



**THE REVOLUTIONARY GOVERNMENT OF ZANZIBAR
MINISTRY OF LANDS, HOUSING, WATER AND ENERGY.**

ZANZIBAR OIL AND GAS (UPSTREAM) POLICY

SEPTEMBER, 2016

TABLE OF CONTENTS

TABLE OF CONTENTS	ii
LIST OF ACRONOMY	xii
MINISTER FOREWORD	xvi
CHAPTER ONE: INTRODUCTION	1
1.0 THE ZANZIBAR OIL AND GAS (UPSTREAM) POLICY.....	1
1.1 BACKGROUND TO OIL AND GAS EXPLORATION	2
1.1.1 History of Oil And Gas Exploration in The Region	3
1.1.2 Surveying and Data Evaluation	3
1.1.3 Promising Geological Environments	4
1.1.4 The Underlying Need For Exploration Of Potential Reserves	5
1.1.5 Current Institutional Arrangements in Oil and Gas Exploration.....	5
1.1.6 Application For Extended Continental Shelf (ECS)	6
1.2 THE SCOPE OF THE POLICY	6
1.3 POLICY RATIONALE	7
1.4 UNIVERSAL PRECEPTS OF PETROLEUM GOVERNANCE.....	7
CHAPTER TWO: SITUATIONAL ANALYSIS	9
2.0 POLITICAL AND LEGAL CONSIDERATION	9
2.1 DELINEATION OF SEA BOUNDARIES	10
2.2 LEGAL AND INSTITUTIONAL FRAMEWORK IN THE VALUE CHAIN	10
2.3 LICENSING AND CONTRACTING	11
2.4 OWNERSHIP OF PRIMARY TECHNICAL DATA	12
2.5 RISKS AND COSTS IN PETROLEUM DEVELOPMENT	13
2.6 GRADUAL ACQUISITION OF UPSTREAM TECHNOLOGY.....	14
2.7 CRITICAL INFRASTRUCTURES DEVELOPMENT	14
2.8 PETROLEUM REVENUES MANAGEMENT	15
2.9 PETROLEUM UPSTREAM TAXATION	15
2.10 PROMOTION OF FOREIGN DIRECT INVESTMENT	16
2.11 CORPORATE SOCIAL RESPONSIBILITY (CSR)	16
2.12 LOCAL CONTENT DEVELOPMENT	17
2.13 INSTITUTIONAL CAPACITY BUILDING AND COMPETENCE.....	17

2.14	INTERNATIONAL COOPERATION IN PETROLEUM DEVELOPMENT	18
2.15	GOOD GOVERNANCE IN THE PETROLEUM SECTOR	19
2.16	INTEGRATED PLANNING IN PETROLEUM DEVELOPMENT	19
2.16.1	Mainstreaming Education and Awareness	20
2.16.2	Information Technology	20
2.16.3	Land Use	21
2.16.4	Fisheries	22
2.16.5	Agriculture	22
2.16.6	Forests	23
2.16.7	Tourism	24
2.16.8	Fresh Water	24
2.17	GENDER MAINSTREAMING AND VULNERABLE GROUPS	25
2.18	HIV/AIDS PREVENTION AND MANAGEMENT	26
2.19	HEALTH, SAFETY AND ENVIRONMENT (HSE)	26
2.20	THREATS ON TERRESTRIAL AND MARINE BIODIVERSITY	27
2.21	OCCUPATIONAL SAFETY & HEALTH	28
2.22	CLIMATE CHANGE ADAPTATION AND MITIGATION	29
2.23	DISASTER RISK REDUCTION (DRR)	30
2.24	MAJOR CHALLENGES IDENTIFIED IN OIL AND GAS ACTIVITIES	30
2.25	ISSUES OF PRIORITIZATION IN OIL AND GAS DEVELOPMENT	32
CHAPTER THREE: POLICY LINKAGES		34
3.1	ZANZIBAR DEVELOPMENT VISION 2020	34
3.2	ZANZIBAR STRATEGY FOR GROWTH AND REDUCTION OF POVERTY	34
3.3	ZANZIBAR ENERGY POLICY (2009)	35
3.4	THE GOOD GOVERNMENT POLICY (2002)	35
3.5	ZANZIBAR LAND POLICY (2012)	36
3.6	ENVIRONMENT POLICY (2013)	36

3.7	ZANZIBAR HEALTH POLICY (2010)	36
3.8	ZANZIBAR FOREST POLICY (1996)	37
3.9	ZANZIBAR AGRICULTURAL SECTOR POLICY (2000)	37
3.10	ZANZIBAR FISHERIES SECTOR POLICY (2000)	38
3.11	ZANZIBAR FOOD SECURITY POLICY (2008)	38
3.12	ZANZIBAR LIVESTOCK POLICY (2011)	39
3.13	ZANZIBAR WATER POLICY (2004)	39
3.14	ZANZIBAR TRANSPORT POLICY (2008)	40
3.15	ZANZIBAR TRADE POLICY (2006)	40
3.16	ZANZIBAR INVESTMENT POLICY (2004)	41
3.17	ZANZIBAR SMALL AND MEDIUM ENTERPRISE POLICY (2005)	42
3.18	ZANZIBAR NON GOVERNMENTAL ORGANIZATION POLICY (2008)	43
3.19	ZANZIBAR EDUCATION POLICY (2006)	43
3.20	INFORMATION AND COMMUNICATIONS TECHNOLOGY POLICY (2013)	43
3.21	ZANZIBAR HIV/AIDS POLICY (2004)	44
3.22	ZANZIBAR GENDER POLICY (2005)	44
3.23	ZANZIBAR INFORMATION POLICY (2005)	44
3.24	ZANZIBAR LOCAL GOVERNMENT POLICY (2012)	45
3.25	ZANZIBAR PUBLIC PRIVATE PARTNERSHIP POLICY (2014)	45
3.26	ZANZIBAR POPULATION POLICY (2008)	45
3.27	DRAFT ZANZIBAR OCCUPATIONAL SAFETY AND HEALTH POLICY (2012)	46
3.28	ZANZIBAR DISASTER MANAGEMENT POLICY (2011)	46
3.29	DRAFT ZANZIBAR EMPLOYMENT POLICY (2007)	46
3.30	DRAFT ZANZIBAR POLICY FOR PEOPLE WITH DISABILITY (2014)	47
3.31	THE DRAFT ZANZIBAR TOURISM POLICY (2016)	47
3.32	THE ZANZIBAR SOCIAL PROTECTION POLICY (2014)	48

CHAPTER FOUR: POLICY FRAMEWORK	49
4.1 POLICY VISION	49
4.2 POLICY MISSION	49
4.3 THE PRINCIPAL OBJECTIVE	49
4.4 THE POLICY GOAL	49
4.5 GUIDING PRINCIPLES	49
4.5.1 Oil and Gas Resources Ownership and Efficient Revenues Management	49
4.5.2 Transparency and Accountability	50
4.5.3 Enabling Competitiveness and Productivity	50
4.5.4 Private Sector Participation and Local Content Development .	50
4.5.5 Protection of the Environment and Conservation of Biodiversity.....	50
4.5.6 Occupational Health and Safety	51
4.5.7 Spirit of Co-operation	51
4.5.8 Capacity and Institutional Building	51
4.6 LEGAL AND REGULATORY FRAMEWORK	51
4.6.1 KEY ISSUES	51
4.6.2 OBJECTIVE	52
4.6.3 POLICY STATEMENT	52
4.6.4 IMPLEMENTING STRATEGIES	52
4.7 INSTITUTIONAL AND ADMINISTRATIVE ARRANGEMENTS	52
4.7.1 KEY ISSUES	52
4.7.2 OBJECTIVE	53
4.7.3 POLICY STATEMENT	53
4.7.4 IMPLEMENTING STRATEGIES	53
4.8 LICENSING AND CONTRACTS	53
4.8.1 KEY ISSUES	53
4.8.2 OBJECTIVE	54
4.8.3 POLICY STATEMENT	54
4.8.4 IMPLEMENTING STRATEGIES	54

4.9	OWNERSHIP OF PRIMARY TECHNICAL DATA	55
4.9.1	KEY ISSUES	55
4.9.2	OBJECTIVE	55
4.9.3	POLICY STATEMENT	55
4.9.4	IMPLEMENTING STRATEGIES	55
4.10	RISKS AND COSTS IN EXPLORATION AND PRODUCTION	56
4.10.1	KEY ISSUES	56
4.10.2	OBJECTIVE	56
4.10.3	POLICY STATEMENT	56
4.10.4	IMPLEMENTING STRATEGIES	56
4.11	INCLUSIVITY VS. CONFIDENTIALITY IN LICENSING AND CONTRACTING	57
4.11.1	KEY ISSUES	57
4.11.2	OBJECTIVE	57
4.11.3	POLICY STATEMENT	57
4.11.4	IMPLEMENTING STRATEGIES	57
4.12	GRADUAL ACQUISITION OF UPSTREAM TECHNOLOGY	58
4.12.1	KEY ISSUES	58
4.12.2	OBJECTIVE	58
4.12.3	POLICY STATEMENT	58
4.12.4	IMPLEMENTING STRATEGIES	58
4.13	INFRASTRUCTURE DEVELOPMENT	59
4.13.1	KEY ISSUES	59
4.13.2	OBJECTIVE	59
4.13.3	POLICY STATEMENT	59
4.13.4	IMPLEMENTING STRATEGIES	59
4.14	PETROLEUM UPSTREAM TAXATION	60
4.14.1	KEY ISSUES	60
4.14.2	OBJECTIVE	60
4.14.3	POLICY STATEMENT	60
4.14.4	IMPLEMENTING STRATEGIES	61
4.15	PETROLEUM REVENUES MANAGEMENT	61

4.15.1 KEY ISSUES	61
4.15.2 OBJECTIVE	61
4.15.3 POLICY STATEMENT	61
4.15.4 IMPLEMENTING STRATEGIES	62
4.16 PROMOTION OF INVESTMENT	62
4.16.1 KEY ISSUES	62
4.16.2 OBJECTIVE	63
4.16.3 POLICY STATEMENT	63
4.16.4 IMPLEMENTING STRATEGIES	63
4.17 CORPORATE SOCIAL RESPONSIBILITY (CRS)	63
4.17.1 KEY ISSUES	63
4.17.2 OBJECTIVE	63
4.17.3 POLICY STATEMENT	64
4.17.4 IMPLEMENTING STRATEGIES	64
4.18 LOCAL CONTENT DEVELOPMENT	64
4.18.1 KEY ISSUES	64
4.18.2 OBJECTIVE	64
4.18.3 POLICY STATEMENT	64
4.18.4 IMPLEMENTING STRATEGIES	65
4.19 INSTITUTIONAL CAPACITY BUILDING AND COMPETENCE	65
4.19.1 KEY ISSUES	65
4.19.2 OBJECTIVE	65
4.19.3 POLICY STATEMENT	65
4.19.4 IMPLEMENTING STRATEGIES	66
4.20 CONTRIBUTION OF OIL AND GAS RESOURCES TO THE LOCAL ENERGY NEEDS	66
4.20.1 KEY ISSUES	66
4.20.2 OBJECTIVE	66
4.20.3 POLICY STATEMENT	66
4.20.4 IMPLEMENTING STRATEGIES	67
4.21 DELINIATION OF MARITIME BOUNDARIES	67
4.21.1 KEY ISSUES	67
4.21.2 OBJECTIVE	67

4.21.3 POLICY STATEMENT	67
4.21.4 IMPLEMENTING STRATEGIES	68
4.22 INTERNATIONAL COOPERATION IN PETROLEUM DEVELOPMENT	68
4.22.1 KEY ISSUES	68
4.22.2 OBJECTIVE	68
4.22.3 POLICY STATEMENT	68
4.22.4 IMPLEMENTING STRATEGIES	69
4.23 GOOD GOVERNANCE IN PETROLEUM SECTOR	69
4.23.1 KEY ISSUES	69
4.23.2 OBJECTIVE	69
4.23.3 POLICY STATEMENT	69
4.23.4 IMPLEMENTING STRATEGIES	69
4.24 INTEGRATED PLANNING IN PETROLEUM DEVELOPMENT	70
4.24.1 KEY ISSUES	70
4.24.2 OBJECTIVE	70
4.24.3 POLICY STATEMENT	71
4.24.4 IMPLEMENTING STRATEGIES	71
4.25 MAINSTREAMING EDUCATIONN AND PUBLIC AWARENESS AND MANAGE EXPECTATIONS	71
4.25.1 KEY ISSUES	71
4.25.2 OBJECTIVE	71
4.25.3 POLICY STATEMENT	71
4.25.4 IMPLEMENTING STRATEGIES	72
4.26 INFORMATION AND COMMUNICATIONS TECHNOLOGY	72
4.26.1 KEY ISSUES	72
4.26.2 OBJECTIVE	72
4.26.3 POLICY STATEMENT	73
4.26.4 IMPLEMENTING SRATEGIES	73
4.27.1 KEY ISSUES	73
4.27.2 OBJECTIVE	73
4.27.3 POLICY STATEMENT	74

4.27.4 IMPLEMENTING STRATEGIES	74
4.28 FISHERIES	74
4.28.1 KEY ISSUES	74
4.28.2 OBJECTIVE	75
4.28.3 POLICY STATEMENT	75
4.28.4 IMPLEMENTING STRATEGIES	75
4.29 AGRICULTURE	75
4.29.1 KEY ISSUES	75
4.29.2 OBJECTIVE	76
4.29.3 POLICY STATEMENT	76
4.29.4 IMPLEMENTING STRATEGIES	76
4.30.1 KEY ISSUES	76
4.30.2 OBJECTIVE	76
4.30.3 POLICY STATEMENT	77
4.30.4 IMPLEMENTING STRATEGIES	77
4.31 MARINE ORGANISMS, BEACH AND MARINE TOURISM ..	77
4.31.1 KEY ISSUES	77
4.31.2 OBJECTIVE	77
4.31.3 POLICY STATEMENT	78
4.31.4 IMPLEMENTING STRATEGIES	78
4.32 FRESH WATER USE AND FOSSIL WATER RESERVES.....	78
4.32.1 KEY ISSUES	78
4.32.2 OBJECTIVE	79
4.32.3 POLICY STATEMENT	79
4.32.4 IMPLEMENTING STRATEGIES	79
4.33 GENDER MAINSTREAMING, DISABLED AND VULNERABLE GROUPS	79
4.33.1 KEY ISSUES	79
4.33.2 OBJECTIVE	80
4.33.3 POLICY STATEMENT	80
4.33.4 IMPLEMENTING STRATEGIES	80
4.34 HIV/AIDS PREVENTION AND MANAGEMENT	80
4.34.1 KEY ISSUES	80
4.34.2 OBJECTIVE	81

4.34.3 POLICY STATEMENT	81
4.34.4 IMPLEMENTING STRATEGIES	81
4.35 HEALTH, SAFETY AND ENVIRONMENT (HSE)	81
4.35.1 KEY ISSUES	81
4.35.2 OBJECTIVE	82
4.35.3 POLICY STATEMENT	82
4.35.4 IMPLEMENTING STRATEGIES	82
4.36 THREATS ON TERRESTRIAL AND MARINE BIODIVERSITY	83
4.36.1 KEY ISSUES	83
4.36.2 OBJECTIVE	83
4.36.3 POLICY STATEMENT	83
4.36.4 IMPLEMENTING STRATEGIES	83
4.37 OCCUPATIONAL SAFETY AND HEALTH	84
4.37.1 KEY ISSUES.....	84
4.37.2 OBJECTIVE	84
4.37.3 POLICY STATEMENT.....	84
4.37.4 IMPLEMENTING STRATEGIES	84
4.38 CLIMATE CHANGE ADAPTATION AND MITIGATION	85
4.38.1 KEY ISSUES	85
4.38.2 OBJECTIVE	85
4.38.3 POLICY STATEMENT	85
4.38.4 IMPLEMENTING STRATEGIES	86
4.39 DISASTER RISK REDUCTION (DRR) IN THE PETROLEUM SECTOR	86
4.39.1 KEY ISSUES	86
4.39.2 OBJECTIVE	86
4.39.3 POLICY STATEMENT	87
4.39.4 IMPLEMENTING STRATEGIES	87
4.40 OIL AND GAS STANDARDS & RELEVANT INTERNATIONAL CONVENTIONS	87
4.40.1 KEY ISSUES	87
4.40.2 OBJECTIVE	88
4.40.3 POLICY STATEMENT	88

