next 25 years. The sectors include accommodation, fisheries and infrastructure development.

1.4.3 Investment Trend

Generally, the number of foreign projects approved by ZIPA has gradually increased reaching 461 in 2017, a growth of 7.7 percent from 2016 (**Chart 1.2 and Table 1.4**)². This performance is triggered by ongoing initiatives to improve business environment witnessed in economic, governance, institutional and human resources reforms as well as directing more resources to key priority sectors including soft and hard infrastructure.

²This includes projects in early stage of establishment, under construction and operating.

Chart 1.2: Projects Approved by ZIPA (2013-2017)

Source: ZIPA 2018

Table 1.4: Approved Project by Industry in 2017

Industry	Kaskazini Pemba	Kaskazini Unguja	Kusini Pemba	Kusini Unguja	Mjini Magharibi	Total
Agriculture hunting and forestry	2	1	2	8	5	18
Fishing		2			2	4
Manufacturing	2	2		2	25	31
Construction					4	4
Wholesale and retail trade		1		1	26	28
Hotels and restaurants	10	90	8	120	51	279
Transport, storage and communications			1		20	21
Financial Intermediation					5	5
Real estate, renting and business activities		2		1	23	26
Education				1	4	5
Health and social work		2		1	2	5
Recreational and sporting		19		7	6	32
Tour operation		1			2	3
Total	14	120	11	141	175	461

Source: ZIPA 2018

Further, the Revolutionary Government of Zanzibar (RGoZ) interacts with private sector stakeholders through Zanzibar National Business Council (ZNBC), which is chaired by President of Zanzibar. This platform provides, among others, a forum for public and private sector dialogue with a view to reach consensus and mutual understanding on strategic issues related to economic management and development. It also provides an avenue to assess from time to time the development of external and domestic business environment, challenges and opportunities with a view to promote practical

solutions. Other private sector associations are also actively engaged with the Government through other various forums. Such associations include Zanzibar National Chamber of Commerce (ZNCC), Zanzibar Association of Tourism Investors (ZATI), Zanzibar Association of Tour Operators (ZATO) and Zanzibar Employers' Association (ZANEMA).

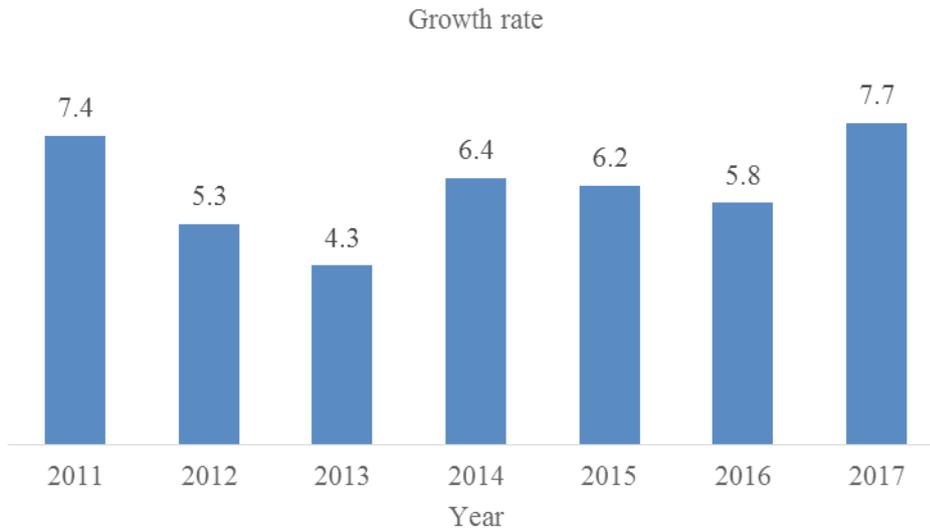
1.5 Macroeconomic Developments

1.5.1 Economic Performance

Overall, Zanzibar economic performance has been impressive, growing at an average of 6.0 percent for 2012-2017. During 2017, Zanzibar economy recorded growth of 7.7 percent, the highest ever growth rate in the Isles over last ten years (**Chart 1.3, Table 1.5 and Appendix 2**)³. This growth was largely driven by service and agriculture activities. Crops accounted for 1.0 percentage points of the recorded growth in 2017 mainly due to higher cloves production during the 2017/18 season, while accommodation and food services contributed 2.2 percentage points due to increased number of tourist arrivals (**Chart 1.4 and Chart 1.5**). Visitors from Europe continued to dominate Zanzibar tourism market in 2017 at 63.5 percent, followed by Asia at 13.3 percent whereas Africa (mainly South Africa and Kenya) accounted for 11.9 percent. Increasingly, visitors from non-traditional markets including Poland, Ukraine, Israel, Russia, China, Turkey and Czech Republic continued to develop interest in Zanzibar market.

Zanzibar real gross domestic product (GDP) per capita also rose from TZS 1,227,000 (USD 781) in 2011 to TZS 2,103,000 (USD 944) in 2017. This performance when analyzed together with Household Budget Survey 2014/15 in which basic needs poverty line decreased from 34.9 percent in 2009/10 to 30.4 percent in 2014/15 suggest that Zanzibar standard of living has improved.

³Rebased figure (2015 =100)

Chart 1.3: Zanzibar Economic Growth Rate (2011-2017)