4.40.4 IMPLEMENTING STRATEGIES	88
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CHAPTER 5: INSTITUTIONAL ARRANGEMENT, STRUCTURE, AND RESPONSIBILITIES 90

5.1 INSTITUTIONAL STRUCTURE	90
5.1.1 THE ROLE OF THE MINISTRY RESPONSIBLE FOR PETROLEUM	90
5.1.2 THE ROLE OF AN INDEPENDENT REGULATORY BODY..	91
5.1.3 THE ROLE OF THE NATIONAL OIL COMPANY	92
5.1.4 THE ROLE OF THE SPECIALISED UPSTREAM TAX COLLECTIONS	93
5.2 THE ROLE OF SECTORS	93
5.2.1 INSTITUTION RESPONSIBLE FOR PLANNING	93
5.2.2 INSTITUTION RESPONSIBLE FOR FINANCE.....	93
5.2.3 INSTITUTION RESPONSIBLE FOR CONSTITUTIONAL AFFAIRS	94
5.2.4 INSTITUTION RESPONSIBLE FOR LOCAL GOVERNMENTS.....	94
5.2.5 INSTITUTION RESPONSIBLE FOR LAND USE PLANNING	95
5.2.6 INSTITUTION RESPONSIBLE FOR ENVIRONMENT AND CLIMATE CHANGE	95
5.2.7 INSTITUTION RESPONSIBLE FOR DISASTER MANAGEMENT	96
5.2.8 INSTITUTION RESPONSIBLE FOR OCCUPATIONALSAFETY AND HEALTH	97
5.2.9 INSTITUTION RESPONSIBLE FOR OCCUPATIONALHEALTH SERVICES	97
5.2.10 INSTITUTION RESPONSIBLE FOR WATER	97
5.2.11 INSTITUTION RESPONSIBLE FOR MARITIME TRANSPORT & SAFETY	98
5.2.12 INSTITUTION RESPONSIBLE FOR INFRASTRUCTURE	98
5.2.13 INSTITUTION RESPONSIBLE FOR AGRICULTURE.....	98

5.2.14	INSTITUTION RESPONSIBLE FOR FISHERIES	99
5.2.15	INSTITUTION RESPONSIBLE FOR FORESTRY	99
5.2.16	INSTITUTION RESPONSIBLE FOR TOURISM	100
5.2.17	INSTITUTION RESPONSIBLE FOR TRADE AND INDUSTRY	100
5.2.18	INSTITUTION RESPONSIBLE FOR INFORMATION TECHNOLOGY	100
5.2.19	INSTITUTION RESPONSIBLE FOR EDUCATION	101
5.2.20	INSTITUTION RESPONSIBLE FOR HIV/AIDS PREVENTION	101
5.2.21	INSTITUTION RESPONSIBLE FOR MAINSTREAMING GENDER ISSUES	101
5.3	ROLE OF SPECIALIZED AGENCIES AND AUTHORITIES	101
5.3.1	TAX ADMINISTRATION INSTITUTIONS IN ZANZIBAR ...	101
5.3.2	ATTORNEY’S GENERAL OFFICE	101
5.3.3	ZANZIBAR PORTS CORPORATION	102
5.3.4	ZANZIBAR SOCIAL SECURITY FUND	102
5.3.5	ZANZIBAR BUREAU OF STANDARDS	102
5.3.6	CONTROLLER AND AUDITOR GENERAL (CAG)	103
5.3.7	ZANZIBAR ANTI-CORRUPTION AND ECONOMIC CRIMES AUTHORITY (ZAECA)	103
5.4	ROLE OF THE CIVIL SOCIETY	104

**CHAPTER SIX: MONITORING AND EVALUATION OF THE
POLICY 105**

6.1	RATIONALE FOR PLANNING, MONITORING AND EVALUATION	105
6.2	POLICY IMPLEMENTATION STRATEGIES	105
6.3	MONITORING AND EVALUATION APPROACH	105

LIST OF ACRONYMY

2D Seismic Data	-	Two Dimensional Seismic Data
BP	-	British Petroleum
CBOs	-	Community Based Organizations
COFMAs	-	Community Forest Management Areas
CSO's	-	Civil Society Organizations
CSR	-	Corporate Social Responsibility
DPPM	-	Disaster Preparedness, Prevention and Management
DRR	-	Disaster Risk Reduction
EA	-	Environmental Auditing
ECS	-	Extended Continental Shelf
EEZ	-	Exclusive Economic Zone
EITI	-	Extractive Industry Transparency Initiative
EMS	-	Environmental Management System
EPRP	-	Emergency Preparedness and Response Plan
ESAs	-	Environmentally Sensitive Areas
ESIA	-	Environmental and Social Impact Assessment
ESMP	-	Environmental and Social Management Plan
EWS	-	Early Warning System
FDI	-	Foreign Direct Investment
FDP	-	Field Development Plan
GHG	-	Greenhouse Gas
HSE	-	Health, Safety and Environment
ICT	-	Information and Communication Technology
ICZM	-	Integrated Coastal Zone Management
IDC	-	Internet Data Centers
ILO	-	International Labour Organization
IMO	-	International Maritime Organization

IOC	-	International Oil Company
IWRM	-	Integrated Water Resources Management
KMKM	-	KikosiMaalum cha KuzuiaMagendo
LGAs	-	Local Government Authorities
LMI	-	Labor Marketing Information system
M&E	-	Monitoring and Evaluation
MCU	-	Marine Conservation Units
MKUZA	-	Mpango wa Kupunguza Umasikini Zanzibar
MPAs	-	Marine Protected Areas
MRV	-	Monitoring, Reporting and Verification
NBA	-	National Biodiversity Authority
NGOs	-	Non Government Organizations
NLUP	-	National Land Use Plan
NOC	-	National Oil Company
OCGS	-	Office of Chief Government Statistician
OSH	-	Occupational Safety and health
OSHMS	-	Occupational Safety and Health Management System
PCIAC	-	Petro Canada International Assistance Corporation
PDO	-	Plan for Development Operation
PPP	-	Public Private Partnership
PRMA	-	Petroleum Revenues Management Act
PSA	-	Production Sharing Agreement
PSC	-	Production Sharing Contract
PwD	-	People with Disabilities
RAP	-	Resettlement Action Plan
REDD	-	Reduced Emissions from Deforestation and Degradation
RGoZ	-	Revolutionary Government of Zanzibar
SEA	-	Strategic Environmental Assessment
SME	-	Small and Medium Enterprises

SWFs	-	Sovereign Wealth Funds
TPDC	-	Tanzania Petroleum Development Cooperation
UK-DFID	-	United Kingdom Department for International Development
URT	-	United Republic of Tanzania
WMF	-	Water Management Framework
WTO	-	World Trade Organization
ZAWA	-	Zanzibar Water Authority
ZBS	-	Zanzibar Bureau of Standards
ZIC	-	Zanzibar Insurance Cooperation
ZIPA	-	Zanzibar Investment Promotions Authority
ZMA	-	Zanzibar Maritime Authority
ZOC	-	Zanzibar Oil Company
ZPC	-	Zanzibar Ports Corporation
ZPDA	-	Zanzibar Petroleum Development Authority
ZSGRP	-	Zanzibar Strategy for Growth and Reduction of Poverty
ZSSF	-	Zanzibar Social Security Funds

MINISTER FOREWORD

With the discoveries of petroleum in Kenya, Uganda, Tanzania Mainland and neighboring countries, the region has received fair attention from foreign investors and huge expectations from their citizens. With Zanzibar in the middle of this attention, the Revolutionary Government of Zanzibar decided it was the right time to develop the Petroleum policy to provide guidance on the management of Oil and Gas industry in Zanzibar.

The Petroleum policy focuses on good management of Oil and Gas resources from exploration, through development to the decommissioning. Also, it emphasizes on good governance, creating lasting benefits to Zanzibaris, conserving environment with attention on safety and health.

The policy guides petroleum institutions with clear administrative and legal boundaries and promotes linkages of Oil and Gas industry with other industries.

The Zanzibar Energy Policy of 2009 has been complemented by the Petroleum Policy in addressing specific complexities of the Upstream Oil and Gas industry.

This Policy is the result of multi-disciplinary team which collected analyzed views, concerns, aspirations and expectations of different stakeholders. The knowledge gained from stakeholders, lessons learnt and experiences from other countries were integrated and form the basis of this policy.

The Ministry of Lands, Housing, Water and Energy extends sincere gratitude to His Excellency Dr. Ali Mohamed Shein the President of Zanzibar and the Chairman of the Revolutionary Council for his vision, advice and leadership during the whole process of formulating this Policy.

The Ministry also take this opportunity to thank the multi-disciplinary team and all those who actively took part in the formulation of this Policy for the development of energy sector in Zanzibar. Furthermore, congratulations are reserved for the people of Zanzibar for this remarkable achievement in the energy sector.



.....
Hon. Salama About Talib
Minister of Lands, Housing, Water and Energy
Zanzibar.

CHAPTER ONE: INTRODUCTION

1.0 THE ZANZIBAR OIL AND GAS (UPSTREAM) POLICY

Petroleum Policies all over the world aim at one thing in common: to ensure that the oil and gas resource will be utilised to the maximum advantage of the country that owns it, without jeopardizing the integrity of the land and its people. So long as the geological environments and chemical composition of oil and gas are basically the same throughout the geographical divide, the existence of many recurring issues in these specific aspects is equally unavoidable. It is therefore obvious that this Oil and Gas Policy for Zanzibar will in many respects replicate many other existing petroleum policies. To a certain extent, therefore, this is an Oil and Gas Policy like any other.

In another perspective, though, Zanzibar's cultural, political, social and economic situation is markedly different from that of anywhere else; more so its oil and gas environment. It is therefore obvious that in many significant aspects, Zanzibar's oil and gas Policy has to address the challenges posed by this unique situation. In that sense, therefore, this Oil and Gas Policy is not like any other existing policy; a Policy like no other.

One of the issues that would be specific to Zanzibar is the level of expectation people have for the resource. High public expectations are evident in every respect; superlative is the word to describe every feature of the expected resource: quality, quantity, prospects and outcome. Whereas such high expectation is healthy for the proper reception of the emerging industry, it may be equally detrimental if not properly managed. Whatever other indicators, exploration - which has hardly started in earnest - is necessary before any discovery. Even with the discovery, it takes considerable time and more resources to determine its viability. Even after the assurance of commercial quantities, the development of the discovered oil fields and its subsequent production will take time, too. Even when the first drop starts trickling through the pipes, considerable

amount of early returns will have to pay for the investment costs incurred by the investors.

So even with a well-managed petroleum industry, the notion that economic fortunes will be enjoyed immediately after the start of oil exploration or its discovery immediately after oil and gas is discovered is, to say the least, a grave misconception. Such misconception has to be avoided as early as is practicable so as to avoid mass disillusion, crippling of existing economic structure in false anticipation of petroleum boom and the consequent public unrest. This Policy's success is therefore heavily dependent on managing such expectations. Managing expectations should therefore be the first and pre-requisite in the implementation of this Policy.

1.1 BACKGROUND TO OIL AND GAS EXPLORATION

The Oil and Gas industry is divided into three main segments of operations, namely the upstream, mid-stream and downstream. The midstream and downstream deal with processing of produced crude oil or gas into value added products and their transportation, storage and marketing.

The upstream component consists of matters on pre-licensing, licensing, exploration, appraisal, development, production and decommissioning. Sometimes transportation of the crude oil and gas becomes part of it. This is commonly called the value chain of the upstream oil and gas industry. This segment is very important and complex in the sense that it takes a bigger part of the investment cost, risks, and high technologies. It also needs a very high interaction between stakeholders involving mostly international oil and gas companies or related to these. The possible licensing areas that will involve oil and gas upstream activities in Zanzibar are mainly marine-based. This is the area which is also strategic for marine resources which are highly depended upon by the people of Zanzibar. The importance of regulating this segment is

not only for maximizing revenues but also to handle it effectively to minimize or avoid the negative effects produced.

1.1.1 History of Oil and Gas Exploration in The Region

The East African history on oil and gas exploration is of about 6 decades of unsuccessful exploration until recently. Zanzibar lies in the Coastal Basins of East Africa where active hydrocarbon exploration activities are being conducted. The basins comprise of huge deposits of marine based sedimentary rocks of high hydrocarbon potential.

Following the establishment of the Zanzibar Mineral oil Decree Cap 107 and Mining Decree Cap 108 of 1955, an Exploration well was drilled on each of the two main Islands. The two wells, code named Zanzibar 1 and Pemba 5, were drilled by BP/Shell group based on surface geological surveys. Both wells indicated limited hydrocarbon shows at the time.

The hydrocarbon shows from these two wells, the oil seep at Tundauwa and the calculated rock maturity index (vitrinite reflectance from 0.6-1.2) as seen from the well summary sheets indicated encouraging signs that the source rocks within the study area were mature hydrocarbons generation. In addition to the other boreholes drilled in the East African region, the two wells provided enormous geological and stratigraphic data. No further advancement in drilling was performed after the Zanzibar Revolution of 1964.

1.1.2 Surveying and Data Evaluation

Aeromagnetic survey was done in most areas of Tanzania both onshore and offshore with most extensive survey done between 1971 and 1976. Gravity survey also covers most coastal areas of Tanzania. In 1985, Geosource conducted a seismic survey in Southern part of Pemba with little

information on interpretation except for the fieldwork reports. In October 1986, Petro Canada International Assistance Corporation (PCIAC) undertook a short marine seismic survey over Pemba channel. The objective of the project was to gather regional seismic data for the first time in this relatively un-explored channel. The seismic data was evaluated in order to improve the understanding of the regional geology and hydrocarbon potential. The acquired data demonstrated the possibility of the commercial exploration potential in the area based on the regional nature of that data. The most interesting thing in the data evaluation was the discovery of the geological sequence of thick and rich tertiary section deposited under changing conditions producing variety of geological environments suitable for hydrocarbons development depending upon the hydrocarbon prospects. Extensive 2D seismic survey was done offshore Zanzibar by 2000 which provided geological information of the area used for licensing blocks 8, 9, 10, 11 and 12.

1.1.3 Promising Geological Environments

The region is characterized by a presence of deeper buried mud stones and clay shale as source rocks of Middle Jurassic, upper cretaceous, Paleocene and Eocene epochs; with sequences of limestone, sand and carbonates beds of Eocene and Oligocene as excellent reservoirs and possible cap rock from inter-bedded mudstones and shale sections of upper cretaceous, Paleocene and Eocene origin and possibilities of structural traps generated by faults. These environments are believed to be favorable for the existence of source rocks, reservoirs and seal rocks for potential hydrocarbons occurrence in the area. However, the presence of extensive faults may either be advantageous for development of structural traps or provide migration paths

for hydrocarbons towards reservoirs or escape to the surface as evidenced by oil seeps. Similar tertiary structures extend to east of Zanzibar extending the potentiality to offshore reserves.

1.1.4 The Underlying Need For Exploration Of Potential Reserves

There is a need for a detailed and extensive exploration works in Zanzibar in order to gain a better understanding of the prospectively mapping of the hydrocarbon resources and potential size of oil and gas structures and their commercial feasibility. The recent technology advancement in the industry is playing a key role into the oil and gas discovery in areas previously thought to be of little or no oil and gas potentiality. This can also be demonstrated by presence of proven gas reserves on Mainland Tanzania's Block Number Two lying south the Zanzibar archipelago, and the licensed block L10A of Kenya lying just north of Pemba showed prospects for oil and gas reserves. On both fronts, the United Republic of Tanzania (URT) Government and Kenya Government are exerting tremendous exploration efforts for more discoveries. Zanzibar within its nominal boundaries cannot be an exception as a possible player in the game of exploring for oil and gas due to the situation explained earlier.

1.1.5 Current Institutional Arrangements in Oil and Gas Exploration

The Tanzanian Petroleum Development Corporation (TPDC) currently has the authority to manage Oil and Gas within the whole of the URT. Under this arrangement, exploration areas in Zanzibar have been divided into a number of onshore and offshore blocks. With the most recent offshore fourth licensing round of 2014, a fifth one

is about to follow in line with TPDC marketing strategies which include Deep Water Offshore blocks east of Zanzibar.

1.1.6 Application For Extended Continental Shelf (ECS)

Under the United Nations Convention on the Law of the Sea (UNCLOS) the continental shelf is that part of the seabed over which a coastal State exercises sovereign rights with regard to the exploration and exploitation of natural resources including oil and gas. The legal continental shelf extends out to a distance of 200 nautical miles from its coast, or further if the shelf naturally extends beyond that limit. Zanzibar contributes most of its eastern offshore area beyond EEZ as part of this Extended Continental Shelf of the United Republic of Tanzania.

The URT has already submitted an application to the United Nations for the extension of its national continental shelf beyond 200 nautical miles. Such extension, when granted, will accordingly extend Zanzibar's nominal boundaries and with it, the increased prospects of striking ultra-deep water commercial hydrocarbons.

1.2 THE SCOPE OF THE POLICY

The complexity of the upstream segment of oil and gas industry and urgency of having a working policy tool to react promptly with the prevailing situation on the ground creates enough impetus for the establishment of the Zanzibar Upstream Oil and Gas Policy. The decision to establish is backed up by the existing Zanzibar Energy Policy. However, the existing energy policy does not fully address all the principal issues concerning oil and gas. This self-limitation calls for the urgency of developing a more comprehensive oil and gas policy which will focus on the upstream segment. The existing Energy Policy continues to cover mainly downstream segments of the Petroleum industry thus requiring its review to cover better the midstream segment or effectively both.

1.3 POLICY RATIONALE

The need towards immediate intervention into the oil and gas exploration in Zanzibar was demonstrated actively in this whole decade by politicians as a reflection of the public demand. This later translated itself into a massive political pressure to the Zanzibar Government and latter to the Government of the United Republic of Tanzania. The two Governments eventually decided to formulate a political and legislative environment for the Zanzibar Government to manage the issue of oil and gas by its own. Hydrocarbon discoveries in the neighboring countries created much more pressure from the public in tandem with the presence of International Oil Companies that are ready for investment into the industry. However, international best practice demonstrates the existence of pre-conditions for enabling and sustainable environment to prepare the country, its institutions and the society in general towards petroleum exploration and production, overall management and supervision of the sector, collection and distribution of revenues, and installation of checks and balances that monitor the financial, economic, social and environmental aspects of the petroleum industry. There comes the need of the Zanzibar Oil and Gas (Upstream) policy with the main objective of safeguarding the public interest sustainably as well as creating enabling and equitable environment for the international community participating in the industry.

1.4 UNIVERSAL PRECEPTS OF PETROLEUM GOVERNANCE

The Oil and Gas (Exploration and Production) Policy has been prepared in line with the universal principles guiding domestic and international foundations for natural resources governance, respectively. These precepts include:

- An inclusive and comprehensive strategy with clear legal framework and competent institutions.
- Accountable decision makers and an informed public.

- Transparency and efficiency in allocation of oil and gas development rights.
- Appropriate and accounted for taxation regime.
- Involvement of the local communities in decision-making process; safeguarding of land ownership rights, and social equity in revenues sharing.
- Development of an appropriate institutional setup for the country in line with several other key sectors throughout the whole petroleum value chain
- A responsible and sustainable field development plan.
- Health, Safety and Environmental matters.
- Sustainable and profitable investment of revenues for current and future generations.
- Control of public expenditures from petroleum revenues.
- Public-Private Partnership in supporting national content.
- Corporate Social Responsibility

CHAPTER TWO: SITUATIONAL ANALYSIS

2.0 POLITICAL AND LEGAL CONSIDERATION

Before Zanzibar Revolution of 1964, the petroleum exploration and production activities were operated under Mineral Oil Decree Cap 107 and Mining Decree Cap 108 of 1955 which declared that the ownership of mineral Resources was vested in the Government. Its Regulations prescribed licensing procedures and other associated matters. The establishment of the United Republic of Tanzania in 1964 and later establishment of TPDC in 1969 and the Petroleum Exploration and Production Act of 1980, transferred Zanzibar's role in oil and gas issues to the jurisdiction of the Union. The Petroleum Exploration and Production Act of 1980 empower Minister of Energy of Mainland to manage issue of oil and gas in Zanzibar but remain silent in the involvement of Zanzibar Authorities in this empowerment. Granted by the Zanzibar Constitution, there exists a Minister responsible for Energy in Zanzibar leading a Ministry of Lands, Housing, Water and Energy. Under the Ministerial set-up, Department of Energy and Minerals is supposed to be responsible for managing oil and gas issues in Zanzibar.

In 1997, oil and gas exploration activities in Zanzibar were put on hold pending further inter-governmental consultation regarding the process. This situation was compounded further by the Zanzibar House of Representatives Declaration in 2009 asking RGoZ to manage the issue of oil and gas activities in Zanzibar. This situation later was addressed to the URT and a high level discussion came into conclusion for preparation to be made for Zanzibar and Tanzania Mainland to manage oil and gas issue separately on each part respectively. This situation leaves Zanzibar in a very weak position of being devoid of competent institutions, manpower, regulatory and legal framework to manage the Oil and Gas industry. However, historical exploration works done and data collected by TPDC which Zanzibar has the right of access to, provide a favorable environment for Zanzibar to develop oil and gas sector.

2.1 DELINEATION OF SEA BOUNDARIES

Internal and international maritime boundaries are now a major pre-requisite of any long-term negotiations between Zanzibar and the contracting parties to secure exclusive rights and jurisdiction for offshore oil and gas exploration. Many developing countries find themselves in various levels of disputes or disagreements on the status of their respective maritime boundaries. More often or not, boundary negotiations come often too late and under encouragement by the oil industry. However, this issue was identified by the two Governments and is being worked out to accommodate mechanism to demarcate maritime boundaries for petroleum blocks. This remains potential to develop into jurisdictional challenges with respect to ownership and allocation of petroleum blocks offshore.

2.2 LEGAL AND INSTITUTIONAL FRAMEWORK IN THE VALUE CHAIN

Most of the policies of Zanzibar were developed during the time when the oil and gas was a matter not managed by the Zanzibar authority and hence are silent on it or non-existent. The existing gap has to be re-addressed in those policies that are under direct effect of the oil and gas industry development. Issues like land, human resettlement, environmental management, taxation, occupational health, safety, economic policies, planning, education, maritime, population, local government authorities, disaster management and infrastructure development are few from the list that require careful considerations for the introduction of the oil and gas industry in Zanzibar. Absence of adequate expertise in the industry of oil and gas or those sectors that are supporting it is a major concern. There must be a review of the policies for harmonization and institutional re-structuring with clear cut mandate on each to accommodate for the anticipated development with vigorous capacity building measures matched to the international best practice. Recently, the United Republic of Tanzania accommodated issues of oil and gas in

the Petroleum Act 2015 that allows respective parties in the Union to manage their own resources in the respective jurisdictions. In addition, the decision to remove oil and gas from Union matters is in the proposed Union Constitution.

The best Oil for Development Model in petroleum governance proposes three separate functions for oil and gas activities. The institution responsible for energy in Zanzibar will continue to exercise the overall jurisdictional policy oversight of the petroleum sector in the country and ensure that the authority and the boundaries of the institution on petroleum matters are governed by enacted laws passed by the House of Representatives. It requires further strengthening in terms of technical and human resources in order to increase the required levels of standards in policy and regulatory compliance. Another function is that of an independent regulator which will be responsible for matters related to legal requirements pertaining to regulatory monitoring, negotiations, licensing, exploration, appraisal, and production of oil and gas. For commercial and production activities, it is proposed that a gradual transition towards an establishment of a national oil company specifically programmed for commercial exploration and resource exploitation on behalf of the Government.

2.3 LICENSING AND CONTRACTING

Until now, Zanzibar doesn't have its own oil and gas regime and therefore there isn't any mechanism for an established Licensing and Contracting decision gate. The Government has to ensure that exclusive rights for petroleum exploration, development and production are conferred upon serious and credible investors with mutual benefits and in the best interest of the country. Establishment of optimal size of the oil and gas blocks for licensing will be a priority to bring operational efficiency in the industry. Regarding fiscal regime, the principal strategy will be to adopt a feasible model agreement in line with the international best practices suitable for

Zanzibar’s public procurement conditions. A transparent and a well-defined competitive bidding and negotiation processes in conformity with the international best practices is essential. Each block has to be managed independently under the principle of “ring fencing” which provides safeguards against liability to loss and damage, transfer, as well as other risks involved.

Unitization will also be considered depending on the conditions of the geological findings based on the principle of the “trans-boundary deposits”. Requirements for licensing and contracting should be designed to address each phase of the life cycle in the field – exploration, appraisal and production stages. Approval of a Field Development Plan (FDP) will depend on the feasibility of the submitted plan for the development and production proposal. The adherence to the previously awarded agreements in conformity with the International law is a prerequisite to create confidence in the international operators. However, a decision to review such agreements to suit Zanzibar interests and compliance to this policy will be done based on transparent and mutual consultations, endorsement safeguarded by the appropriate measures and proceedings based on the rule of law during implementation of such a decision.

2.4 OWNERSHIP OF PRIMARY TECHNICAL DATA

The functional capacity and ability of the petroleum authority to own, develop and manage upstream activities depends on its sound management and exclusive rights on exploration, appraisal, and production data, along with all other issues concerning license relinquishments. Exclusive Government ownership of the primary technical data in the petroleum operations for monitoring, reporting and verification (MRV) is an essential element in this policy. The policy requires the best and affordable oil and gas data including its acquisition, processing, interpretation, storage, retrieval, and use and accessibility systems for private use and public for declassified

ones. The importance of ownership of the primary data includes the transparency and knowledge to the Zanzibar Government so as to manage effectively for purposes on fiscal regime, health and safety, resource management, and environment. The policy insists on having effective multi-sectoral institutions responsible for respective data management and well coordinated transparent working mechanism including Oil Company's obligation to report to the authorities for the acquisition, quality assurance, safeguards, auditing and assimilation of such data.

2.5 RISKS AND COSTS IN PETROLEUM DEVELOPMENT

There is a significant degree of uncertainty in prospecting for petroleum activities, ability to withstand the volatile global market prices of the petroleum products, issues of transparency in licensing and contracting, and low local capacity in realizing the actual cost of investment due to absence of exclusive ownership of exploration data, environmental hazards and risk towards great accidents and disaster from poor safety and health management. Therefore, understanding risks and costs in the context of oil agreements is extremely important for sustainable operations of the oil and gas industry. One of the most important decisions that the Government has to take is on selecting the feasible type of contractual system that is best applicable for the country. For example, in order for the Government to establish the terms of development process, any of the following contractual agreements may apply depending upon the prevailing situation at the time:

- Concession Agreement
- Production Sharing Agreement
- Service contract.

Each form of the contracts has advantages and disadvantages, especially for the commercial point of view. The issues of confidentiality and mutual confidence are very important due to the irintrinsic nature. Furthermore, in the absence of full guarantee

under the agreements between the Government and the contractor in assessing the feasibility and transparency of a commercial discovery, could potentially result in risks of revenue sharing disagreements, profit loss and investment failures in the country - which could lead to investors abandoning their exploratory, appraisal or production operations.

Acquiring advance and timely information on the feasibility to address drill or drop risks and market volatility are therefore vital pre-requisites for the Government to engage the oil and gas industry from the competitive bidding process, negotiations and issuance of exploration and production licenses in the whole value chain and up to the decommissioning phase. The Government therefore has to develop a holistic risk management program or one that allows them to mitigate and manage risk on a broad front of the oil and gas value chain.

2.6 GRADUAL ACQUISITION OF UPSTREAM TECHNOLOGY

As the country mulls about maximizing its participation in the oil and gas industry and associated sectors, appropriate and efficient technology is vital for the country's gradual transition towards full capability in the exploration and production activities. The minimum investment in oil and gas technology constrains the implementation of the country's future strategies towards full capability in undertaking own exploration and production activities. Furthermore, inadequate capacity to meet high cost of acquisition of the new and emerging technology in oil and gas industry gas often renders the country in a weak position in negotiations over oil and gas agreements.

2.7 CRITICAL INFRASTRUCTURES DEVELOPMENT

The development of modern infrastructure in Zanzibar is critical in the advancement of oil and gas sector. The oil and gas economy is usually supported by and increasingly dependent on several critical

infrastructures. These include but are not limited to construction and assembly of oil and natural gas platforms, development of depots and pipelines; availability and utilization of land for on-shore facilities and supply bases; construction of roads, and port terminals; storage and depot facilities; electricity supply for the oil and gas industry; water supply and waste water management system, solid and hazardous waste management infrastructure; construction of information and communications data centers and facilities; air, land and maritime transportation infrastructure for the industry; banking and finance facilities; and emergency services (including medical, police, fire, and rescue). Oil and Gas industry requires serious planning and a huge scale of investment in the country's infrastructure which includes optimization of their use.

2.8 PETROLEUM REVENUES MANAGEMENT

Oil wealth has come to be seen more often as a curse rather than as a blessing. Many oil and gas emerging countries often lack the capacity to effectively monitor resource production, and consequently fail to determine accurately how much revenues they are owed. The need to put in place mechanisms and strengthen institutions that will pioneer effective, transparent and efficient management of oil and gas revenues is of paramount importance. Zanzibar has to equip itself at an early stage of oil and gas development to have an independent oversight and necessary laws to properly manage the revenues derived from the oil and gas production activities in the future once the discovery wells become operational.

2.9 PETROLEUM UPSTREAM TAXATION

Fiscal regime is vital in influencing business and investment environment in upstream petroleum activities, its development, and magnitude and in fact its own share of the benefits. Proper design of the chosen fiscal regime for petroleum investment

and development should not be seen as an obstacle to an oil and gas investment within the country. Against such backgrounds, Governments normally design desired fiscal regimes that will provide strong returns and a reasonable timeline for revenues and that will take into account uncertainty and the tradeoff of risk and reward while at the same time attracting necessary capital and investments for the development of the resource when such a development is warranted.

2.10 PROMOTION OF FOREIGN DIRECT INVESTMENT

The existing investment environment in Zanzibar is dominated by the tourism industry. The Zanzibar Investment Promotions Authority (ZIPA) is a one-stop center which is legally and administratively responsible for promotion and facilitation of investment and trade in Zanzibar and creating a supportive environment for public and private investments. These activities are guided under Zanzibar Investment Promotions Policy and Act, respectively. However, the scope of these two principal documents does not cover any relevant intervention with respect to investments on petroleum exploration and production. To encourage investments and attract international oil and gas companies to operate in the country, there is a need to establish a specialized oil and gas investment unit within the petroleum regulatory authority which will directly deal with all investment matters related to technology, the commercial value and potential of production wells, industrial marketing and investment in oil and gas exploration.

2.11 CORPORATE SOCIAL RESPONSIBILITY (CSR)

Some International oil and gas companies have contributed immensely to the economic growth of some oil and gas producing countries in the developing world. As a result, Corporate Social Responsibility (CSR) initiatives worldwide have supported national Governments' efforts towards the development of local communities in the areas of operations e.g. employment,

education, community development programs, and training in vocational training. Hence, CSR can become a permanent bridge of constructive engagement and relationships between oil companies, Governments, and the local communities beyond legal or regulatory requirements of the industry. Furthermore, major oil companies worldwide have extended their support in several other sectors of the local community's development. There is a need for CSR interventions in targeted projects which address the actual needs and interests of the affected communities. This demand driven approach should best be carried out in collaboration with the Government.

2.12 LOCAL CONTENT DEVELOPMENT

For the industry to be truly beneficial, efforts have to be taken to ensure that without affecting the investors' fundamental interests, Zanzibaris and Tanzanians respectively shall benefit first, better, sustainably and more than other immigrant workers. Vigilant mechanisms have to be in place to ensure legal presence of foreign labour force. The petroleum development sector needs to be managed in a manner that promotes development of Zanzibar and direct benefits to its people through employment, local business development, procurement of local goods and services, technology transfer, advanced training in petroleum engineering, vocational training and other related education; recruitment and permanent employment in the upstream industry. There is a need to design a joint program between the Government and the oil and gas companies that would contribute to the empowerment of Zanzibaris to fully participate in oil and gas sector. The best approach in this context is to develop a comprehensive Local or National Content Policy for Zanzibar.