Source: Zanzibar Statistical Abstract, 2017

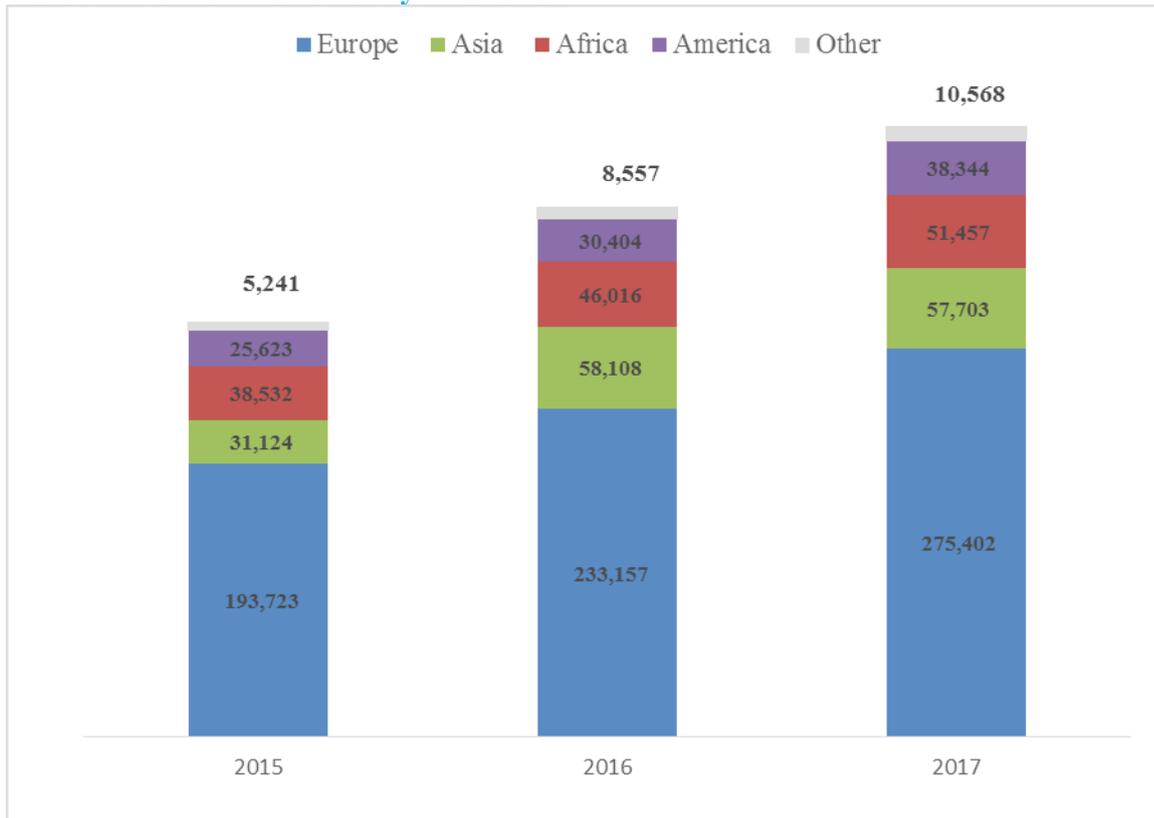
Table 1.5: Key Statistics

Item	2012	2013	2014	2015	2016	2017 ^P
GDP at current prices (Bill TZS)	1,594	1,836	2,147	2,357	2,748	3,228
GDP at constant prices (Bill TZS)	1,999	2,084	2,218	2,356	2,491	2,684
GDP growth rate at constant 2007 prices (%)	5.3	4.3	6.4	6.2	5.8	7.7
Average inflation rate (%)	9.4	5.0	5.6	5.7	6.7	5.6
GDP per capita (USD)	781	859	942	834	868	944
Population ('000)	1,299	1,336	1,379	1,414	1,455	1,534
Exchange rate (TZS/USD)	1,572.0	1,599.2	1,653.3	1,997.0	2,177.0	2,229.0
Exports of goods and services (Mil. USD)	42.9	54.9	80.8	21.2	44.2	65.4
Imports of goods and services (Mil. USD)	172.6	130.1	169.1	78.6	76.8	94.8
Trade balance (Mil. USD)	-129.7	-75.2	-88.3	-57.4	-32.5	-29.5
Public finance	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Domestic revenue (tax and non-tax) to GDP ratio (%)	17	18	17	18	19	21
Total expenditure to GDP ratio (%)	28	29	22	22	21	28

Source: Zanzibar Statistical Abstract, 2017

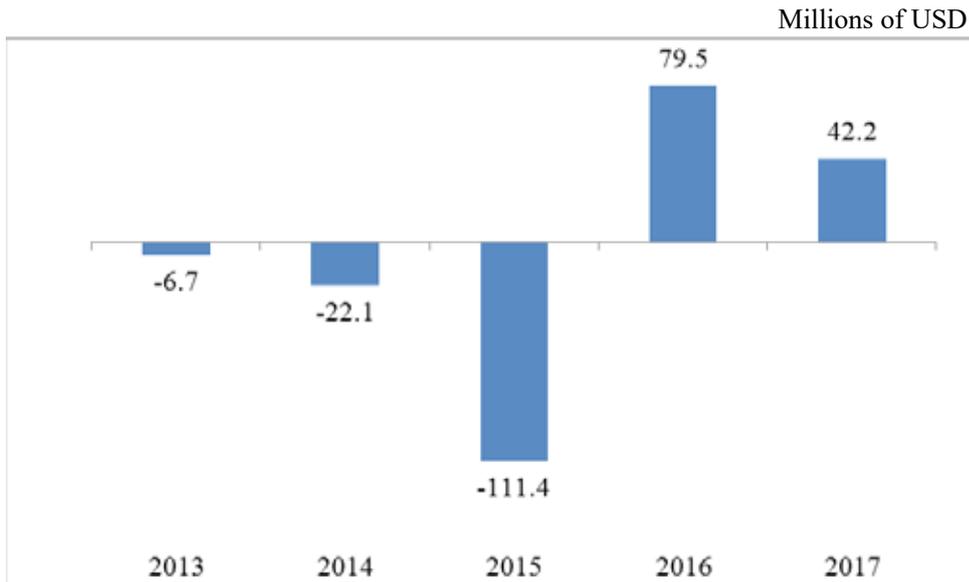
Chart 1.4: Number of Tourist Arrivals

Source: Zanzibar Statistical Abstract, 2017

Chart 1.5: Tourist Arrivals by Continent

Source: Zanzibar Statistical Abstract, 2017

As regards to trade sector development, Zanzibar exports are largely driven by services and two major export crops—cloves and seaweeds. Earnings from the two crops, in particular cloves have significant influence on trade balance⁴. Trade balance amounted to a deficit of USD 29.5 million in 2017 compared to the deficit of USD 32.5 million recorded in 2016 (**Table 1.5**). Meanwhile, current account recorded a surplus of USD 42.2 million in 2017 compared to a deficit of USD 79.5 million recorded in 2016, mainly on account of increase of receipts from services activity, mainly tourism services as well as high inflows of current transfers (**Chart 1.6**).

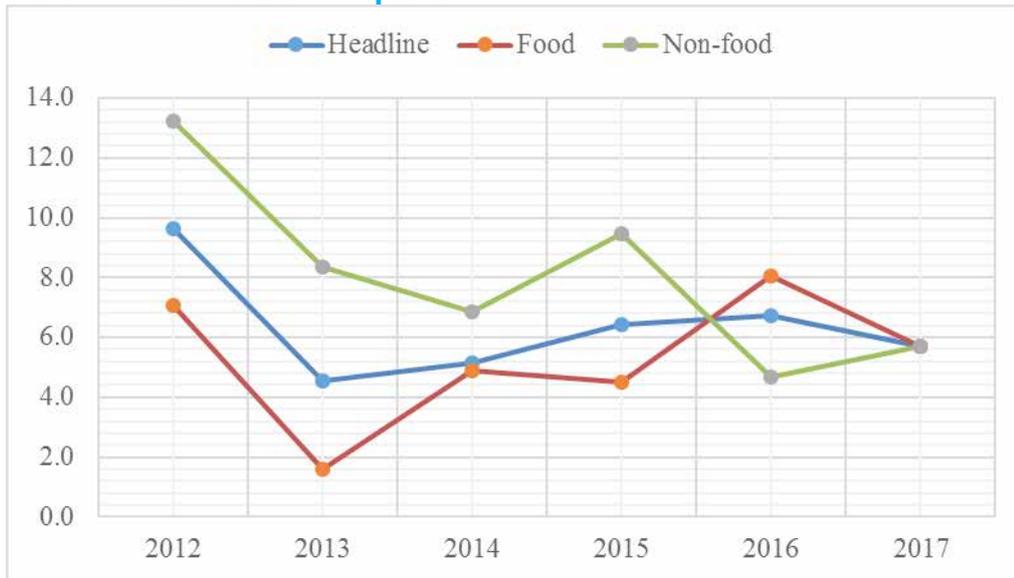
Chart 1.6: Current Account Balance

Source: Bank of Tanzania

1.5.2 Inflation Developments

Zanzibar headline inflation has remained moderate, hovering below 7 percent in the period between 2013 and 2017. On average annual headline inflation averaged 5.7 percent in 2013-2017 mostly influenced by food inflation, which averaged 4.8 percent (**Chart 1.7**). It is worth noting that, headline inflation in Zanzibar, just as is in the mainland, is largely driven by food that comprises 43.6 percent of total weight of the consumer basket. Food inflation for 2017 averaged 5.7 percent compared to 8.1 percent in the preceding year with the outturn associated with favorable rains in both the Isles and neighboring areas. Meanwhile, the value of the shilling was broadly stable in 2017 consistent with prudent monetary policy and streamlined fiscal measures of both Union Government and Revolutionary Government of Zanzibar.

⁴Cloves production is cyclical in nature, such that a year with bumper harvest is followed by two to three years of low production.

Chart 1.7: Inflation Developments

Source: Zanzibar Statistical Abstract, 2017

Next to this introductory chapter, Chapter two highlights methodology used in carrying out the survey, while Chapter three presents main findings of the survey. Chapter four concludes the report by discussing major challenges and recommendations for further improving business environment and facilitation of private capital flows in the Isles.

CHAPTER TWO

METHODOLOGY

2.1 Introduction

This chapter discusses the methodology and related issues that were undertaken in conducting the survey. It elaborates on activities undertaken during the survey as well as organization of the survey.

2.2 Organization of the Survey

2.2.1 Institutional Framework

In conducting this survey, three institutions were involved namely: Bank of Tanzania (BoT), Zanzibar Investment Promotion Authority (ZIPA) and the Office of the Chief Government Statistician (OCGS). The survey was conducted on the strength of the legal mandate of the Bank of Tanzania (BoT) Act 2006, section 57; Zanzibar Investment Promotion and Protection Act. No. 14 of 2018 and Statistical Act No. 7 of 2007 of the Office of the Chief Government Statistician (OCGS). These legislations not only give mandate to these institutions to collect data, but also make provisions for the confidentiality of the data and stipulate penalties for non-compliance.

2.2.2 Scope and Coverage

The survey took place in both Islands of Zanzibar – Unguja and Pemba for 30 days. A total of 205 enterprises (being a total coverage) were interviewed in all five regions of Zanzibar, capturing information for 2016 and 2017.