2.13 INSTITUTIONAL CAPACITY BUILDING AND COMPETENCE

The institutional capacity building and competence is a key

factor in promoting the country's path towards social prosperity arising from petroleum benefits. The ongoing process on oil and gas development in our country has to put much emphasis on institutional capacity building which is needed to establish physical and management linkages between various sectors and the oil and gas industry in the country. Institutional capacity building process is therefore critical for the local institutions (Government, private sector, NGOs, civil society) to build, develop, strengthen, enhance and improve on their existing administrative, management, and scientific skills and capability in order to cope with matters related to day-to-day issues linking industry to their sectors. This should not be confused with local content development which is specific for institutionalizing an affirmative action for Zanzibaris to participate in the exploration and production of oil and gas with its supporting activities.

2.14 INTERNATIONAL COOPERATION IN PETROLEUM DEVELOPMENT

A country can take all the correct steps in petroleum exploration and production, but without the cooperation of the international community, sustained, inclusive prosperity from petroleum extraction may not materialize. Hence, Zanzibar needs to develop a regional and global outreach program with respect to the petroleum activities under its ownership within its jurisdiction. Lack of clear-cut mandate to enter into active partnerships and agreements with other regional and international players in the petroleum sector and its other related issues would harm the country's emerging opportunities in developing its own oil and gas industry. The Government needs to have the legal mandate to enter into the regional and global petroleum market platforms and acquire new petroleum agreements for its emerging industry. The Government needs to work together with international oil companies, foreign Governments and other international actors responsible for good governance in oil and gas industry in order to meet its own responsibilities with regards to the industry.

2.15 GOOD GOVERNANCE IN THE PETROLEUM SECTOR

Transparency, accountability, equity, access to information, respect for the rule of law and citizen's participation in the petroleum sector will enhance trust building measures between the sector and the people for the best interest of the country. A petroleum sector that is characterized by high credibility of both the people and investors on transparency, equity, gender equality, citizen's participation and accountability in petroleum activities should be a long-term objective of the Government. This will help to minimize, if not remove altogether, mutual suspicion over revenues, participation, and prosperity arising from the petroleum development in line with the aspirations of the people of Zanzibar.

2.16 INTEGRATED PLANNING IN PETROLEUM DEVELOPMENT

Petroleum sector is a complex and high-demand industry that requires consistency in a pre-determined flow of environmental and socio-economic dynamics involving various actors. Inclusive growth of an oil and gas emerging economy will need an integrated approach towards a new national development plan in the future. Un-established horizontal planning, coordination and integration between the petroleum infrastructure and other sectoral plans and policies could result in a potential risk of increased social inequity and failure to achieve the overall socio-economic targets for sustainable development. Horizontal integration of multi-sectoral plans and policies for development and sustainability of the petroleum activities is therefore the most principal necessity in adopting the canonical model of petroleum governance. Identification of the following sectors holds a principal policy direction towards how oil and gas development could be integrated with other sectors for sustainability and deliverance of the social prosperity:-

2.16.1 Mainstreaming Education and Awareness

Access to educational information is a fundamental right in activities which may have either a direct advantage or disadvantage on individuals, communities and society at large. Public dissemination and education about oil and gas development increases the national level of awareness and address key concerns on various aspects of the economic and social response to the industry. Community awareness is another vital pre-requisite for social understanding of the industry. It is logical that not everyone will be involved in the engineering aspects or other related operational works of the petroleum sector; and that the majority of people will continue to go about meeting their daily livelihoods e.g. continuing to engage in Agriculture, Fisheries, Livestock, Tourism, Trade etc. Education and awareness at this level will not only prepare the population with adequate general knowledge about the industry, but also assist in avoiding pushing the country into the so-called “Dutch Disease” syndrome. The policy needs to highlight this necessity beyond the scope of petroleum engineering and local content development.

2.16.2 Information Technology

Oil and gas is a very technology-oriented industry and involves many techniques and innovations that have made it possible for the oil and gas industry to cope with increasing challenges in surveying, exploring, drilling and supplying the resource from onshore and offshore fields alike. Such a development and application of information technology is vital to find and develop oil and gas resources and tap the deposits efficiently. The Government needs to ensure that petroleum exploration and production activities include long-term investment

in the acquisition and application of relevant information and communication technology for the development of the petroleum industry in Zanzibar. For example, Zanzibar needs to enact information technology laws and regulations that will provide a conducive and secure environment for data transmission and storage for oil and gas related activities within its jurisdiction; enhance efficiency and effectiveness in oil and gas operations and transactions; and ensuring a permanent presence of a data center that supports the critical infrastructure. The presence of the fibre-optic infrastructure in Zanzibar connecting both main Islands to mainland Africa is a great opportunity requiring effective integration into the oil and gas industry.

2.16.3 Land Use

Land is a critical resource in the development of petroleum infrastructure even for offshore activities. Land is critical from the point of view of development of port terminals, onshore supply bases, storage facilities, pipeline infrastructure, and to the development of other supporting infrastructure such as roads, housing, secondary industries. However, due to competing interests in land utilization, the petroleum sector will face challenges in developing its infrastructure mainly due to socio-economic issues such as resettlement, compensation and cultural reasons. Land in Zanzibar is a scarce but also finite resource and hence every option has to be exhausted to ensure co-existence of petroleum industry with other land uses. Within this scenario, technological and economics consideration have to be on board to any such investment decision on land. The use of offset drilling or production platforms away from land or best available technology for terrestrial seismic surveys is to be given priority.

2.16.4 Fisheries

Protection and maintenance of the fishing industry, the fishermen, and their communities is the key priority in offshore oil and gas development. Fisheries sector is the economic backbone of Zanzibar and it is the second largest self-employing sector after Agriculture. According to the Office of the Chief Government's Statistician (OCGS) of Zanzibar, the total annual fish-catch in 2013 amounted to more than 30,000 tones, valued at Tanzania Shillings 11.8 Billion (US\$ 62.1 Million). Petroleum activities may potentially affect commercial and artisanal fisheries, resulting in a loss of key species, their prey and habitats, and the business activities of the fishers who harvest these resources.

Other concerns include potential loss of fish landing sites; loss of labour; loss of access to traditional fishing grounds; increased marine or seabed debris from the oil and gas industry that could damage fishing gear and cause loss of fishing catch and time; Pollution; and increased vessel traffic.

The Government recognizes the need to protect the fisheries sector while at the same time carrying out sustainable management and operations of the offshore petroleum activities. Marine spatial planning could be the best option in area allocation and minimization of conflict over the use of the marine zones. Allocation of deep sea fishing licenses for international fisheries vessels is another issue that requires a strategic planning and mutual co-existence with the upstream petroleum activities.

2.16.5 Agriculture

Zanzibar primarily depends on a rain-fed agriculture economy for daily subsistence of her people, and

for small and medium level trade on the local agro-produce such as tubers, grains, vegetables, fruits, etc. The immediate threat on agriculture sector is the potential displacement of people, loss of land ownership rights, land use conversion, , land degradation and environmental pollution caused by oil and gas activities and which could result in loss of fertile soils or a complete loss of livelihoods on the part of the local farmers. The Government recognizes the fundamental importance of protecting and conserving agricultural lands and will continue to strengthen all the relevant policy measures of the agriculture sector against socio-economic and environmental impacts of the upstream oil and gas activities.

2.16.6 Forests

The isles of Unguja and Pemba are endowed with natural forests of significant quality and unique ecosystems of high biodiversity values. These are generally categorized as high forests, coral rag thickets and mangrove forests patches representing the last refuge for wildlife species. These forests also provide various ecosystem services such as building poles, firewood, and charcoal. For example, recent statistics show that approximately 32,535 m³ of forest products and 2,122 of charcoal were harvested in Zanzibar the period 2010-2011. The impact of oil and gas development on a forest conservation sector worldwide is not uncommon. For a small island state like Zanzibar, the potential risks associated with petroleum activities on its small forest landscape could be devastating if not enough precautions were taken from the beginning to activate socio-economic and environmental safeguards. Another dimension in the forest sector in Zanzibar is the fate of

the designated forest reserves, sanctuaries, community forest management areas (COFMAs) and the two major national parks of Jozani and Ngezi located on Unguja and Pemba respectively. These biomes contain species of ecological concern and need to be protected at all cost – from seismic survey to any other form of petroleum exploration.

2.16.7 Tourism

The key areas of concern coming out of a direct linkage between oil and gas development and the tourism sector are the preservation of the Zanzibar's pristine environment. The entire archipelago is a natural asset for both terrestrial and marine tourism. The white sandy beaches, fine lagoons, remote islets, and magnificent sand banks have all evolved around the single-most common value in a tropical marine ecosystem the coral reefs. These living natural barriers have given Zanzibar a vantage point in terms of global scuba-diving expedition tourism, snorkeling and kite-surfing activities, game fishing, and even in developing strategic hotel beach resorts along the prime coastal layouts of the archipelago. The major challenges in tourism will be on how the country strengthens its protective measures and ensure the sustainability of a tourism sector that is not threatened by negative impacts of the petroleum activities, especially from offshore oil spills.

2.16.8 Fresh Water

Water is an increasingly important environmental and social issue. Fresh or otherwise, it is required at different stages in the oil and gas industry – both for onshore and offshore activities. This relatively new diversion of use may increase effect of water stress if not controlled and managed well. On the other hand, water is produced

directly from production activities known as produced water. Produced water may contain residues like hydrocarbons, heavy metals, hydrogen sulphide, boron and elevated concentrations of salts. Discharge of such water may increase chances of contamination of existing water bodies if not well managed. The geology of the potential areas in Zanzibar consisting of huge deposits of alluvial layers from ancient rivers may contain deep fossil water reserves.

Therefore issues and impacts of water on the Oil and Gas sector have been gaining prominence in recent times. As the demand for water increases and the quality and supply of the resource is threatened, the need for effective freshwater management including fossil water reserves and other sub-terranean water systems along the supply chain is essential to avoid the negative effects from oil and gas industry. Fossil water reserves need to be protected from oil and gas exploitation activities.

The Government is aware of the potential conflict arising out of demand for more water and other water related stress between oil and gas exploration industry and other water-intensive sectors such as irrigation and the domestic sector.

2.17 GENDER MAINSTREAMING AND VULNERABLE GROUPS

According to the World Bank Report on Extracting Lessons on Gender, the oil industry influences opportunities and risks for women in four key areas: economic assets, information and the right to be heard, social capital, and environmental security. Zanzibar Government acknowledges that incorporating gender-informed policy and programs in the development of the oil sector can have cascading positive effects, as women play multiple

socioeconomic roles in productive, reproductive, and community-based activities. In the context of the oil and gas sector, investors can mitigate the risk of negative perception on the industry by ensuring that consultations, community investments, and hiring processes include women and vulnerable groups. The most important interventions for the empowerment of women and vulnerable groups would be in the support and assistance for their access to basic services, improved infrastructure, small and medium businesses, education, capital accumulation, and land.

2.18 HIV/AIDS PREVENTION AND MANAGEMENT

HIV/AIDS transmission risk in the oil and gas industry, as in other sectors of the economy, is commonly linked to the activities that are associated with a sudden increase in employment in an area; increase in the migration of a workforce which permanently alters the population dynamics of the area; operation of a new exploration, production, or any other upstream and downstream facility; activities that involve the regular transport of goods or material across distances; and activities that separate employees from their partners for extended periods of time. Zanzibar already has HIV/AIDS prevention and management policy and a program implementation mechanism. The key challenge will be to prevent the reversal of long-term but successful efforts in minimizing new infections as a result of the surge in economic activities around the oil and gas sector.

2.19 HEALTH, SAFETY AND ENVIRONMENT (HSE)

Petroleum activities are serious environmentally polluting operations which can have long-term, negative, and irreversible impacts on environment, health and public safety. Operators of oil and gas activities therefore have to take huge precautions in dealing with protection and conservation of coastal and marine ecosystems while safeguarding community health and safety matters. The key parameters generally set as environmental

benchmarks include atmospheric emissions and air quality, energy conservation, fresh water conservation, waste water management and discharge, control of hazardous wastes and substances used in the oil and gas industry; overall solid and hazardous waste management and disposal issues; noise pollution; degradation of land and sea areas which are physically exposed to petroleum activities; and risks associated with health, industrial activities, land or marine contamination.

Other key parameters associated with HSE approach on community health and safety include access to clean water and availability, overall structural safety of the project and its infrastructure within the inhabited surroundings; traffic safety against movement of heavy duty vehicles (land and sea); transport of hazardous materials at sea and overland; communicable and non-communicable diseases prevention, fire safety and emergency preparedness and response.

Issues of decommissioning entail all possible safeguards that must be addressed to full environmental compliance. Unlike any other development projects, Decommissioning in an oil and gas industry is a joint program between the oil company and the Government whose plan of action must be described in a joint decommissioning plan with mutual financial investments and commitments from both parties.

2.20 THREATS ON TERRESTRIAL AND MARINE BIODIVERSITY

Petroleum activities have serious threats on terrestrial and marine biodiversity. Offshore prospecting and drilling puts sensitive marine biodiversity and habitats at risk. The current constraints in managing existing terrestrial and marine conservation areas, national parks and forest reserves in Zanzibar could become an existential challenge for the local flora and fauna of biodiversity significance located throughout the archipelago if both direct

and indirect effects of the oil and gas industry were not properly addressed.

Potential loss of terrestrial and marine biodiversity as a result of habitat and marine routes degradation should be tackled and mitigated before it is too late. Onshore and offshore exploitation that addresses the requirements of terrestrial and marine biodiversity conservation should be based on the commitments from the oil and gas industry that it will not work in or near Marine Protected Areas (MPAs, MCAs), National Parks, forest reserves, and other important but undeclared biodiversity sanctuaries. There should be joint concerted efforts between the Government and the oil and gas industry in working to improve operating practices and corporate responsibility towards protection of terrestrial and marine habitats.

2.21 OCCUPATIONAL SAFETY & HEALTH

Occupational safety and health issues are extremely important in the design and operationalization of oil and gas facilities and safe working systems, and in the preparation and communication of safe working procedures. Oil and gas facilities have a great potential for injury or risk of accident including the potential for extreme natural hazards. Hazards with Occupational safety and health including but not limited to Safety and Injury hazards (motor vehicle accidents, contact injury, fire and explosion, poor air quality, slips, trips and falls; confined spaces problems, handling hazardous materials. Transportation, well blowouts) and health and illness hazards like chemical hazards (toxic, corrosive, carcinogens, asphyxiates, irritant and sensitizing substance) physical hazards (noise, vibration, radiation, dust, fumes, extreme temperatures); biological hazards (virus, parasites, bacteria) ergonomic hazards (manual handling activities, repetitive motions, awkward work postures) and psychosocial hazards (overwork, odd working hours, isolated sites and violence). There

is a need of having a well communicated Emergency preparedness and response program. The Government needs to ensure there is a proper OSH Management System and all key OSH issues are addressed and properly implemented to ensure continuous improvement the working conditions and safety and health levels. Regulations for occupational safety and health of employees employed in connection with exploration, drilling, production and operational facilities for oil and gas should be highly prioritized.

Responsibility of Occupational Safety and health involve Integration of preventive culture in all work settings in oil and gas. Emphasizing safe work procedures; Ensuring continuous improvement in occupational safety and Health in oil and gas procedures; Monitoring of safety and health of the employees, employers and the community in the vicinity of the oil and gas activities; and Investigating the incidents accidents and ill health occurring in the work areas and develop means to avoid occurrence or reduce the effects to as minimum as applicable.

2.22 CLIMATE CHANGE ADAPTATION AND MITIGATION

The Government has already begun to take drastic steps in tackling and adapting to the impacts of climate change in Zanzibar. In 2012, the Government, with the support of the United Kingdom Department for International Development (UK-DFID) undertook a grand baseline study known as the Economic Impacts of Climate Change in Zanzibar. In 2013, the Government finalized the Zanzibar Climate Change Strategy which guides the country towards the proposed strategic interventions to switch to a climate resilient economy.

However, the oil and gas industry is known to generate greenhouse gas (GHG) emissions at an unprecedented rate and this poses to reverse the climate adaptation gains that Zanzibar had achieved prior to the petroleum exploration and production and economy.

The Government needs to mobilize its resources and start the process of implementation of the strategic action plan of the Zanzibar Climate Change Strategy and facilitate capacity building for collaborative framework for the implementation of climate change mitigation initiatives in the petroleum sector.