2.2.3 Training of Researchers

A one day training for supervisors and researchers was held at the Zanzibar Investment Promotion Authority (ZIPA) with the objective to help the participants understand the questionnaire and to equip them with skills and techniques required for the fieldwork, understand international codes and standards, share experience learnt from previous survey for improvement of subsequent ones, data editing and checking techniques.

2.2.4 Awareness Creation

Prior to the survey, sensitization sessions to relevant private sector associations, namely Zanzibar Association of Tourism Investors (ZATI) and Zanzibar National Chamber of Commerce (ZNCC) were conducted. This exercise also involved half a day seminar to accounting and audit firms operating in Zanzibar with objective to familiarize participants with the purpose of the survey, nature and requirements and seek their support to facilitate its implementation. This training was very useful as most of the surveyed enterprises introduced the team to their respective accounting firms where access to the financial reports was made easier and in rare occasions support was extended in filling the questionnaire.

2.2.5 Selection of the Survey Enterprises

Enterprises selected for the survey were only those with foreign liability of 10 percent or more. These list combined enterprises in ZIPA directory, ZNCC and OCGS. All enterprises that were presumed to have foreign liability were included in the survey list. Out of 394 enterprises listed, 224 were established to have foreign liability, of which 205 enterprises were operational by 2017. The distribution of these enterprises is illustrated in **Table 2.1**.

Table 2.1: Distribution of Enterprises by Region

Region	Target	Share Percent
Kaskazini Unguja	65	29
Kusini Unguja	67	30
Mjini Magharibi	79	35
Kaskazini Pemba	8	4
Kusini Pemba	5	2
Total	224	100

Source: PCF Survey 2018

2.3 Field Work

In order to have smooth monitoring and evaluation of the survey, fieldwork commenced in Mjini Magharibi where most of the companies were located. It involved face-to-face interviews. This approach was considered effective compared to others as it gave field officers an opportunity to clarify issues that were unclear to respondents. The collected information were verified against financial statements to ensure data quality before processing. Of the 205 operational enterprises, 180 filled the questionnaires. This was 88 percent response rate (**Table 2.2 and Table 2.3**).

Table 2.2: Response Rate by Region

Region	Questionnaires Administered	Questionnaires Returned	Response Rate
Kaskazini Unguja	60	56	93
Kusini Unguja	61	50	82
Mjini Magharibi	73	67	92
Kaskazini Pemba	6	5	83
Kusini Pemba	5	2	40
Total	205	180	88

Source: PCF Survey 2018

Table 2.3: Distribution and Response Rate by Sector

Sector	Targeted	Administered	Returned	Response Rate%
Accommodation	154	139	121	87
Agriculture	6	6	5	83
Arts and Entertainment	16	14	13	93
Construction	3	3	3	100
Education	5	5	5	100
Financial Intermediation	4	4	4	100
Information and Communication	2	2	2	100
Manufacturing	13	11	10	100
Transport and Storage	15	15	11	73
Wholesale and Retail trade	15	15	11	73
Total	224	205	180	88

Source: PCF Survey 2018

To ensure quality and reliability of information collected, the team undertook physical follow-ups and/or phone calls to respondents to clarify on unclear issues.

2.4 Survey Challenges

The following were the challenges encountered during the survey. These included delayed response by some of the enterprises, reluctance in providing financial statements, varied accounting periods by some enterprises with majority having their financial year ending December while a few others had theirs ending June. As a result, financial statements were not available at the time they were requested for by field staff.

CHAPTER THREE

MAIN FINDINGS

3.1 Introduction

This chapter presents main findings from the survey. It provides analysis of various components of foreign private investment including Foreign Direct Investments (FDI), Portfolio Investment (PI) and Other Investments (OI). The analysis focuses on among others, FDI stocks, flows, sectors, source country and regional distribution in Zanzibar.

3.2 Stock and Flows of Foreign Private Investments

The stock of foreign private investment (FPI) in Zanzibar increased by 7.9 percent in 2017 to USD 768.0 million driven by increase in equity and investment fund shares. FDI accounted for significant proportion of FPI stock representing over 90.0 percent investment flows and stock (**Table 3.1**). FPI inflows in 2017 were 30.0 percent lower compared to USD 94.3 million recorded in 2016 with the decrease associated with the increase of long-term loans and credit advances as well as short-term loans.

Table 3.1: Foreign Private Investments

	Millions of USD				
	Flow		Stock		
	2016	2017 ^P	2015	2016	2017 ^P
Foreign direct investment	97.4	64.9	546.1	651.4	707.9
Portfolio investment	0.6	0.1	2.2	3.1	3.1
Other investment	-3.7	0.9	62.2	57.4	56.9
Total Foreign liability	94.3	66.0	610.6	711.9	768.0

Source: PCF Survey 2018

3.3 FDI by Financing Type

The structure of FDI remained unchanged compared to 2015 with much of it financed by equity and investment fund shares as well as long-term and short-term loans from related parties. FDI stock in 2017 increased by 8.7 percent to USD 708.0 million compared to the amount recorded in the preceding year mainly due to huge inflow of equity and investment fund shares (**Table 3.2**).

Table 3.2: Flows and Stocks of Foreign Direct Investment

	Millions of USD				
	Flow		Stock		
	2016	2017 ^P	2015	2016	2017 ^P
Equity and investment fund shares	80.9	103.3	498.7	585.9	684.0
Re-invested earnings	0.0	-24.9	-191.7	-189.1	-213.2
Long term loans from related parties	13.1	-0.8	180.2	192.4	188.7
Short-term loans from related parties	3.5	-12.8	58.9	62.1	48.4
Total	97.4	64.9	546.1	651.4	707.9

Source: PCF Survey 2018

3.3.1 Foreign Direct Investment by Sector

FDI inflow in Zanzibar continues to be dominated by few sectors, mainly accommodation and food services. FDI inflow in accommodation and food services amounted to USD 66.4 million in 2017 compared to USD 83.5 million in 2016 with the decrease largely associated with the payment of long-term and short-term loans (**Table 3.3**). FDI inflows momentum in tourism activities in Zanzibar is projected to remain unchanged in the near future due to existing opportunities and ongoing improvement of tourism attractions.

Table 3.3: Foreign Direct Investment Flow by Sector

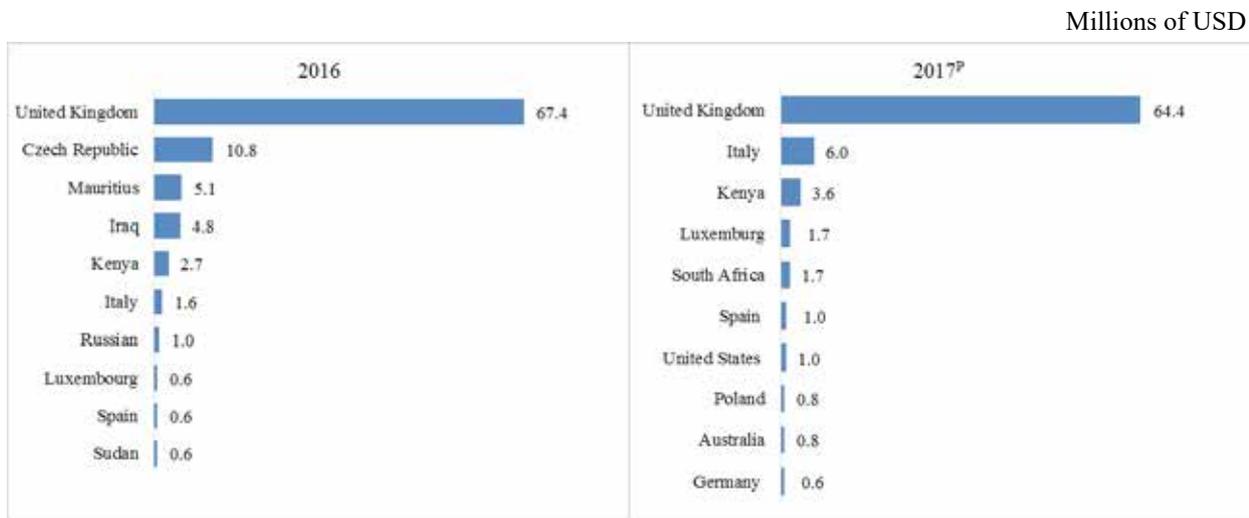
	Millions of USD				
	Flow		Stock		
	2016	2017	2015	2016	2017
Agriculture, forestry and fishing	0.0	0.0	1.6	1.6	1.5
Manufacturing	7.0	-1.9	10.0	26.9	24.1
Construction	0.8	-0.6	1.2	2.1	1.4
Wholesale & retail trade; repair	1.6	1.9	7.1	8.3	10.2
Transportation and storage	0.4	0.7	2.7	3.1	3.7
Accommodation and food services	83.5	66.4	394.0	474.8	534.5
Information and communication	0.0	-1.8	100.0	100.0	98.3
Finance and insurance activities	3.3	1.7	13.6	16.8	18.0
Real estate activities	0.1	-1.8	4.4	4.4	2.6
Professional, scientific and technical activities	0.0	0.0	0.0	0.0	0.0
Education	0.8	0.2	10.7	12.7	12.9
Arts, entertainment and recreation	-0.2	0.1	0.7	0.5	0.6
Total	97.4	64.9	546.1	651.4	707.9

Source: PCF Survey 2018

3.3.2 Foreign Direct Investment by Source Country

Analysis of FDI by source country revealed that the top ten investing countries in Zanzibar accounted for 69.0 percent of the investment stock (or USD 544.0 million) in 2017 with most of the inflow originating from United Kingdom, which was the top investor for two years in a row. Other top investors in 2017 were Italy and Kenya. Kenya was the top investor from the East African region (**Chart 3.1 and Appendix 3**). The three investors (United Kingdom, Italy and Kenya) accounted for 70.9 percent of the total investment stock in 2017 and 76.9 percent of the total investment from the top 10 countries with investments in Zanzibar. Over 90 percent of investment from the three countries was channeled to accommodation and food services including hotels, restaurants, sea sports and other tourism related activities. Other activities that absorbed FDI inflow from the top ten countries included finance and insurance, trade, transport and storage, and information and communication.

Chart 3.1: FDI Inflows by Source Countries (Top Ten)



Source: PCF Survey 2018

3.3.3 Investment by Regional Grouping

Classification of investment flows by regional groupings indicated that most of the investment in Zanzibar in terms of stock and flow originated from the Organization for Economic Co-operation and Development (OECD) and Southern African Development Community (SADC). The inflow from the two regions amounted to USD 75.4 million, whereas the stock was in the tune of USD 480.0 million in 2017. United Kingdom dominated in respect to investment inflows and stock in the OECD grouping. South Africa dominated in the SADC region in terms of investment inflows while Mauritius dominated in terms of stock (**Table 3.4**). Other countries registered a net investment outflow of USD 13.8 million and stock of USD 90.4 million during 2017 (**Appendix 4**). While South Africa FDI stock was in accommodation and food services, that from Mauritius was in manufacturing, and accommodation and food services.

Table 3.4 FDI Inflows by Regional Grouping

Region	Millions of USD				
	FI		Stock		
	2016	2017 ^P	2015	2016	2017 ^P
OECD	81.0	74.8	324.9	405.6	476.8
Italy	1.6	6.0	62.2	63.0	67.6
United Kingdom	67.4	64.4	208.3	278.0	338.5
Sweden	-0.2	-0.2	3.0	2.8	2.7
Netherlands	-0.2	-0.2	4.1	3.8	3.5
Poland	0.5	0.8	8.6	9.0	9.4
Switzerland	0.2	0.1	1.1	1.3	1.4
United States	0.2	1.0	6.4	4.1	7.9
Germany	-0.4	0.6	7.6	7.1	7.6
Spain	0.6	1.0	2.8	3.4	4.3
Turkey	-0.2	-0.4	2.6	3.5	3.1
Luxembourg	0.6	1.7	3.8	4.4	5.9
Czech Republic	10.8	0.1	14.5	25.2	24.7
Other OECD	-0.4	0.6	3.1	2.7	3.2
EAC	2.7	3.6	92.4	94.2	96.2
SADC	5.7	-0.2	27.2	42.6	41.3
South Africa	0.6	1.7	3.1	3.6	5.3
Mauritius	5.1	-1.9	22.9	37.8	34.7
Seychelles	0.0	0.0	1.1	1.0	1.0
Zambia	0.0	0.0	0.2	0.2	0.2
Others	8.5	-13.8	98.5	106.3	90.4
Total	97.4	64.9	546.1	651.4	707.9

Source: PCF Survey 2018

3.4 Distribution of FDI by Region

The distribution FDI by region continued to be dominated by projects registered in Kaskazini – Unguja, which represented 91.1 percent and 58.8 percent of the FDI inflows and stock, respectively. Next to this region was Mjini Magharibi, which recorded 10.5 percent of the inflows and 28.8 percent of the stock. The lowest FDI inflows and stock was observed in Kusini Pemba (**Table 3.5**).

Table 3.5: Distribution of FDI by Region

Region	Millions of USD				
	Flow		Stock		
	2016	2017 ^P	2015	2016	2017 ^P
Kaskazini - Pemba	-0.7	0.2	17.8	16.9	16.8
Kusini - Pemba	0.2	0.1	0.0	0.3	0.3
Kaskazini - Unguja	83.6	59.1	277.0	369.1	423.3
Kusini - Unguja	3.0	-1.2	62.0	65.7	63.4
Mjini Magharibi	11.2	6.8	189.2	199.3	204.1
Total	97.4	64.9	546.1	651.4	707.9

Source: PCF Survey 2018

3.5 Participation of Domestic Investors in Foreign Direct Investments

In 2017, participation of domestic investors in the form of joint venture, herein referred to as domestic direct investment (DDI) was lower compared to the preceding year. DDI inflow amounted to USD 1.2 million in 2017 compared to USD 3.4 million recorded in 2016 (**Table 3.6**). Huge DDI inflow was recorded in transport and storage, and information and communication (**Table 3.7**).

Table 3.6: Magnitude of FDI and DDI Flows and Stocks

	Millions of USD				
	Flow		Stock		
	2016	2017 ^P	2015	2015	2017 ^P
FDI	97.4	64.9	546.1	651.4	707.9
DDI	3.4	1.2	11.1	14.1	15.1
Total	100.8	66.1	557.2	665.5	723.0

Source: PCF Survey 2018

Table 3.7 Stock of DDI by Sector

	Millions of USD				
	Flow		Stock		
	2016	2017 ^P	2015	2016	2017 ^P
Manufacturing	0.0	0.0	0.3	0.3	0.3
Wholesale & retail trade; repair services	0.5	0.1	1.1	1.4	1.4
Transportation and Storage	0.0	1.3	0.2	0.1	1.5
Accommodation and food services	2.8	-0.4	9.3	12.0	11.3
Information and communication	0.0	0.3	0.0	0.0	0.3
Finance and Insurance activities	0.0	0.0	0.1	0.2	0.2
Education	0.0	0.0	0.1	0.1	0.1
Arts, entertainment and recreation	0.0	0.0	0.0	0.0	0.0
Total	3.4	1.2	11.1	14.1	15.1

Source: PCF Survey 2018

3.6 Portfolio and Other Investments

Portfolio inflow amounted to USD 0.1 million compared to USD 0.6 million registered in 2016. Both inflow and stock were driven by equity and investment fund shares and were mostly directed to accommodation, manufacturing and real estate activities. As for other investments, USD 0.9 million inflows were recorded in 2017 compared to outflow of 3.7 million in 2016. Much of the inflow realized was from short-term credit advances and short-term accounts payable. Over 90 percent of the inflow in this category was absorbed by real estate, accommodation and food services. The stock of the two investment categorizes (portfolio and other investments) amounted to USD 60.1 million, which was 7.8 percent of total stock in 2017 (**Table 3.8**).

Table 3.8: Flow and Stock of Portfolio and Other Investments

Millions of USD

Investment type	Flow		Stock		
	2016	2017 ^P	2015	2016	2017 ^P
Portfolio Investment	0.6	0.1	2.2	3.1	3.1
Other Investment	-3.7	0.9	62.2	57.4	56.9
Total	-3.1	1.1	64.5	60.5	60.1

Source: PCF survey 2018

3.7 Employment

FDI has generated remarkable levels of employment in Zanzibar over the past 20 years. FDI employment generation is consistent with Zanzibar Strategy for Growth and Reduction of Poverty III of 2016-2020 goal of achieving sustainable and inclusive growth. This section provides a detailed analysis of employment generated by FDI in various economic activities.