Flaring is a hazardous practice that endangers environment and contributes towards global warming. There should be gradual measures to ensure that flaring is strictly controlled and banned altogether from Zanzibar's oil fields.

2.23 DISASTER RISK REDUCTION (DRR)

The challenges associated with DRR in oil and gas sector are mainly in setting up and making operational capacity for disaster preparedness, management and mitigation. However, this can be addressed through proper disaster preparedness and management mechanisms and practices. Consequently, in the case of Zanzibar, the Disaster Management Policy and Action Plan of does not address hazards and risks associated with the petroleum industry. This is because the policy was largely prepared to tackle natural hazards, and not necessarily anthropogenic causes of disasters. The following hazards are a constant threat that must be taken into consideration in planning and management of the oil and gas sector: Offshore climate and weather hazards; industrial accidents resulting in fire, oil spills and infrastructural systems failure. The Government therefore recognizes the need to establish appropriate disaster preparedness and mitigation mechanism within the petroleum sector in Zanzibar.

2.24 MAJOR CHALLENGES IDENTIFIED IN OIL AND GAS ACTIVITIES

The policy has identified the following key challenges that need to be addressed in order for the country to move forward in addressing the key issues pertaining to the petroleum activities:

- Absence of a legal and regulatory framework on oil and gas industry.
- Inadequate institutional and administrative framework on matters related to oil and gas governance.
- Inadequate local human resources to support oil and gas development.
- Absence of the local content architecture, capacity, technology, research and development.
- Insufficient level of public awareness with regards to the development of the oil and gas industry.
- Absence of enabling environment towards local and foreign direct investment in the development of petroleum industry.
- A slow pace of enabling environment in human, social and economic investment in the development of petroleum industry.
- Apparent inexistence of assessment studies to guide the development of optimal infrastructures to support the oil and gas industry.
- Inadequate capacity and competence in contract negotiations with investors and petroleum resources management.
- The tendency of weak compliance in health and safety, heritage and environmental norms and rules.
- Lack of public knowledge and awareness on the existing multilateral agreements on environment and occupational safety and health.
- Inadequate mainstreaming of international best practices in health, safety, environmental and social assessments
- Existence of uncontrolled optimism in the presence of oil and gas reserves which results on high public expectations.
- Inadequate capacity to meet high cost of acquisition of new technology.
- Constraints in managing terrestrial and marine conservation areas, national parks and forest reserves.
- Absence of exclusive ownership of primary technical data for oil and gas development activities.

- Discovery uncertainty, world market price volatility of the products, transparency and low capacity in realizing the actual cost of the investment.
- Potential uncertainty on sustainability of the production trend of estimated amount of hydrocarbon reserves.
- Apparent inexistence of horizontal planning, coordination and integration between the petroleum infrastructure and other sectorial plans and policies.
- Un-established mandate to enter into active partnerships and agreements with other regional and international players in the petroleum sector and its other related issues.
- Lack of functional mechanism to demarcate maritime boundaries

2.25 ISSUES OF PRIORITIZATION IN OIL AND GAS DEVELOPMENT

The policy has identified the following key issues of priority:

- Oil and Gas Resource ownership for the people of Zanzibar.
- Sustainable use of oil and gas income guaranteed for the people of Zanzibar
- Full Government participation in the oil and gas value chain.
- Full transparency in managing issues of oil and gas under comprehensive framework of rule of law.
- Preventing measures against challenges deriving from oil and gas issues according to best practices within National and International legal obligations
- Development of a legal and regulatory framework governing petroleum activities
- Establishment of a new institutional setup necessary for effective management and regulation of the petroleum development.

- Negotiations into the Petroleum Agreements, allocation of rights, licensing and contracting.
- Management and allocation of off-shore blocks in relation to territorial sea and exclusive economic zone.
- Enabling environment in engaging in international investments in oil and gas economy.
- Managing Health, Safety, and Environment (HSE) impacts emerging from the petroleum sector.
- Managing social impacts and issues of participation and equity in petroleum industry.
- Integrating the petroleum sector with the other key sectors of the economy including industrial sector.
- Enabling environment in engaging petroleum industry without involvement of political influences so that oil and gas issues shall not be used as a political agenda.
- Proper governance in collection and management of taxation and revenues.
- Local content development

CHAPTER THREE: POLICY LINKAGES

3.1 ZANZIBAR DEVELOPMENT VISION 2020

The vision's policy on the sustained provision of energy is to ensure adequate, environmentally sound, alternative and sustained energy supplies for easing socio-economic development. The Vision emphasizes on the development and efficient utilization of Zanzibar's locally available energy resources to minimize dependency on imported energy and reduce demand pressure on the natural forests. The policy objectives include Establishing an independent power supply system to reduce dependency on imported energy and the pressure on demand for forest resources; Develop and promote energy supply and management systems that will ensure reliable energy for all purposes at a reasonable cost; Encourage R&D on non-wood energy sources (such as solar, wind power and biogas) and on energy efficient domestic alternative sources of energy; Promote an efficient use of energy; ensure conservation of renewable and non-renewable energy sources and the protection of environment; and promotion of petroleum exploration activities.

3.2 ZANZIBAR STRATEGY FOR GROWTH AND REDUCTION OF POVERTY

In an indirect relevance to the petroleum sector, the strategy states that there should be a sustainable land use program in order to protect, conserve and manage ecological resources, including flora and fauna, and in maintaining soil and water conservation. The strategy also calls for the implementation of the sustainable tourism for all. The strategy has a special section about the need to protect the mangrove biodiversity and its constituent coral reefs and fisheries equation. Sanitation and waste water pollution problems are mentioned in the strategy, as are environmental concerns on the status of the beach layouts. In an attempt to promote sustainable utilization of natural resources, the strategy encourages and facilitates empowerment of the local communities and their full participation in natural resources management.

3.3 ZANZIBAR ENERGY POLICY (2009)

The policy states that earlier geological investigations showed possibilities of fossil reserves in Zanzibar. Investors have showed interest for further investigations and exploration. In order to re-activate the exploration of fossil resources, the present arrangements for administration and benefit sharing shall be reconsidered. Beside exploration of fossil reserves, it is of immense importance to closely follow the technological development in all areas of energy utilization.

The policy also stresses on active promotion and support to exploration, up-stream production and supply of gas and petroleum products. Such exploration and production shall take environmental and socioeconomic conditions into due consideration. Zanzibar should ensure collection and equitable distribution of petroleum revenues and use them to create lasting values for the entire nation. Zanzibar House of Representatives shall ratify models of exploration and production contracts.

3.4 THE GOOD GOVERNMENT POLICY (2002)

This Policy is aimed towards ensuring Government's adherence to its constitutional obligations and implementation of the rule of law. It offers guidelines on the distribution of roles and responsibilities within the government, adherence to the code of leadership ethics and the culture of smooth succession of elected leadership. It ensures efficient implementation monitoring and continuous evaluation, focused on annual implementation reporting.

The Policy targets accountability and transparency while avoiding corruption and other malpractices, so it will play a key role in instilling the same values to the oil and gas policy. Those values are important in preventing the oil curse, by ensuring that the oil and gas endowments are rationally exploited for the lasting benefits of the society.

3.5 ZANZIBAR LAND POLICY (2012)

The vision and the mission of the policy is to achieve equitable and sustainable land utilization for economic growth through effective land administration and management. The Policy is considered to be one of the most important instruments for social and economic growth in Zanzibar. It attempts to guide proper land governance, land use planning, and meet the challenges of sustainable land management such as the land tenure system, market and valuation, administration and land management system. The policy is contextualized to achieve the universal goals of sustainable development goals.

3.6 ENVIRONMENT POLICY (2013)

The policy acknowledges that Zanzibar faces inadequate energy supply, unreliable electricity supply and sustainable alternative energy sources due to limited capacity, capital, and development priorities. The policy discusses about promoting the development of sustainable energy supplies. On oil and gas development, the policy stresses upon exploration and production operations which have potential impacts on the environment, economy, society, culture and biodiversity. Although Zanzibar is not currently exploring or operating oil and gas production, nevertheless, the policy stresses that concrete preventive and management measures related to the petroleum activities need to be prepared immediately to protect the island's pristine environment.

3.7 ZANZIBAR HEALTH POLICY (2010)

The policy vision is to have a healthy population, with reliable, accessible and equitable health care services. The policy mission is to ensure that all Zanzibaris secure their right to quality health services, rendered in a cost-effective and affordable manner. The policy is based on the following main considerations: health service delivery, quality services at the primary health care level; self-reliance for health personnel, rather than continuing the dependence on expatriate medical specialists and other health cadres; investments in health infrastructure; new medical

procedures, new technologies, new types of expertise, and new intervention strategies.

3.8 ZANZIBAR FOREST POLICY (1996)

The policy underscores that much of the population of Zanzibar is dependent on firewood and charcoal as the main source of energy. Collection and trade of firewood and charcoal is one of the economic activities in the country. House building relies largely on the supply of poles from mangroves and other forests. The policy emphasizes on carrying out studies and encourage the use of alternative sources of energy to reduce wood-fuel consumption; both by households and by large-scale consumers. In order to safeguard conservation of forests in Zanzibar, the policy implementation instrument recognizes allocation of adequate public funds for the financing of key forestry activities to safeguard vital long-term national interests (Water, soil, energy, raw-materials) by earmarking a substantial portion of public revenues for reinvestment in forest development activities.

The policy reminds the society of the dangers surrounding mangrove forests. The policy calls upon the involvement of local communities in the management of the forest reserves and other conservation areas, especially in the coral rag and mangroves, and explores ways of providing meaningful incentives for such involvement, such as participation in tourism activities and appropriate access to some forest products and lands.

3.9 ZANZIBAR AGRICULTURAL SECTOR POLICY (2000)

Agricultural Sector Policy cites the increasing demand for fuel wood in addressing energy use in for cooking as the major challenge in attaining agricultural security and safeguard crop productivity. Fuel wood, charcoal and agricultural residues account for 90 percent of final energy consumption. Due to growing demand for fuel wood, which cannot be sustained by the diminishing sources, the environmental damage has resulted in severe soil

erosion, watershed and ground water deterioration, as well as the ecological degradation of vulnerable areas. All of these have negative impacts on the agricultural sector. The policy direction is on how to develop a reliable, affordable, and environmentally sound alternative energy supplies in order to reduce the usage of wood for energy.

3.10 ZANZIBAR FISHERIES SECTOR POLICY (2000)

The policy calls upon promoting the ecologically sustainable development of fisheries in Zanzibar. There is a general decline of fish catch in artisanal fisheries around the waters of Zanzibar, the increased use of destructive fishing practices such as dynamiting which is also destroying the marine ecosystem and seriously threatening the capacity to obtain sufficient marine products to feed the growing population. There is also a realization that artisanal fisheries is creating immense environmental pressure on the surrounding shallow banks and that there is a need to switch towards deep sea fishing. There is a limited micro-credit facility for artisanal fishermen and frequent conflicts over territoriality of artisanal fishers. The policy mentions the issues related to environmental conservation of the marine ecosystems and calls for an increased education and awareness programs on marine conservation and implementation of the goals of the Integrated Coastal Zone Management (ICZM). Industrial fisheries and deep sea fishing are also highlighted in the policy.

3.11 ZANZIBAR FOOD SECURITY POLICY (2008)

The Policy recognizes that effective land administration including implementation of the Land Use Plan is a significant contributing factor in addressing both food availability and accessibility as it will improve local agricultural productivity and ensure access to credit facilities. The Ministry responsible for Energy and Lands has therefore a prominent role in implementing this policy as it guarantees the effective implementation of land legislation including protection of potential agricultural land from encroachment and destruction ensuing from other challenging development activities.

The Ministry is also responsible in facilitating availability of clean and safe water for human, and livestock consumption, and in regulating energy tariffs for sustainable livelihood development and as such contributes towards effective implementation of the policy in promoting livelihoods and ensuring food and water safety.

3.12 ZANZIBAR LIVESTOCK POLICY (2011)

The National Livestock Policy published in 2011 stipulates guidelines and directives related to conventional and non-conventional livestock species, animal welfare and development, production and utilization of animal bio-fuel, market access, value addition and financial services. The policy recognizes that shortage of grazing land is one among the constraints hindering livestock development. The policy calls upon the Ministry of Livestock and Fisheries to advocate the formulation of land policy in order to encourage sustainable land utilization for livestock development including rapid adoption of intensive production systems to reduce land pressure.

3.13 ZANZIBAR WATER POLICY (2004)

The objective of the policy is to ensure public ownership and protection of water resources for quality and use in accordance with water and environmental conservation principles. The policy also calls for inter-sectoral linkages for coordinated resource development and management plus defining the roles of different stakeholders including beneficiaries, donors, ministries, public, NGOs and private institutions. The policy notes that fresh water use in Zanzibar has now become a sensitive agenda. There is no perennial source except from the shallow ground water aquifers. This limited reserve in Zanzibar is nourished only by rainfall. The impact of climate change and other anthropogenic sources are exacerbating drought conditions, salinization of sweet water, water quality pollution, etc. The policy calls for an integrated water resources management (IWRM) and other conservation and safeguarding measures to ensure sustainable availability and

supply fresh water for domestic and industrial purposes in the urban and rural settings

3.14 ZANZIBAR TRANSPORT POLICY (2008)

Zanzibar National Transport Policy articulates a course of action for the development of the maritime, air and land transport sub-sectors. The Policy systematically addresses the transport demand, transport services in response to demand, facilities to provide transport services, and the management of the transport sector including development of transport systems and infrastructure. Review of this policy has shown that the transport sector development has a high demand for land allocation. Land is required for port expansion, existing airport and runway expansion, demand for land for private airstrip.

On the maritime sector, the policy recognizes the need to encourage private investment through ‘public-private partnership in the construction, operation and maintenance of the ports and associated infrastructure. The policy also highlights the need to reserve new port sites to cater for specialized port services as well as reviewing customs procedures for efficient operations. The policy promotes open registry services within Zanzibar port to allow foreign nationals register their ships in Zanzibar.

On matters related to air transport sub-sector, the policy stresses on the need to develop private airstrips to complement with the existing expansion of the major airports’ infrastructure and services including oil and gas industries.

3.15 ZANZIBAR TRADE POLICY (2006)

The policy touches upon adequate energy availability for commercial as well as domestic purposes for an economic development. Rapid economic growth greatly depends on energy availability, reliability and cost as these have a direct bearing on the competitive production of goods and services. Liberalization of the energy sector in Zanzibar is essential to ensure its production and distribution as identified by the Government. On energy

specificities, the policies emphasize on reliable and uninterrupted power supply to economic, manufacturing and service zones; introducing low cost alternative sources of power to reduce burden on production of goods and services and be competitive; and to minimize frequent power cuts to stabilize business and production activities.

The trade policy is compatible with the goals of the World Trade Organization (WTO) and identifies key issues to be integrated into the national trade formulation. These issues include Business service which include Professional and ICT Service; Construction and Engineering Services; Distribution Services; Education Services; Environmental Services; Financial Services; Tourism and Travel Services; Recreational and Counter Service and Transport Service.

3.16 ZANZIBAR INVESTMENT POLICY (2004)

The existing conducive investment environment in Zanzibar is to a large extent due to the prevailing safety and security, which is partly a result of the inherent culture of unity among citizens and hospitality towards visitors. But it is also because of robust policies and practices by the Government of the United Republic of Tanzania and the Revolutionary Government of Zanzibar.

Security wise, oil and Gas investment is even more challenging, given the extensive nature of its infrastructure onshore and offshore along with the potential tendencies of sabotage out of many known factors. Fortunately, Tanzania has a good experience of effectively safeguarding oil and gas facilities for more than three decades. Plus, Zanzibar has Special Departments in the maintenance of peace and safety on land and at sea. It is therefore highly promising that oil and gas investments in Zanzibar will be sustainably safe and secure, which is in line with existing Investment Policy.

The policy was formulated to attract foreign direct investment (FDI) into Zanzibar and to undertake a focused promotional strategy and

a substantial change of the policy and operational framework for FDI in line with worldwide “best practice” standards. It guides the need for attracting investments into high value sectors such as Agriculture, Fisheries, SMEs, Manufacturing, Trade and Tourism. Some of the important investment policy strategies include greater transparency, accountability and the rule of law, a public enterprise management system that ensures efficiency, responsiveness and integrity, and to ensure that line ministries and private sector institutions closely work with investors for economic stimulation. The policy specifically calls for establishment of an efficient financial system that facilitates, attracts, strengthens and broadens venture capital companies, finance companies and insurance companies, among others, through investments by public, private local and foreign investments. It calls for putting in place appropriate incentives towards promoting offshore banking and capital markets.