3.7.1 Employment by Region

Regions with huge employment levels generated by FDI included Kaskazini Unguja, Mjini Magharibi and Kusini Unguja all combined accounting for 97.4 percent of total employment. In aggregate, FDI generated employment rose by 16.3 percent to 10,578 in 2017 (**Table 3.9**).

Table 3.9: Employment by Region

	2016	%	2017 ^P	%
Kaskazini Pemba	79	0.9	121	1.1
Kusini Pemba	118	1.3	157	1.5
Kaskazini Unguja	3,875	42.5	4,554	43.1
Kusini Unguja	2,266	24.9	2,544	24.0
Mjini Magharibi	2,769	30.4	3,202	30.3
Total	9,107	100.0	10,578	100.0

Source: PCF Survey 2018

3.7.2 Employment by Sector

Analysis of employment by activity indicated that accommodation and food services accounted for 72.0 percent of total employment generated by FDI in 2017. Next to accommodation and food services was education, manufacturing and trade (**Table 3.10**). FDI inflow to agriculture and finance and insurance generated the lowest employment levels, accounting for 0.7 and 0.6 percent of the total share. Activities with remarkable improvement between 2016 and 2017 included accommodation and food services, construction, manufacturing and information and communication.

Table 3.10: Employment by Activity

Activity	2016	% share	2017 ^P	% share
Agriculture	62	0.7	62	0.6
Manufacturing	181	2.0	384	3.6
Construction	389	4.3	496	4.7
Wholesale and retail trade; repair services	351	3.9	399	3.8
Accommodation and food services	6,804	74.7	7,618	72.0
Intertainment and recreation	244	2.7	305	2.9
Real estate	142	1.6	192	1.8
Education	417	4.6	483	4.6
Finance and insurance services	70	0.8	72	0.7
Administrative and support services	113	1.2	126	1.2
Information and communication	197	2.2	298	2.8
Transport and storage	137	1.5	143	1.4
Total	9,107	100	10,578	100

Source: PCF Survey 2018

3.7.3 Employment by Position and Gender

Employment in various positions increased in the period between 2016 and 2017 with male continuing to dominate in various positions with the exception of managerial positions. Locals, both from Tanzania Mainland and Zanzibar were less positioned in managerial levels partly due to low confidence of some investors on locals' capability in safeguarding shareholders interest. On the number of professions, both gender increased their participation, remarkable in males (**Table 3.11**). The survey further revealed that non-professionals consisted the highest employees in FDI enterprises with male dominating at 63.2 percent. This calls for key stakeholders in education and skills development institutions to allocate more resources for training youth in right skills, especially women in order to exploit opportunities brought by FDI.

Table 3.11: Employment Position by Gender

Position	2016	2017 ^P
Management foreign nationals (F)	129	141
Management foreign nationals (M)	329	355
Management Zanzibaris (F)	82	102
Management Zanzibaris (M)	194	168
Management Tanzania Mainland (F)	148	180
Management Tanzania Mainland (M)	277	211
Professional (excluding mgt) foreign national (F)	62	151
Professional (excluding mgt) foreign national (M)	166	334
Professional (excluding mgt) Zanzibaris (F)	758	805
Professional (excluding mgt) Zanzibaris (M)	1,467	1,603
Professional (excluding mgt) Tanzania Mainland (F)	717	692
Professional (excluding mgt) Tanzania Mainland (M)	971	998
Non professionals foreign (M)	57	37
Non professional foreign (F)	11	35
Non professional Tanzania Mainland (M)	798	646
Non professional Tanzania Mainland (F)	524	693
Non professionals Zanzibar (M)	1,686	2,375
Non professional Zanzibar (F)	731	1,052
Total	9,107	10,578

Source: PCF Survey 2018

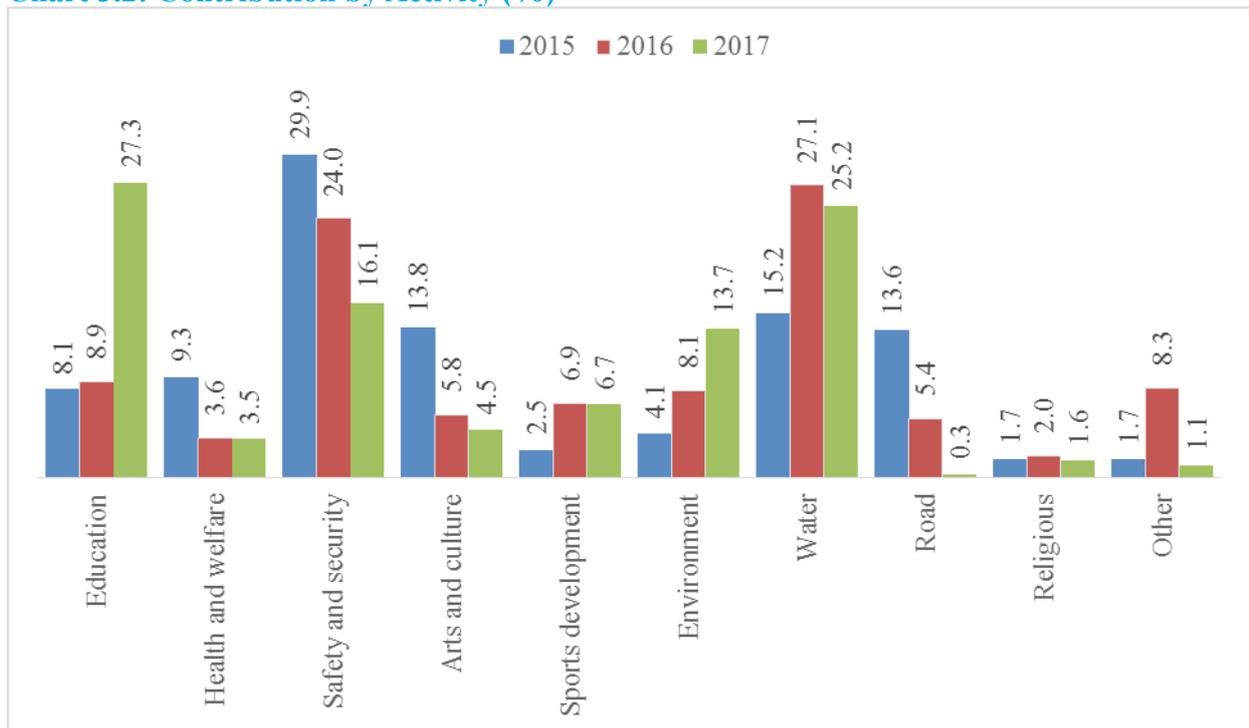
3.8 Corporate Social Responsibility

Corporate Social Responsibility (CSR) has been one of the FDI gains in Zanzibar over the past 20 years. In 2017, CSR amounted to USD 1.5 million, slightly higher than the amount recorded in 2016 by 5.2 percent. Much of the SCR funds were absorbed by education, 27.3 percent; water, 25.2 percent and security, 16.1 percent (**Table 3.12 and Chart 3.2**). Lack of credible plans in need of financing and low transparency on funding channeled to local projects are some of the factors limiting CSR financing. This calls for more concerted efforts to enhance capacity of local communities to develop credible project proposals and accountability mechanism for the disbursed project funds. Moral suasion to FDI enterprises to deliver more to the surrounding communities for improved livelihood is an area that needs to be considered.

Table 3.12: Corporate Social Responsibility Contribution

	Thousands of USD		
	2015	2016	2017 ^P
Education	48.0	128.7	416.7
Health and welfare	54.6	52.1	53.6
Safety and security	176.4	348.6	245.9
Arts and culture	81.6	83.4	67.9
Sports development	14.7	99.8	102.4
Environment	24.0	117.0	209.2
Water	89.9	393.2	383.7
Road	80.4	78.8	4.5
Religious	10.2	28.4	24.3
Other	9.9	120.1	16.7
Total	589.7	1,450.1	1,524.9

Source: PCF Survey 2018

Chart 3.2: Contribution by Activity (%)

Source: PCF Survey 2018

CHAPTER FOUR

CONCLUSION AND POLICY RECOMMENDATIONS

Trade facilitation and improved business environment have proved elsewhere to play a big role in attracting investment from abroad in different forms of financing including equity and investment fund shares, long term and short-term loans as other forms of financing. Thus, increased foreign investment has not only augmented domestic savings, but also improved resource allocation to more productive sectors; hence there is an increase in productivity, advanced technological content of exports, employment and managerial efficiencies, among others. Thus, this survey sought to provide an update of developments in FDI in Zanzibar for 2016 and 2017 and recommend policy intervention to improve FDI flows going forward.