3.17 ZANZIBAR SMALL AND MEDIUM ENTERPRISE POLICY (2005)

The policy taps upon generating employment opportunities, income and wealth generation and poverty alleviation. The SME policy document recognizes that the development of the SME sector requires specific interventions across a wide range of Government policies and the development of capacities and capabilities in both private and public sector and is fully in accordance with stated national policies and objectives. The policy advocates for a sound environment related practices, good housekeeping implemented in small businesses to improve productivity without the need for major investments. The policy pays special attention to the implementation of measures on waste management and recycling techniques, and the application of renewable energy technologies. Interventions related to awareness rising on cleaner production techniques, energy efficiency improving measures, sound waste management and recycling techniques, renewable energy technologies to SMEs.

SMEs will have a very significant role in the local content participation process while offering supporting services to the oil and gas industry.

3.18 ZANZIBAR NON GOVERNMENTAL ORGANIZATION POLICY (2008)

Civil Society Organizations, particularly (NGOs) are identified by the Government as an important force and a necessary tool in strengthening economic and social development. Those organizations are important partners in development and in the promotion of democracy and good governance which contributes to the growth of national income and poverty reduction in accordance with the Zanzibar Development Vision 2020 and the Zanzibar Strategy for Economic Growth and Reduction of Poverty –II. These elements are also expected to feature very prominently in the implementation of the Oil and Gas Policy.

3.19 ZANZIBAR EDUCATION POLICY (2006)

The policy describes the new challenges which the education system faces especially in the wake of the on-going liberalization, globalization and privatization process and the macro-economic policies being pursued by the Government. The New Zanzibar Education Policy has emerged to implement the goals of socio-economic development. The Policy vision is to have a democratic and peaceful society enjoying a high quality of education and livelihood and committed to lifelong learning to effectively respond to development challenges which will be also facing the oil and gas industry.

3.20 INFORMATION AND COMMUNICATIONS TECHNOLOGY POLICY (2013)

The general objective of this policy is to provide a reference framework for the harmonious and sustainable development of the ICT sector in Zanzibar and constituting the main base for legislation, development plans and action in the future. The specific objectives of the Zanzibar ICT Policy are to transform Zanzibar into information based society where everyone has

equitable and affordable access to ICT; ensure that ICT is part of national education programs. This is very relevant to the oil and gas policy, considering the industry's heavy dependence on technological excellence.

3.21 ZANZIBAR HIV/AIDS POLICY (2004)

The goal of the Zanzibar HIV/AIDS Policy is to prevent new HIV infections in the population; treat care for and support those who are infected; and mitigate the impact of HIV and AIDS on the social and economic status of individuals, families, communities of all those living in Zanzibar. Enhance the institutional capacity/key implementers' capacity to develop/implement HIV/AIDS interventions with gender and human rights approaches. The vision of the policy to institutionalize a policy that will lead to a Zanzibar population which is free from the HIV/AIDS threat and which has a sense of caring and supporting all those citizens infected and affected by HIV/AIDS. The human interaction brought by the oil and gas industry may increase the risk of infection and hence requiring the support of this policy.

3.22 ZANZIBAR GENDER POLICY (2005)

The Policy underpins equity and equality between sexes in social, political and economic spheres at all levels. The general objective of the Policy is to provide a national framework for planning, implementation, coordination, monitoring and evaluation of gender mainstreaming strategies, their action plans and budgets. Moreover, the policy recognizes the greater role played by women in agriculture and natural resources sector. Since women provide 70% of the agricultural labour and produce about 70% of agricultural output in Zanzibar, the issue of land ownership is directly related to the challenges of gender mainstreaming for women's development. The Oil and Gas policy has to concur with this policy in promoting women participation.

3.23 ZANZIBAR INFORMATION POLICY (2005)

The overall objective of Zanzibar Information Policy is to inform

the society on socio-economic changes and development trends with particular attention on the fight against poverty and in the provision of basic social services such as education, health and safe drinking water. As such the policy has strategic relevance towards Health, Safety and Environment (HSE), biodiversity, climate change, social impact and communities concerns on sustainable land use and protection of natural resources including oil and gas.

3.24 ZANZIBAR LOCAL GOVERNMENT POLICY (2012)

The Policy promotes efficient and effective services to the local communities in the context of attaining the goals of good governance. The objective of the policy therefore is to ensure that an establishment of accountable local government that has a capacity to provide better and efficient basic services to the people and safeguard their livelihoods, which are the backbones of the Oil and Gas Policy.

3.25 ZANZIBAR PUBLIC PRIVATE PARTNERSHIP POLICY (2014)

The policy framework provides the foundation for public-private partnerships that supports competitive and efficient delivery of services and creates a more conducive environment for PPP projects which are also crucial to the development of oil and gas industry.

3.26 ZANZIBAR POPULATION POLICY (2008)

The population policy has been developed to monitor the emerging trends in population dynamics in the aspects of sustainable development. The overall goal of the policy is to achieve improved quality of life and standard of living for all Zanzibaris through better management and development processes which must be in line with oil and gas policy. The Oil and gas industry if unchecked may create demographic imbalance which makes the Population Policy more relevant.

3.27 DRAFT ZANZIBAR OCCUPATIONAL SAFETY AND HEALTH POLICY (2012)

The Draft Policy's main objective is to promote and advance at all levels the right of workers to a safe and healthy working environment, in order to contribute to the improvement of workers well-being and national productivity. The Draft Policy guides actions to minimize the causes of hazards in the working environment, reduce the costs of work-related injury and disease, contribute to the improvement of working conditions and the working environment, and improve national productivity. Since HSE is a very important component in the operation of oil and gas industry, this draft policy is therefore directly interlinked to the Oil and Gas Policy.

3.28 ZANZIBAR DISASTER MANAGEMENT POLICY (2011)

The Zanzibar Disaster Management Policy sets administrative and operational mechanisms towards building resilient communities by enhancing the use of and access to knowledge and resources in disaster prevention, mitigation, preparedness, response and recovery at all levels. The Policy focuses on attaining minimum disaster disruption to social and economic development issues. This can be achieved by mainstreaming disaster management norms as an integral part of development programs of all relevant sectors in the country. The policy's priority areas of engagement include preparing the country against natural hazards such as cyclones, drought, Tsunamis, and other natural risks.

The policy also emphasizes upon protection of coastal zones and coral reefs, strengthening food and energy security, and minimizes accidental risks of oil spills and fire out breaks. The importance of this policy is demonstrated by how easily oil and gas production can impact or be impacted by disasters.

3.29 DRAFT ZANZIBAR EMPLOYMENT POLICY (2007)

The Policy has been developed to address some of the major constraints in employment and other emerging labor dynamics

in Zanzibar. This is in line with the on-going macro-economic reforms and with greater involvement of the private sector. The policy highlights Zanzibar's economic prospects in tandem with employment growth, the labor force situation, key job sectors, and the Government efforts to generate and encourage decent jobs for the citizens. The policy draws employment challenges in the face of science and technology dynamics, gender inequality, the race of regional (East African) integration, and other development programs.

Human Resource being a crucial component in the Oil and Gas industry, it is obvious that this Employment policy will be influenced by the Oil and Gas policy very heavily.

3.30 DRAFT ZANZIBAR POLICY FOR PEOPLE WITH DISABILITY (2014)

The Draft Policy serves as an important tool for providing guidance for disability issues while safeguarding the basic and human rights of disabled citizens with regards to equality and equity in the social, economic and environmental aspects. The policy aims at improving accessibility to social services and all other aspects of human development. The Policy objectives include mainstreaming and safeguarding the rights of people with disabilities (PwDs) to full economic and societal participation, improving the physical environment for PwDs, capacity building, and affirmative action in terms of employment opportunities including oil and gas industry. This policy will have to make sure that people with disabilities are not marginalized in the Oil and Gas activities. Facilities offered by the industry have to be friendly to the people with disabilities.

3.31 THE DRAFT ZANZIBAR TOURISM POLICY (2016)

The Zanzibar Tourism Policy articulates the need to ensure that tourism becomes leading export and major source of income generation and job creation, which will improve the quality and livelihood of Zanzibaris. Zanzibar has plenty of natural resources in the form of its diverse landscape, thus the utility of such resources base is tourism and recreation. The policy indicates that

the development of tourism in Zanzibar does not match up to its resources excellence. With that regard, the utilization of resources should suit the tourist's satisfaction and the local population.

The Tourism Policy recognizes the importance of land use planning in conflict resolution. Pressure and development of economic activities have impact on land. This creates land use conflict and disputes among users. The policy directs the Ministry responsible for tourism along with the Ministry responsible for Lands to define procedures for the proper management of land for tourism-related activities and investments. The policy also envisages that sustainable economic development should be accompanied by proper environmental management so that natural resources and cultural heritage are passed on to future generations.

3.32 THE ZANZIBAR SOCIAL PROTECTION POLICY (2014)

The overall objective of the Zanzibar Social Protection Policy is to establish a comprehensive social protection system that meets the needs for income security, risk management and access to basic services for all Zanzibaris, thereby contributing to a more equitable society. The policy focuses on social protection that will improve the quality of life in Zanzibar by reducing poverty, vulnerability and deprivation, providing protection against shocks, improving access to essential services, enhancing social inclusion, and promoting equal rights and opportunities for all.

The policy acknowledges that Zanzibar has enjoyed strong economic growth performance in recent years, but the benefits have not reached everyone in Zanzibar. Some groups, such as smallholder farmers and fisher folk, have been left behind, while other vulnerable groups, such as older persons and persons with disability, are unable to take advantage of economic opportunities. Therefore the government will contribute to making economic growth more inclusive, and to provide support to those who are not able to benefit from economic growth by Establish social protection system and mechanism for redistributing resources to those who are not benefiting from economic growth.

CHAPTER FOUR: POLICY FRAMEWORK

4.1 POLICY VISION

A sustainable, transparent and an inclusive oil and gas industry contributing to strong socio-economic growth in a well preserved environment of Zanzibar.

4.2 POLICY MISSION

The policy mission is to provide guidance and enabling conditions for and effective, efficient, transparent, inclusive, sustainable and safe exploration, extraction and utilization of the petroleum resources towards the socio-economic development of the people of Zanzibar.

4.3 THE PRINCIPAL OBJECTIVE

The principal objective of the policy is to manage the upstream oil and gas subsector for sustainable development through broad participation and maximum value benefits with minimum negative impact on environment, safety and health.

4.4 THE POLICY GOAL

The policy goal is to explore, develop and produce oil and gas resources while generating high value for sustainable development, poverty alleviation, health, safety and environmental sustainability.

4.5 GUIDING PRINCIPLES

The Zanzibar oil and Gas (Upstream) policy is to be guided by the following principles:

4.5.1 Oil and Gas Resources Ownership and Efficient Revenues Management

The Policy recognizes that like all other natural resources of Zanzibar oil and gas shall be solely owned by the People of Zanzibar. For the maximum and lasting benefit to the people of Zanzibar, the revenues from oil and gas resources shall therefore be sustainably used and specifically aimed for adding value to the existing economy and social welfare.

4.5.2 Transparency and Accountability

The policy strongly aims at promoting transparency and accountability in all processes of the oil and gas value chain together with management of the tax and revenues from oil and gas. Transparency and accountability require a sustainable social and political stability in maintaining the integrity of the oil and gas industry. This can be interpreted in having a stable industry operating based on “best industrial practices” free from non-constructive political influences or intervention in its life time. This policy therefore advocates for a transparent and accountable system in governing oil and gas sector using the best industrial practices without political manipulation that could harm it.

4.5.3 Enabling Competitiveness and Productivity

The policy aims at establishment of fair competition and responsible procurement process in order to ensure efficiency and productivity in the petroleum industry so as to maximize social returns for the current and future generation.

4.5.4 Private Sector Participation and Local Content Development

In order the petroleum industry to be for and by the people, the policy aims at creating enabling environment for private sector participation and the sustained development of local content. Experience and best practice have proven that this could be easily achieved through private sector development strategy.

4.5.5 Protection of the Environment and Conservation of Biodiversity

For optimum returns from the petroleum resource, the balance between human development, environment and biodiversity is essential. This policy is aimed at achieving that balance.

4.5.6 Occupational Health and Safety

The policy provides guidance on occupational health and safety standards to stakeholders to adopt a management system that is effective in reducing incidence of work related injuries, accidents and diseases.

4.5.7 Spirit of Co-operation

The value chain of the oil and gas activities should be engaged and managed in a spirit of mutual respect, cooperation and trust. Efforts to minimize conflicts through peaceful resolution are to be emphasized. Trans-boundary issues must be resolved through constructive engagement with neighboring countries.

4.5.8 Capacity and Institutional Building

The capacity building process must be inclusive of the necessary legislations, institutional, human resource and manpower. The international oil companies are expected to participate in the process through corporate social responsibility, technology transfer and through research and development.

4.6 LEGAL AND REGULATORY FRAMEWORK

4.6.1 KEY ISSUES

- Absence of laws and Regulations related to oil and gas industry (upstream) due to inexistence of mutually well-defined constitutional and jurisdictional responsibilities between the Governments; Limited legal expertise and public legal awareness on oil and gas matters; Possibilities of legal conflict area on other matters related to the Oil and Gas (e.g. environment, fisheries, OSH);and minimum understanding of proper procedures on oil and gas business transactions including contracting procedures (eg. PSA, PSC, Concession)

4.6.2 OBJECTIVE

- To establish efficient and viable legal and regulatory framework for the governance of petroleum sector while safeguarding public interests in the industry.

4.6.3 POLICY STATEMENT

- The Government shall establish appropriate laws which will ensure Zanzibar's exclusive and jurisdictional rights of ownership and governance, licensing, exploration and resource exploitation in matters related to the petroleum sector.

4.6.4 IMPLEMENTING STRATEGIES

- i. Entrench oil and gas development into the Constitution of Zanzibar to ensure state ownership, state participation and benefits.
- ii. Review existing legal, fiscal and administrative arrangement to ensure mutual compatibility between the Governments with respect to the constitutional changes.
- iii. Enact and review laws and regulations pertaining to petroleum rights; institutional arrangements; licensing; development and production of petroleum; decommissioning; liability; revenues, royalties, and income tax; local content; health, safety and environment; citizen's participation and the right to information; and all other regulatory matters related to the petroleum sector.
- iv. Provide training and promote awareness on oil and gas in legal expertise, contractual procedure and business transaction to the public at large

4.7 INSTITUTIONAL AND ADMINISTRATIVE ARRANGEMENTS

4.7.1 KEY ISSUES

- Absence of institutional and administrative

arrangements in the petroleum development in Zanzibar; and choosing the best institutional setup.

4.7.2 OBJECTIVE

- To provide for an effective institutional arrangement related to oil and gas industry for the management, monitoring, coordination, reconciliation, compatibilities and linkages between the petroleum authority and other relevant stakeholders.

4.7.3 POLICY STATEMENT

- The Government shall establish a transparent, viable, delineated, and an independent institutional and administrative system for upstream petroleum industry based on the model constituting of a Ministry, an independent regulator, and the national oil company.

4.7.4 IMPLEMENTING STRATEGIES

- i. Establish an independent regulatory authority to oversee all pertinent requirements to negotiations, agreements, allocation of blocks, exploration, production, decommissioning, and all its economic, social, environmental, health and occupational safety safeguards.
- ii. Establish a national oil corporation that will ensure the state's participation in commercial operations of the oil and gas extraction.
- iii. Review and strengthen the existing institutions responsible for energy to meet the long-term requirements of the proposed architecture of institutional governance on oil and gas matters.

4.8 LICENSING AND CONTRACTS

4.8.1 KEY ISSUES

- Exclusive rights of ownership in the petroleum

development; the right choice of oil and gas agreements; Efficient negotiations with credible investors.; Transparency in the management of negotiations, development of a FDP, licensing and contracting of agreements, monitoring and regulation of exclusive ownership rights to licensees or contractors under the agreed formula.

4.8.2 OBJECTIVE

- To develop a competent and transparent system of managing, monitoring and issuance of licenses and permit applications for petroleum activities and block allocations in line with established laws and international best practices.