Zanzibar, as many developing countries has made strides in a number of areas, thanks to increased FDI inflows observed in some sectors including tourism, information and communication. Irrespective of these milestones, Zanzibar economic growth is still constrained by weak linkage between tourism sector and other sectors, in particular agriculture. There is also low diversification of exported goods and services; structural weaknesses as reflected in high reliance of imported consumer and intermediate goods, export of unprocessed agricultural products and concentration of FDI in few sectors.

Major policy issues and recommendations are as provided in the following matrix:

Issue	Recommendation	Responsible
Inadequate trade facilitative conditions	A need to further improve trade facilitative conditions including transport and communication to investment sites. This involves fast-tracking development of infrastructure in and to special economic zones and reviewing tax regimes in order to mainstream and simplify their administration for improved efficiency in private sector.	Ministry of Finance and Planning; Ministry of Infrastructure, Communication and Transportation; and Ministry of Trade, Industries, and Marketing.
Low pace in completion of development projects	Fast-track development and/or completion of development projects with potential to attract more FDI, especially for agriculture and manufacturing activities. Investments in these areas include rural infrastructures (roads and irrigation systems), cold rooms for perishable goods and market facilities.	Ministry of Finance and Planning; Ministry of Infrastructure, Communication and Transportation; Ministry of Trade and Industries; Ministry of Agriculture, Natural Resources, Livestock and Fisheries; and President's Office- Regional Administration, Local Government and Special Departments.
Inadequate skills development to take advantage opportunities in some economic activities	Develop right skills for the market particularly for tourism industry, garments and fisheries activities.	Ministry of Education and Vocational Training; Ministry of Agriculture, Natural Resources, Livestock and Fisheries; and Ministry of Information, Tourism and Heritage.

Issue	Recommendation	Responsible
Inappropriate mechanism in processing and utilizing resources provided through Corporate Social Responsibility	Continue to encourage investors to engage in Corporate Social Responsibility and for a greater outcome, there is a need to establish a mechanism to among others, build capacity of local communities to prepare project proposals, streamline support from FDI enterprises and enforce accountability from leaders.	Ministry of Finance and Planning; President's Office- Regional Administration, Local Government and Special Departments; and Ministry of Information, Tourism and Heritage.
Low diversification of economic activities—mainly concentrated accommodation and food services.	Diversify tourism income generating activities by promoting and facilitating investment activities like conference facilities, health and education. This should go in tandem with putting more emphasis in promoting investment opportunities abroad.	Ministry of Finance and Planning; Ministry of Trade, Industries, and Marketing; and Ministry of Information, Tourism and Heritage.
Low linkage between tourism, agriculture and other sectors	The Government in collaboration with private sector need to support investment in farming, especially horticulture as well as establishment of green houses in order to improve linkage between tourism and agriculture sector. Activities with high potential to benefit from tourism including textile and handcraft need also support.	Ministry of Trade, Industries, and Marketing; Ministry of Information, Tourism and Heritage; Ministry of Agriculture, Natural Resources and Zanzibar National Chamber of Commerce.

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Appendix 1: Questionnaire



Bank of Tanzania
 Zanzibar Branch
 P.O. Box 568 – Zanzibar

 Tel 255 24-2230803

 Fax: 255 24-223 0415
 E-mail: info@bot.go.tz
 Website: www.bot-tz.org

Zanzibar Investment Promotion Authority
 P. O. Box 2286 – Zanzibar
 Tel: 255 24-2233026

 Fax: 255 24-2232737

 E-mail: info@zipa.co.tz
 E-mail: zipaznz@zanzinet.com
 Website: www.zanzibarinvest.org

Office of Chief Government Statistician
 P. O. Box 2321 - Zanzibar
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QUESTIONNAIRE FOR THE SURVEY OF COMPANIES WITH FOREIGN ASSETS & LIABILITIES

SURVEY CODE: PCF/C10/2017

RESEARCHER

PART A: GENERAL INFORMATION (ALL RESPONDENTS SHOULD COMPLETE THIS PART)

A1: COMPANY DETAILS:

Company name:		
Previous Name of the Company (if any):		
Date Completed :(dd/mm/yyyy).....		
Company Address: P.O. Box		
Tel:..... Fax:.....E-mail:		
Website:		
District:	Area:	Street/Plot:
Date of Establishment:		Date of Commencing Operations:
Particulars of the Person Completing this Questionnaire:		
Name: Position:		
Mob: E-mail:		

Particulars of an Alternative Person to be Contacted:

Name: Position:

Mob: E-mail:

A2: COMPANY AFFILIATES:

- 2.1 Does your company have any subsidiaries⁵ within Tanzania? Yes No
- 2.2 If yes, are you supplying consolidated information for all the companies within the group? Yes No
- 2.3 If no, please fill separate questionnaires for each individual Company in the group.

A3: ACKNOWLEDGEMENT OF RECEIPT OF QUESTIONNAIRE

I, _____ of _____
 (enter name of recipient)
 (enter name of company)

acknowledge receipt of the survey questionnaire.

Title:	
Signature:	
Date:	
Researcher:	Name:
	Mob:

Note: The due date for return of the completed questionnaire is **two weeks after receipt of the questionnaire**. If you are having problems meeting the due date, please call us as soon as possible before the deadline, on one of the numbers indicated on the next page.

⁵A subsidiary is an enterprise whose more than 50% of voting right is controlled by another enterprise.

A4: IMPORTANT NOTICE *(Please read this first)***Purpose of survey**

This questionnaire collects information on assets and liabilities and perception of your enterprise (or group) in Zanzibar. This information will be used by the Bank of Tanzania (BOT), Zanzibar Investment Promotion Authority (ZIPA), Office of the Chief Government Statistician (OCGS) and the Government in balance of payments compilation, investment promotion and national policy formulation.

Focus

You are required to complete this questionnaire from the point of view of your transactions as an investor with foreign assets and/or liabilities in Zanzibar regardless of your nationality.

Collection Authority

Completion of this questionnaire is compulsory under Act No. 11 of 2004 of the **Zanzibar Investment Promotion Authority (ZIPA)** section 31; Act No 9 of 2007 of **Office of Chief Government Statistician (OCGS)**; and Act of 2006 of **Bank of Tanzania (BOT)** section 57. Failure to comply could result in legal and/or administrative action against your company.

Confidentiality

Information will be used only for statistical purposes, and be published in aggregated form. Data relating to individual organizations will not be made available to anyone outside the BOT, ZIPA or OCGS. Government officials failing to comply with confidentiality clause face severe penalties including summary dismissal. This is in accordance with the Acts that established BOT, ZIPA and OCGS.

Estimates

Where possible, please use figures from your accounts. *Un-audited data are perfectly acceptable for this purpose.* In cases where data is not readily available from your accounts, *please provide careful estimates.* We would rather have your best estimate than nothing.

Inapplicable questions

Please do not leave blank spaces even where the question does not apply to you as we do not need to follow up with you. *Please, enter "N/A" in the appropriate box, or at the start of the question.*

Due Date

Please complete this questionnaire and return the original to either research officer in contact with you (name on the first page) or ZIPA. Please keep the 'Respondent Copy' of the questionnaire for your own records.

Help Available

This questionnaire contains technical terms. If you have problems in completing this questionnaire, please refer to notes attached at the end. Alternatively, please contact BOT, ZIPA or OCGS through:

Shariff A. Shariff

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THANK YOU IN ADVANCE FOR YOUR COOPERATION

SELECTED DEFINITIONS AND GUIDELINES

Residency: A company is a resident enterprise if it has been operating (or intends to operate) in the reporting economy for a year or more, regardless of its nationality. Non-resident individuals or enterprises constitute the rest of the world if they have lived or operated (or intend to live or operate) outside the reporting economy for a year or more (even if they hold nationality of the reporting economy). A special case of residency: international organisations

An enterprise is in a direct investment relationship with a **Direct Investor (DI)** if the investment is from a non-resident enterprise or individual that directly holds 10% or more of its equity or voting rights.