4.8.3 POLICY STATEMENT

- The Government shall establish a competitive and publicly available bidding process with published and well-defined bidding criteria including a FDP which will enable it to enter into sustainable and beneficial negotiations with the bidder for awarding petroleum exploration blocks under an open file system.

4.8.4 IMPLEMENTING STRATEGIES

- i. Adopt the best available practice for bidding as well as block licensing and permit e.g. open file system.
- ii. Establish and publish the bidding criteria based on pre-qualification requirement that lays emphasis on the financial and technical capacity by the bidders to undertake petroleum activities.
- iii. Create an efficient technical mechanism to approve the FDP.
- iv. Adopt the principle of ring fencing in allocation and regulation of the blocks.
- v. Establish and promote criteria on direct negotiations with successful applicants who have complied with the open file system bidding criteria.

4.9 OWNERSHIP OF PRIMARY TECHNICAL DATA

4.9.1 KEY ISSUES

- Absence of exclusive ownership of primary technical data; Absence of Monitoring, Reporting and Verification (MRV) system of the working operations of oil and gas development activities; which lead to a difficulty in sound management of revenues, fiscal regimes, concessions, and taxation for the Government.

4.9.2 OBJECTIVE

- To establish a joint operational mechanism of ownership and exclusiveness of rights between the Government and the oil and gas contractors on MRV for the purpose of acquiring the right primary technical data for oil and gas development activities.

4.9.3 POLICY STATEMENT

- The Government shall work jointly with the oil and gas development contractors under a transparent and efficient MRV system that will enable the country to develop, own, optimize, and integrate all available primary technical data for oil and gas activities.

4.9.4 IMPLEMENTING STRATEGIES

- i. Acquire, transfer, establish and update primary technical data information system on oil and gas for Zanzibar.
- ii. Collaborate with the oil and gas companies on the sharing of primary technical data acquired.
- iii. Develop and operationalize MRV system on the national oil and gas primary technical data.
- iv. Create a joint MRV operational mechanism on exploration, appraisal, and production activities.

4.10 RISKS AND COSTS IN EXPLORATION AND PRODUCTION

4.10.1 KEY ISSUES

- Uncertainty in prospecting for petroleum activities; Risks associated with drill-or-drop decisions; ability to withstand the volatile oil and gas market prices; Potential risks of loss and investment failures in the country ; Acquiring an advance information on the feasibility of the right choice of oil and gas agreement.

4.10.2 OBJECTIVE

- To develop a viable partnership with the oil and gas company on enhancing feasibility profile of commercial discoveries, tackling the drill-or-drop issues together, assessing the production potential of field wells, enhancing transparency in agreements over whether to drill or drop; and build confidence in prospective investors by minimizing on tough conditions and liabilities.

4.10.3 POLICY STATEMENT

- The Government shall facilitate partnership in acquisition of the right data, minimization of cost in exploration and production, mainstreaming of transparency in oil and gas agreements, and promote confidence in prospective investors.

4.10.4 IMPLEMENTING STRATEGIES

- i. Build capacity for designated Government institutions in petroleum exploration and production to acquire the right data.
- ii. Train the Government institutions on decision-making gates of petroleum value chain.
- iii. Establish the right negotiating team with proper skills and legal mandate on agreements for upstream exploration and production activities.

- iv. Promote closer collaboration, confidence and transparency in petroleum exploration between the Government and oil and gas investors.
- v. Establish mechanism using SWF to stabilize revenue from volatile oil and gas prices.

4.11 INCLUSIVITY VS. CONFIDENTIALITY IN LICENSING AND CONTRACTING

4.11.1 KEY ISSUES

- Legislatures' role in endorsing contracts, agreements and licenses; Government's legal obligation towards contractual confidentiality with the oil companies; Proper remedial and corrective actions against dubious contracts, agreements and licenses; Exploration company's rights to confidentiality.

4.11.2 OBJECTIVE

- To establish a transparent bidding, contracting and licensing arrangement which ensures the due diligence, the right to information, and confidentiality within the ambit of the Laws of Zanzibar.

4.11.3 POLICY STATEMENT

- The Government shall ensure a secure system of oil and gas operations which is guided by transparency, accountability, right to information, confidentiality and due diligence in formulation, finalization and implementation of the oil and gas contracts as defined under the Government and the legislative procedures.

4.11.4 IMPLEMENTING STRATEGIES

- i. Review the Zanzibar Energy Policy (2009) so as, among others, to remove key components that address matters on oil and gas upstream segment.
- ii. Give Legislature a role in the ratification of oil and gas agreement models

- iii. Create an enabling environment for the Government to offer contracts based on transparent, International competitive bidding and with optimal confidentiality agreements.
- iv. Provide the Judiciary and the Legislature access to information required based on terms of confidentiality agreement.

4.12 GRADUAL ACQUISITION OF UPSTREAM TECHNOLOGY

4.12.1 KEY ISSUES

- Limited investment in upstream oil and gas technology; inadequate capacity to meet high cost of acquisition of upstream oil and gas infrastructure; long term investment and gradual acquisition of the oil and gas technology and infrastructure; limited affordability in acquiring new technology for petroleum exploration, production, and development.

4.12.2 OBJECTIVE

- To create an enabling environment over a long period of time that could meet the gradual cost of acquisition of oil and gas exploration and production technologies and infrastructure.

4.12.3 POLICY STATEMENT

- The Government shall ensure that petroleum exploration and production activities include optimal agreements and joint mechanisms with the contractors for a long-term and gradual acquisition of technology for local petroleum development.

4.12.4 IMPLEMENTING STRATEGIES

- i. Develop a long-term strategic plan on programmatic acquisition of oil and gas exploration and production technologies.

- ii. Promote open, transparent and competitive bidding process on procurement of equipment and machinery in accordance with universally accepted criteria.
- iii. Regulate purchase of new machinery with licenses obtained from patentees under prescribed standards.
- iv. Prioritize agreements that allow eventual transfer and ownership of technology to the local operators.
- v. Provide an enabling environment for the joint participation between local technical, scientific institution and oil and gas companies in research and development of oil and gas sector

4.13 INFRASTRUCTURE DEVELOPMENT

4.13.1 KEY ISSUES

- Absence of development of modern infrastructure which is compatible to the upstream petroleum development demand; identification through logistics study of the existing needs for the right physical infrastructure in the country which could efficiently withstand upstream petroleum development demand.

4.13.2 OBJECTIVE

- To ensure provision of sustainable and optimal development of infrastructure to support oil and gas industry.

4.13.3 POLICY STATEMENT

- The Government shall ensure an inclusive, participatory, conducive, and an investment friendly environment for a secured development of efficient infrastructure to support oil and gas industry.

4.13.4 IMPLEMENTING STRATEGIES

- i. Enhance centralized coordinating mechanisms

- to support and control investment for sustainable infrastructure development.
- ii. Support infrastructure assessment study in order to have a credible expectation that investment will support and attain long-run commercial viability for Oil and gas operation.
 - iii. Support investors with targeted incentives program.
 - iv. Promote joint cooperation with local and foreign investors for investments of infrastructure development.
 - v. Create a regulatory environment to accommodate sharing of use of specific infrastructures for efficient production.

4.14 PETROLEUM UPSTREAM TAXATION

4.14.1 KEY ISSUES

- Absence of upstream petroleum income tax mechanism for Zanzibar; existence of very strong interdependence of petroleum ownership and income tax regime; securing more investments and increased revenues from the production fields while maintaining tax neutrality; characterization of the upstream petroleum taxation system; the need to review the current fiscal regime in order to address taxation requirements in petroleum development for Zanzibar.

4.14.2 OBJECTIVE

- To have a transparent and efficient fiscal regime for oil and gas industry for Zanzibar.

4.14.3 POLICY STATEMENT

- The Government shall put in place a legal mechanism to establish a transparent and efficient taxation system for upstream exploration, development and production activities.

4.14.4 IMPLEMENTING STRATEGIES

- i. Establish a Petroleum Income Tax Act for upstream activities in Zanzibar
- ii. Establish specialized tax institution for upstream activities
- iii. Derive formulae on royalties, income tax, initial and additional interests; and additional oil equivalent rates and other related taxes and fees based on International best practices.
- iv. Make sure that all agreed taxes and fees directly related to the upstream production are not subject to negotiation once they are established

4.15 PETROLEUM REVENUES MANAGEMENT

4.15.1 KEY ISSUES

- Limited knowledge and capacity on taxation of gas and oil companies; inexistence of proper management of oil and gas revenue; absence of capacity to effectively monitor petroleum resource production; the need to put in place mechanisms and strengthen revenue collection process; the need to put necessary legal mechanism to oversee the management of collection, control, saving and distribution of petroleum revenues; the people's right to be consulted on how the revenues should be appropriately allocated for social development; Oil and Gas are finite resources and hence diminishing direct revenue in the life time.

4.15.2 OBJECTIVE

- To establish a well-disciplined system that ensures proper collection, utilization and oversight of petroleum revenues in Zanzibar.

4.15.3 POLICY STATEMENT

- The Government shall put in place legal and policy

mechanisms to facilitate efficient collection and safeguard of revenues, exclusively for Zanzibar, and ensure proper use and management of petroleum revenues as agreed to by responsible institution.

4.15.4 IMPLEMENTING STRATEGIES

- i. Establish a state owned investment fund known as the Sovereign Wealth Fund (SWFs) through enactment of the Petroleum Revenues Management Act (PRMA) to deposit all petroleum revenues.
- ii. Ensure the petroleum revenues are invested in pre-determined strategic developmental sectors of the economy as provided for under PRMA.
- iii. Establish an independent oversight institutionalized mechanism to assist the Government on petroleum revenues control and management practices.
- iv. Promote institutional capacity building for sustainable and efficient management of petroleum revenues in achieving transparency and accountability in petroleum revenue management.
- v. Establish targeted National Economic Diversification Plan (NEDP) using oil and gas revenue and capital from the private sector for a more diversified economy for Zanzibar.
- vi. Establish enabling environment to support NEDP by improving business climate, Financial deepening, develop Infrastructures, Institutions and Education etc.

4.16 PROMOTION OF INVESTMENT

4.16.1 KEY ISSUES

- The need to promote a conducive environment for sustained investments in the petroleum sector; and a specialized oil and gas investment center under the petroleum authority which will deal with matters with investment in oil and gas exploration.

4.16.2 OBJECTIVE

- To establish and promote upstream petroleum exploration and production investment center in order to attract investments.

4.16.3 POLICY STATEMENT

- The Government shall establish upstream petroleum exploration and production investment center to promote and facilitate the country's private sector participation in the petroleum value chain including Public Private Partnership (PPP).

4.16.4 IMPLEMENTING STRATEGIES

- i. Review Investment Policy to define the separation of upstream oil and gas activities from the general investment.
- ii. Promote workable coordination between upstream petroleum investment center and ZIPA
- iii. Establish Investment Master Plan to guide promotion and development of oil and gas activities
- iv. Establish local and international public private sector participation in upstream petroleum exploration and production activities.

4.17 CORPORATE SOCIAL RESPONSIBILITY (CRS)

4.17.1 KEY ISSUES

- The need for a systematic CSR initiative in Zanzibar for social incentives, mutual trust, and confidence building measures between the people and petroleum investors.

4.17.2 OBJECTIVE

- To encourage the implementation of CSR by oil companies, through the Government, towards supporting local community initiatives.

4.17.3 POLICY STATEMENT

- The Government shall support corporate social responsibility initiatives by petroleum investors towards community development in order to achieve social acceptance of the development programs.

4.17.4 IMPLEMENTING STRATEGIES

- i. Establish a Corporate Social Responsibility strategy for petroleum investors in Zanzibar.
- ii. Adopt Corporate Social Responsibility based on international best practices with emphasis on public-private partnership.

4.18 LOCAL CONTENT DEVELOPMENT

4.18.1 KEY ISSUES

- Development and implementation of the petroleum local content strategy; building a skilled and competent local workforce in the petroleum industry; develop a human and institutional capacity to meet the demands of the industry; adopt international best practices that encourage international oil companies to prioritize local employment, local business development, and procurement of local goods and services.

4.18.2 OBJECTIVE

- To create an enabling environment to empower Zanzibaris to fully participate in the oil and gas sector through local business development, procurement of local goods and services, technology transfer, training and employment.

4.18.3 POLICY STATEMENT

- The government shall facilitate partnerships and incentives in petroleum exploitation and production activities that will ensure technology transfer and

development of local employment, local business development, procurement of local goods and services and training.

4.18.4 IMPLEMENTING STRATEGIES

- i. Create, through Zanzibar Local Content Policy and Plan, an interactive stakeholders' forum in oil and gas industry (Government/LGAs, oil companies, oil service companies, local private sector, local Communities, education sector, financial sector) to ensure that all the objectives of local content policy in oil and gas industry are achieved.
- ii. Provide mechanism for gradual employment and empowerment of the local competent and hi-tech professional by International Oil companies.
- iii. Enhance vocational training for Zanzibaris.

4.19 INSTITUTIONAL CAPACITY BUILDING AND COMPETENCE

4.19.1 KEY ISSUES

- Developing an institutional capacity building strategy between public institutions and the oil and gas sector in the country; and build, develop, strengthen, enhance and improve administrative, management, and scientific skills towards petroleum development requirements linked to their sectors.

4.19.2 OBJECTIVE

- To ensure the government has adequate capability to participate effectively in oil and gas value chain.

4.19.3 POLICY STATEMENT

- The Government shall mobilize institutional capacity building for the public institutions in various tiers of the oil and gas value chain in order to mainstream

matters related to petroleum governance and the role of institutions in safeguarding the economic, social and environmental goals of the industry.

4.19.4 IMPLEMENTING STRATEGIES

- i. Enhancing the capacity of local governments in dealing with oil and gas industry.
- ii. Strengthen the key institutions to cope with the development of oil and gas industry.
- iii. Promote retention for best and most qualified staff within the Government's institutions.
- iv. Promote learning institutions to be in line with institutional capacity building program.
- v. Establish centralized coordinating mechanisms for institutional capacity building on Oil and Gas core sectors.

4.20 CONTRIBUTION OF OIL AND GAS RESOURCES TO THE LOCAL ENERGY NEEDS

4.20.1 KEY ISSUES

- Great stress from energy demand; high transportation cost; expensive, unreliable and inadequate commercial and industrial energy supply.

4.20.2 OBJECTIVE

- To ensure oil and gas resources are used for supporting the desired local energy mix for Zanzibar to enhance socio-economic activities.

4.20.3 POLICY STATEMENT

- The Government shall support the use of oil and gas resources to minimize deforestation and meet local energy demand as a priority and any surplus to be exported in the region and overseas.

4.20.4 IMPLEMENTING STRATEGIES

- i. Establish an Integrated Energy Planning Model that includes renewable energy mix and demand trend for the refined fossil fuel.
- ii. Use best lessons and practices to ensure feasible, reliable and adequate supply of refined fossil fuels for local use.
- iii. Create enabling environment on engaging fossil fuels pricing system so as not to distort the market of the country's resources especially on the issue of subsidies.
- iv. Use part of the revenue from sales of refined products to enhance programs of afforestation and reforestation and mitigation of effects from deforestation.

4.21 DELINIATION OF MARITIME BOUNDARIES

4.21.1 KEY ISSUES

- Lack of clear-cut and demarcated maritime boundaries for upstream petroleum activities for Zanzibar, thus affecting the existing petroleum blocks which are allocated under the previous arrangements set under the Union jurisdiction.

4.21.2 OBJECTIVE

- To expedite establishment of functional mechanism to demarcate maritime boundaries for petroleum blocks in order to ensure that all petroleum activities are not delayed due to dispute over maritime boundaries.

4.21.3 POLICY STATEMENT

- The Government shall ensure that there are clear maritime boundaries for facilitating undisputed and mutually accepted areas of oil and gas exploration activities for Zanzibar.

4.21.4 IMPLEMENTING STRATEGIES

- i. Prepare a set of preliminary guidelines to help resolve internal and trans-boundary issues including cross border petroleum deposits.
- ii. Establish a permanent dispute resolution team to identify and address existing areas of contention in internal and trans-boundary issues and publicize agreed maritime boundaries for Zanzibar, prior to the petroleum exploration.
- iii. Create an enabling environment for the involvement of a competent third party arbitrator on the issue of maritime boundaries.
- iv. Work on the principles of unitization between two or more blocks of one oil company, or between different companies inside jurisdictional zone of Zanzibar, or related to trans-boundary exploration.