An enterprise is in a direct investment relationship with a **Direct Investment Entity (DIE)** if the investment is from its non-resident subsidiary or associate enterprise that directly holds 10% or more of its equity or voting rights (Reverse investment).

An enterprise is in a direct investment relationship with a **Fellow Enterprise (FE)** if the investment is from a non-resident enterprise that directly holds less than 10% of its equity but also has the same direct investor. The two enterprises must have the same controlling parent company to be fellows irrespective of the parent's residency.

Portfolio Investment (FPI) represents equity and non-equity investment in a company accounting for less than ten percent (10%) of that company's ordinary shares or voting rights and it's tradable.

Investment Fund Shares (IFS) are collective investment undertakings through which investors pool funds for investment in financial and/or non-financial assets. Investment funds include money market funds (MMF) and non-MMF investment funds.

Other investment relationship (Other) in this document refers to equity investment of less than 10% that is not tradable or borrowing/lending to non-affiliates.

Non-Affiliates (Non-related enterprises) are entities with which your enterprise has no equity, voting rights or equivalent and don't share a common parent

Life & Non-life Insurance Technical Reserves-consist of the reserves for unearned insurance premiums, which are prepayment of premiums and reserves against outstanding insurance claims, which are amounts identified by insurance corporations to cover what they expect to pay out arising from events that have occurred but for which the claims are not yet settled.

Pension Entitlements/Claims show the extent of financial claims both existing and future pensioners hold against either their employer or a fund designated by the employer to pay pensions earned as part of a compensation agreement between the employer and employee.

Standardised Guarantee are those guarantees that are not provided by means of a financial derivative (such as credit default swaps), but for which the probability of default can be well established. These Guarantees cover similar types of credit risk for a large number of cases e.g. include guarantees issued by governments on export credit or student loans.

Financial Derivatives

A **financial derivative** contract is a financial instrument that is linked to another specific financial instrument or indicator or commodity and through which specific financial risks (such as interest rate risk, foreign exchange risk, equity and commodity price risks, credit risk, and so on) can be traded in their own right in financial markets.

Options-in an option contract (option), the purchaser acquires from the seller a right to buy or sell (depending on whether the option is a call (buy) or a put (sell)) a specified underlying item at a strike price on or before a specified date.

A **forward-type contract (forward)** is an unconditional contract by which two counterparties agree to exchange a specified quantity of an underlying item (real or financial) at an agreed-on contract price (the strike price) on a specified date. Forward type contracts include *futures* and *swaps*.

Ultimate controlling company - For direct investment, there can be chains of voting power, such as when a direct investor in economy A has a subsidiary in economy B, which in turn has a subsidiary in economy C. In this case, for the direct investment in economy C, (a) the economy of immediate ownership is Economy B; and (b) the ultimate controlling economy is economy A.

PART B: EQUITY INVESTMENT IN YOUR COMPANY

Please report all values in TZS or USD, and in units (e.g. ten million units as 10,000,000 and NOT 10m). May you also support you responses with the recent Audited Financial Statement or Management Financial Report

Currency used (*ticks the relevant currency and refer to a table of exchange rates in the last page*):

TZS USD

B1. DIRECT INVESTMENT**TABLE B1: EQUITY & INVESTMENT FUND SHARES BY NON-RESIDENTS**

Equity Type	A Opening Balance January 1 st	B Purchase/ Increase	C Sales/ Decrease	D Other Changes Due to:			E Closing Balance 31 st December
				Exchange Rate	Price Changes	Volume	
Paid-up Share Capital							
Share Premium							
Reserves(Capital, Statutory, revaluation, & Other)							
Other Equity (e.g. Equity Debt Swaps, Shareholders Deposits)							
Accumulated Retained Earnings/Loss							
Investment Fund Shares (Shares)							
Investment Fund Shares (Accumulated Retained Earnings)							

B2: INCOME ON INVESTMENT**TABLE B2: PROFITS, DIVIDENDS, RETAINED EARNINGS AND HOLDING GAINS.**

	F Net Profit (or Loss) After Tax	G Dividends Declared	H Dividends Paid/ Profits Remitted	I Official Use Only Retained Earnings = (F-G)	J Holding gain (FPEI and Other only) = F-G
2016					
2017					

PART C: NON EQUITY INVESTMENTS IN YOUR COMPANY

TABLE CI (A): NON EQUITY LIABILITIES (2017)

Type of loan	Source Country /Multilateral organisation	Relationships: DI, DIE, or FE, PI, Other, Resident	Original Maturity LT-12 months or more ST-Less than 12 months (Indicate LT or ST)	A Opening Balance January 1, 2017	B Amount received 2017	C Principal Repayment 2017	D Other Changes Due to:			E Closing Balance 31 Dec 2017 (Including Accrued interest Not Paid)	F Interest Paid in 2017
							Exchange Rate	Price Changes	Volume		
Loans (Including Financial Leases, Repos)	1.										
	2										
	Tanzania										
Debt securities (Including Money Market Instruments, Bonds and notes).	1.										
	2										
	Tanzania										
Suppliers/Trade Credits & Advances	1.										
	2										
	Tanzania										
Currency and Deposits	1.										
	2										
	Tanzania										
Life & Non-Life Insurance Technical Reserves	1.										
	2										
	Tanzania										
Pension Entitlements/ Claims	1.										
	2										
	Tanzania										
Standardised Guarantees	1.										
	2										
	Tanzania										
Other Accounts Payable	1.										
	2										
	Tanzania										
TOTAL											

TABLE CI (B): NON EQUITY LIABILITIES

Type of loan	Source Country / M u l t i n a t i o n a l organisation	Relationships: DI, DIE, or FE, PI, Other, Resident	O r i g i n a l Maturity LT-12 months or more ST-Less than 12 months (Indicate LT or ST)	A Opening Balance January 1, 2017	B Amount received 2017	C Principal Repayment 2017	D Other Changes Due to:			E Closing Balance 31 Dec 2017 (Including Accrued Interest Not Paid)	F Interest Paid in 2017
							Exchange Rate	Price Changes	Volume		
Loans (Including Financial Leases, Repos)	1.										
	2										
	Tanzania										
Debt securities (Including Money Market Instruments, Bonds and notes).	1.										
	2										
	Tanzania										
Suppliers/Trade Credits & Advances	1.										
	2										
	Tanzania										
Currency and Deposits	1.										
	2										
	Tanzania										
Life & Non-Life Insurance Technical Reserves	1.										
	2										
	Tanzania										
Pension Entitlements/ Claims	1.										
	2										
	Tanzania										
Standardised Guarantees	1.										
	2										
	Tanzania										
Other Accounts Payable	1.										
	2										
	Tanzania										
TOTAL											

TABLE C2: EXCHANGE RATES (TZS/USD)

	2016	2017
End of period	2 177.9	2,230.3
Annual average	2,177.4	2,228.9

D1: EMPLOYMENT

(a) Please indicate in the table below, number of employees in your company based on the following categories:

Nationality	Foreign Nationals		Tanzanians									
			Zanzibar				Tanzania Mainland					
Year	2016		2017		2016		2017		2016		2017	
Sex	M	F	M	F	M	F	M	F	M	F	M	F
Management												
Professionals*												
Non-professional												
Unskilled												
Total												

*Professional refers to employees (excluding Management) with specialized formal training at the level of at least First degree, advanced diploma or its equivalent.

D2: CORPORATE SOCIAL RESPONSIBILITY

Please indicate the amount your company spent on the following activities during:

No.	Item	2016	2017
1	Education		
2	Health and welfare		
3	Safety and security		
4	Arts and culture		
5	Sports and development		
6	Environment		
7	Water		
8	Road		
9	Religious		
10	Other (specify)		

Appendix 2: GDP Growth and Contribution by Economic Activity

Table 1A: GDP Growth Rate by Kind of Economic Activity (2015 Prices)

Activity	2014	2015	2016	2017
Agriculture, forestry and fishing	0.1	1.2	0.8	1.7
Crops	-0.8	0.4	0.3	1.0
Livestock	0.4	0.6	0.5	0.5
Forestry	0.0	0.0	0.0	0.1
Fishing	0.4	0.2	0.0	0.2
Industry				
Mining and quarrying	0.0	0.5	-0.2	0.2
Manufacturing	0.6	0.8	0.6	0.7
Electricity and gas	0.0	0.0	0.0	0.0
Water supply and sewerage	0.1	0.1	0.1	0.1
Construction	0.5	0.7	0.6	0.1
Services				
Trade and repairs	-0.1	-0.2	0.3	0.4
Transport and storage	0.4	0.2	0.2	0.1
Accommodation and food services	0.7	1.5	1.9	2.2
Accommodation	0.6	1.2	1.6	1.8
Food and beverage services	0.1	0.3	0.3	0.4
Information and communication	0.6	-0.2	-0.3	0.3
Financial and insurance activities	0.6	0.6	0.2	0.3
Real estate activities	0.3	0.3	0.3	0.3
Professional, scientific and technical	0.0	0.0	0.0	0.0
Administrative and support services	-0.1	0.0	0.0	0.1
Public administration	1.1	0.5	0.0	-0.2
Education	0.3	0.1	0.1	0.1
Human health and social work	0.1	0.0	0.0	0.0
Arts, entertainment and recreation	0.0	0.0	0.0	0.0
Other service activities	0.1	0.0	0.1	0.2
Domestic services	0.0	0.0	0.0	0.0
<i>Less FISIM</i>	-0.1	-0.1	-0.2	0.0
<i>GDP at basic prices</i>	5.3	5.7	5.0	6.6
<i>Taxes on products</i>	1.1	0.5	0.8	1.2
GDP at purchaser prices	6.4	6.2	5.8	7.7

Source: Zanzibar Statistical Abstract, 2017

Table 1B: GDP Percentage Points Contribution to Growth (2015 Prices)

Activity	2014	2015	2016	2017
Agriculture, forestry and fishing	0.1	1.2	0.8	1.7
Crops	-0.8	0.4	0.3	1.0
Livestock	0.4	0.6	0.5	0.5
Forestry	0.0	0.0	0.0	0.1
Fishing	0.4	0.2	0.0	0.2
Industry				
Mining and quarrying	0.0	0.5	-0.2	0.2
Manufacturing	0.6	0.8	0.6	0.7
Electricity and gas	0.0	0.0	0.0	0.0
Water supply and sewerage	0.1	0.1	0.1	0.1
Construction	0.5	0.7	0.6	0.1
Services				
Trade and repairs	-0.1	-0.2	0.3	0.4
Transport and storage	0.4	0.2	0.2	0.1
Accommodation and food services	0.7	1.5	1.9	2.2
Accommodation	0.6	1.2	1.6	1.8
Food and beverage services	0.1	0.3	0.3	0.4
Information and communication	0.6	-0.2	-0.3	0.3
Financial and insurance activities	0.6	0.6	0.2	0.3
Real estate activities	0.3	0.3	0.3	0.3
Professional, scientific and technical	0.0	0.0	0.0	0.0
Administrative and support services	-0.1	0.0	0.0	0.1
Public administration	1.1	0.5	0.0	-0.2
Education	0.3	0.1	0.1	0.1
Human health and social work	0.1	0.0	0.0	0.0
Arts, entertainment and recreation	0.0	0.0	0.0	0.0
Other service activities	0.1	0.0	0.1	0.2
Domestic services	0.0	0.0	0.0	0.0
<i>Less FISIM</i>	-0.1	-0.1	-0.2	0.0
<i>GDP at basic prices</i>	5.3	5.7	5.0	6.6
<i>Taxes on products</i>	1.1	0.5	0.8	1.2
GDP at purchaser prices	6.4	6.2	5.8	7.7

Source: Zanzibar Statistical Abstract, 2017

Appendix 3: FDI by Source Country

Country	Flow		Stock		
	2016	2017	2015	2016	2017
Italy	1.61	5.98	62.17	62.97	67.61
United Kingdom	67.42	64.36	208.27	278.03	338.50
Cyprus	0.44	-0.11	3.53	3.93	3.66
Netherlands	-0.23	-0.18	4.07	3.82	3.55
Poland	0.49	0.76	8.57	8.97	9.45
United Arab Emirates	0.45	-2.91	59.95	59.74	55.61
Sweden	-0.22	-0.22	2.99	2.79	2.69
Oman	-0.11	0.09	1.24	1.55	1.60
Canada	-0.02	-0.02	0.23	0.21	0.19
South Africa	0.56	1.69	3.08	3.60	5.31
Kenya	2.72	3.56	92.39	94.22	96.24
Israel	0.00	0.02	0.34	0.34	0.35
China, P.R.: Mainland	0.12	0.17	2.60	2.70	2.82
India	0.00	0.20	4.07	4.08	4.26
Switzerland	0.16	0.14	1.13	1.29	1.40
United States	0.25	0.95	6.44	4.14	7.90
Germany	-0.38	0.64	7.58	7.13	7.62
Pakistan	0.01	0.03	0.53	0.53	0.54
Singapore	0.09	0.08	6.50	6.52	6.44
Mauritius	5.11	-1.89	22.88	37.78	34.71
Egypt	0.12	0.35	0.02	0.13	0.48
Spain	0.64	0.99	2.77	3.38	4.31
Iraq	4.81	-11.88	7.58	12.32	0.13
Morocco	0.44	-0.15	0.00	0.45	0.28
Slovenia	-0.03	0.03	0.13	0.09	0.12
Congo, Dem. Rep. of	0.00	-0.10	1.40	1.39	1.25
Australia	0.02	0.75	0.39	0.41	1.15
Saudi Arabia	0.00	0.00	0.14	0.13	0.13
Turkey	-0.22	-0.40	2.60	3.45	3.09
Zambia	0.02	0.00	0.16	0.18	0.21
Ireland	-0.06	-0.03	0.25	0.19	0.15
Botswana	0.00	0.03	0.00	0.00	0.03
Cayman Islands	0.51	0.03	1.02	1.30	1.30

Country	Flow		Stock		
	2016	2017	2015	2016	2017
Luxembourg	0.64	1.66	3.78	4.38	5.92
Norway	-0.01	-0.02	0.18	0.17	0.15
Sudan	0.62	0.39	9.21	9.84	10.22
Ethiopia	0.00	0.00	0.01	0.01	0.01
Mauritania	0.01	0.00	0.04	0.05	0.05
France	-0.07	-0.03	0.74	0.66	0.62
Russian Federation	1.00	0.00	0.00	1.00	1.00
Seychelles	0.00	-0.02	1.06	1.05	1.00
Czech Republic	10.78	0.06	14.54	25.23	24.73
Austria	-0.26	-0.07	1.18	0.90	0.82
Serbia, Republic of	-0.02	-0.01	0.17	0.15	0.13
Uganda	-0.01	0.00	0.05	0.04	0.04
South Sudan	0.00	0.00	0.00	0.00	0.03
Croatia	0.00	0.00	0.09	0.09	0.09
Total	97.4	64.9	546.1	651.4	707.9

Source: PCF Survey 2018

Appendix 4: FDI from Other Countries

	Flow		Stock		
	2016	2017	2015	2016	2017
United Arab Emirates	0.5	-2.9	59.9	59.7	55.6
Cyprus	0.4	-0.1	3.5	3.9	3.7
Oman	-0.1	0.1	1.2	1.6	1.6
Pakistan	0.0	0.0	0.5	0.5	0.5
Singapore	0.1	0.1	6.5	6.5	6.4
Croatia	0.0	0.0	0.1	0.1	0.1
Israel	0.0	0.0	0.3	0.3	0.3
China, P.R.: Mainland	0.1	0.2	2.6	2.7	2.8
India	0.0	0.2	4.1	4.1	4.3
Egypt	0.1	0.3	0.0	0.1	0.5
Iraq	4.8	-11.9	7.6	12.3	0.1
Morocco	0.4	-0.2	0.0	0.4	0.3
Congo, Democratic Republic	0.0	-0.1	1.4	1.4	1.2
Saudi Arabia	0.0	0.0	0.1	0.1	0.1
Cayman Islands	0.5	0.0	1.0	1.3	1.3
Serbia	0.0	0.0	0.2	0.2	0.1
Sudan	0.6	0.4	9.2	9.8	10.2
Mauritania	0.0	0.0	0.0	0.1	0.0
Russian Federation	1.0	0.0	0.0	1.0	1.0
Total	8.5	-13.8	98.5	106.3	90.4

Source: PCF Survey 2018