4.22 INTERNATIONAL COOPERATION IN PETROLEUM DEVELOPMENT

4.22.1 KEY ISSUES

- Non existing clear-cut mandate to enter into active partnerships and agreements with other regional and international players in the petroleum sector; and having a legal mandate to enter into the regional and global petroleum market platforms and acquire new petroleum agreements for the emerging industry.

4.22.2 OBJECTIVE

- To ensure that all regional and global oil and gas development matters which are within the jurisdiction of Zanzibar are governed and managed under the direct authority of the Revolutionary Government of Zanzibar.

4.22.3 POLICY STATEMENT

- The government shall have the full mandate to

own, manage, and participate in all international petroleum agreements and activities for Zanzibar.

4.22.4 IMPLEMENTING STRATEGIES

- i. Review current petroleum blocks agreements in order to accommodate petroleum exploration and production policy for Zanzibar.
- ii. Seek regional and international assistance and partnerships in petroleum exploration and development matters.
- iii. Promote an upward harmonization of standards with regional and international organizations in the oil and gas industry.

4.23 GOOD GOVERNANCE IN PETROLEUM SECTOR

4.23.1 KEY ISSUES

- Absence of common understanding on the relationship between good governance and petroleum industry; transparency, accountability, equity, access to information, respect for the rule of law and public participation in the petroleum sector.

4.23.2 OBJECTIVE

- To ensure that the principles of good governance in petroleum development are in place.

4.23.3 POLICY STATEMENT

- The Government shall ensure the application in the petroleum sector of all the instruments of good governance, which include transparency, accountability, inclusivity and social equity.

4.23.4 IMPLEMENTING STRATEGIES

- i. Establish a consultative forum in the petroleum sector.

- ii. Operationalize instruments of good governance in the institutions related to the petroleum industry operating within Zanzibar.
- iii. Identify all possible mismanagement risks associated with petroleum exploration and production and establishing ways of addressing and preventing those risks (associated with procurement, bid and tender process, customs, licensing and permit, joint-venture, cash-based economy).
- iv. Establishing the country's commitment towards Extractive Industry Transparency Initiative (EITI) for Petroleum on disaggregated reporting on material payments, reconciliation of company-Government payments and receipts, publishing contracts, concessions, licenses, and audit reports.
- v. Implement an action plan on equal opportunity in employment and gender in petroleum industry and adopt international best practices on good governance practices in the petroleum industry.

4.24 INTEGRATED PLANNING IN PETROLEUM DEVELOPMENT

4.24.1 KEY ISSUES

- Inexistence of horizontal planning, coordination and integration between the petroleum infrastructure and other sectoral plans and policies; and horizontal integration of multi-sectoral plans and policies for development and sustainability of the petroleum activities.

4.24.2 OBJECTIVE

- To promote an inclusive, integrated, participatory, and horizontal planning approach that will create innovative and sustainable linkages between the petroleum industry and other economic sectors.

4.24.3 POLICY STATEMENT

- The Government shall coordinate in the development and implementation of a consistent and an integrated planning approach for an inclusive economy linking the petroleum sector and all other key sectors of the economy.

4.24.4 IMPLEMENTING STRATEGIES

- i. Establish a specialized Planning Unit under the Planning Commission that will, among its other functions, coordinate integrated planning approaches between the petroleum sector and all other key sectors.

4.25 MAINSTREAMING EDUCATION AND PUBLIC AWARENESS AND MANAGE EXPECTATIONS

4.25.1 KEY ISSUES

- Access to educational information and the level of awareness on oil and gas to manage public expectations; mainstreaming awareness program about the positive and negative aspects of the oil and gas industry; community awareness oil and gas and other livelihoods such as Agriculture, Fisheries, Livestock, Tourism, Trade and other related sectors.

4.25.2 OBJECTIVE

- To impart an inclusive education and awareness program about oil and gas development to the educational institutions, local communities and the wider array of the public and private sector actors.

4.25.3 POLICY STATEMENT

- The Government shall introduce upstream petroleum education programs in schools, Universities, and at the community level in order to mainstream

the general knowledge about the industry and assist in minimizing the risks of pulling the social perceptions into the “Dutch Disease” situation and manage public expectations.

4.25.4 IMPLEMENTING STRATEGIES

- i. Prepare differentiated series of curricula and extra curricula on oil and gas development for various levels of education.
- ii. Engage the local communities using regular outreach approach for dissemination of general knowledge about oil and gas development.
- iii. Mobilize various means of media dissemination in order to reach the general public.
- iv. Prepare communication strategy for oil and gas industry in order to create link between the industry and the public in order to manage public expectation.

4.26 INFORMATION AND COMMUNICATIONS TECHNOLOGY

4.26.1 KEY ISSUES

- Minimum investment in information and communication technology for the development of the oil and gas industry in Zanzibar; the need to have a legislation on information and communications technology (ICT) for data transmission and storage; to ensure a permanent presence of data centers that support the critical infrastructure.

4.26.2 OBJECTIVE

- To ensure conducive environment for development of an information and communication technology system that addresses petroleum exploration and production activities.

4.26.3 POLICY STATEMENT

- The Government shall ensure enhancement and mainstreaming programs responsible for relevant information technology in all oil and gas operations from upstream to downstream.

4.26.4 IMPLEMENTING STRATEGIES

- i. Establish more robust and powerful Internet Data Centers (IDC) in Zanzibar dedicated to petroleum activities.
- ii. Review and update ICT policy to accommodate special requirements of the petroleum industry.
- iii. Carry out logistics study and assess the feasibility of the current critical infrastructure including ICT in the petroleum sector.

4.27 RIGHTS AND ACCESS OVER LAND USE

4.27.1 KEY ISSUES

- Absence of a permanent law related to Resettlement Action Plan (RAP) for Zanzibar; absence of a comprehensive and fair compensation mechanism for the affected groups and local communities; the national land use plan that is yet to include areas designated for support services for upstream petroleum activities; and conflict of interest between the petroleum sector and Tourism, Fisheries, Agriculture, Livestock, Water, Forestry; the need for the Government's right of acquisition/reclamation of land for upstream petroleum activities; and Possibilities of overlooking the individual rights at areas where oil and gas would be discovered.

4.27.2 OBJECTIVE

- To have a smooth mechanism to ensure that the land is available when required by the petroleum industry with minimum social cost on land acquisition/

reclamation, land use change, involuntary displacement, and fair compensation and/ or resettlement mechanism for affected groups.

4.27.3 POLICY STATEMENT

- The Government shall work with all the public and private sector stakeholders and communities involved within the scope of established laws to acquire/reclaim land and mobilize citizen's participation, accountability, and the rights of individuals to fair and equitable compensation mechanism to support implementation of oil and gas activities.

4.27.4 IMPLEMENTING STRATEGIES

- i. Establish Relocation Action Plan (RAP) guidelines and legislation framework which address the challenges of land acquisition/reclamation, land use change and involuntary displacement.
- ii. Develop a comprehensive national land use plan that clearly demarcates limits and spatial boundaries for petroleum activities and support services.
- iii. Invest in sustainable management and restoration of land after decommissioning.
- iv. Support environment programs and activities to prevent irreversible land degradation, deforestation, and protect land-holding rights of the vulnerable communities.

4.28 FISHERIES

4.28.1 KEY ISSUES

- Protection and maintenance of the fishing industry, fishermen, and their communities; Potential loss of fish landing sites; Loss of labor; Loss of access to fishing grounds; increased marine or seabed debris

from the oil and gas industry that could damage fishing gear and cause loss of fish-catch and time; Pollution; and increased vessel traffic.

4.28.2 OBJECTIVE

- To safeguard the interests of the fishing industry and artisanal fishermen and ensure that at least they have the same economic opportunities as before, during and after the petroleum development activities.

4.28.3 POLICY STATEMENT

- The Government shall ensure protection and maintenance of the artisanal and deep sea fishing industry, the fishermen, and their communities and strengthen harmony in their co-existence with the petroleum sector.

4.28.4 IMPLEMENTING STRATEGIES

- i. Develop a policy framework to designate and protect fish landing sites.
- ii. Carry out assessment of existing marine conservation areas and feasibility studies for future marine protected areas.
- iii. Promote conservation and protection of key fishing grounds and all other marine Environment Sensitive Areas (ESAs) from the petroleum activities.
- iv. Enhance protection of existing marine conservation and heritage areas.
- v. Strengthen management and conservation of key migratory corridors for significant marine species within the Exclusive Economic Zones (EEZ) and high oceans.

4.29 AGRICULTURE

4.29.1 KEY ISSUES

- Potential loss of agricultural land and productivity;

potential threats of land use conversion and possible displacement of local farmers; potential loss of fertile soils and crop yields.

4.29.2 OBJECTIVE

- To ensure sustainable and equitable use of existing agricultural fields against the social and economic impacts of the upstream and onshore petroleum activities.

4.29.3 POLICY STATEMENT

- The Government shall take measures to ensure sustainable management and productivity of the agricultural sector and protect agricultural lands and farmers from risks of land use conversion as a result of petroleum activities.

4.29.4 IMPLEMENTING STRATEGIES

- i. Integrate the policy implementation program of the agriculture sector with the land use planning approach.
- ii. Attract more strategic investments into the agriculture sector and enhance its productivity potential in tandem with the petroleum production.

4.30 FORESTS

4.30.1 KEY ISSUES

- Potential threats on the Mangrove cover and other coastal forests; degradation of forest reserves, wildlife sanctuaries, and national parks; Risk on the REDD Project and the success of the Community Forest Management Areas (COFMAs) and other designated social forestry biomes.

4.30.2 OBJECTIVE

- To support the forest sector and community

stakeholders enhance forest conservation and protection measures.

4.30.3 POLICY STATEMENT

- The Government shall ensure that oil and gas policies are in harmony with the existing policies, plans, and programs for the sustainable utilization and conservation of forest resources and terrestrial wildlife.

4.30.4 IMPLEMENTING STRATEGIES

- i. Designate additional mangrove forest cover and their sensitive constituent biodiversity hotspots as protected forest reserves.
- ii. Enhance protection of COFMAs forests and their sustainable utilization.
- iii. Protect terrestrial and avifauna species in their surrounding sand bank and remote islet sanctuaries.
- iv. Facilitate more direct investments in conservation and sustainable utilization of community forest management areas.

4.31 MARINE ORGANISMS, BEACH AND MARINE TOURISM

4.31.1 KEY ISSUES

- Threats on the preservation of the Zanzibar's pristine coastal and marine environment; possible pollution of coral reefs, sand banks, beach layouts, and lagoons as a result of petroleum activities; absence of preventive and mitigation measures against oil spills and other disaster risks in the coastal and marine environment.

4.31.2 OBJECTIVE

- To ensure a stable, sustainable, and prosperous tourism sector in conjunction with an oil and gas economy.

4.31.3 POLICY STATEMENT

- The Government shall strengthen and enhance existing measures to conserve and protect marine protected areas and other coastal and marine ecologically sensitive areas around Zanzibar from the potential threats of polluting and degradation activities.

4.31.4 IMPLEMENTING STRATEGIES

- i. Activate the nationwide Integrated Coastal Management Zone (ICZM) action plan.
- ii. Strengthen the mandate of the coral reefs task force to include stakeholders' participation in decisions making issues affecting the marine tourism sector.
- iii. Work together with the tourism investors in engendering responsible tourism initiatives for Zanzibar.
- iv. Strengthen the inclusion of the oil and gas investors in the tourism and business councils under the platform of corporate social responsibility.

4.32 FRESH WATER USE AND FOSSIL WATER RESERVES

4.32.1 KEY ISSUES

- Inadequate supply of fresh water and the increasing water demand for various sectors of the economy and society; inadequate infrastructure to source and supply fresh water to the upstream industry; the need for effective freshwater management and conservation along the supply chain; risks of contamination of coastal ground water aquifers in the event of a disaster or oil spill; potential threats of contamination from produced water; salinization of fresh water sources; threats on fossil water reserves and other sub-terranean water sources.

4.32.2 OBJECTIVE

- To ensure protection of fossil water reserves and sustainable utilization of fresh water resources with a balanced supply without conflicting and competing water uses between various sub-sectors of the economy with regard to development of petroleum activities.

4.32.3 POLICY STATEMENT

- The Government shall establish an integrated and a coordinated approach for the environmental protection and management of fresh water resources and fossil water reserves in line with all the key aspects of the economy.

4.32.4 IMPLEMENTING STRATEGIES

- i. Establish Integrated Water Resources Management (IWRM) committee with an action plan involving a water quota formula for the upstream petroleum activities.
- ii. Promote a Water Management Framework (WMF) and developing guidance on implementing good practice in water management for the oil and gas sector.
- iii. Wherever possible and viable, include water resources discovered during oil and gas exploration into the national water strategic reserves, to be preserved for use at the right time.
- iv. Protect fossil water reserves from contamination.
- v. Capture and treat produced water before discharging them back into the natural ground of the sea.

4.33 GENDER MAINSTREAMING, DISABLED AND VULNERABLE GROUPS

4.33.1 KEY ISSUES

- Economic, social and cultural challenges and

conflicts facing gender, People with Disabilities (PwDs) and vulnerable groups resulting from petroleum activities.

4.33.2 OBJECTIVE

- To empower women, safeguard the rights of PwDs, and vulnerable groups towards access to basic services, improved infrastructure, small and medium businesses, education, capital accumulation and land.

4.33.3 POLICY STATEMENT

- The Government shall work with oil and gas investors and development partners to adopt implement and achieve international best practices in gender mainstreaming and action plan, support for PwDs and vulnerable groups in oil and gas development.

4.33.4 IMPLEMENTING STRATEGIES

- i. Implement gender-sensitive local content policies.
- ii. Safeguard the rights of PwDs in oil and gas industry
- iii. Enhance gender-sensitive negotiations skills for oil and gas related businesses.
- iv. Increase gender-oriented social safety net measures in oil and gas activities.
- v. Facilitate support for women-driven micro-credit community programs
- vi. Mainstream the implementation of gender development programs in the petroleum activities
- vii. Protect children and vulnerable groups from negative exploitation and abuse.

4.34 HIV/AIDS PREVENTION AND MANAGEMENT

4.34.1 KEY ISSUES

- Increased risks of HIV/AIDS transmission in the oil

and gas industry; increase in migration workforce into Zanzibar and which exacerbates risks of HIV/AIDS infections.

4.34.2 OBJECTIVE

- To ensure that HIV/AIDS prevention programs are mainstreamed in the oil and gas industry.

4.34.3 POLICY STATEMENT

- The Government shall work with the oil and gas investors to ensure that the national HIV/AIDS prevention program is mainstreamed in the oil and gas sector.

4.34.4 IMPLEMENTING STRATEGIES

- i. Integrating Zanzibar AIDS Commission's HIV/AIDS prevention program into the oil and gas industry.
- ii. Adopting the international best practices on HIV/AIDS prevention and treatment program in the petroleum sector in Zanzibar.
- iii. Ensure oil and gas companies treat HIV/AIDS employee patients under ILO recommendations and code of practice.

4.35 HEALTH, SAFETY AND ENVIRONMENT (HSE)

4.35.1 KEY ISSUES

- Absence of a specialized HSE Unit for petroleum sector; absence of a legal environmental monitoring and performance standards; weak Environmental and Social Impact Assessment process in oil and gas industry; overall waste management and disposal issues; risk of land degradation and marine pollution; land and maritime traffic safety; transport of hazardous materials at sea and overland; communicable and non-communicable diseases prevention, fire safety and emergency preparedness

and response; and issues of joint implementation in project decommissioning.

4.35.2 OBJECTIVE

- To ensure environmental sustainability and community health and safety in all phases of oil and gas operations.

4.35.3 POLICY STATEMENT

- The Government shall ensure that all matters of compliance and best practices with regards to environmental conservation in petroleum activities are mainstreamed in every aspect of the project cycle from seismic surveying, exploratory drilling, development drilling, production operations, and in joint decommissioning, respectively.

4.35.4 IMPLEMENTING STRATEGIES

- i. Establish a specialized HSE Unit within the petroleum regulatory authority which will coordinate with the environment authority all aspects of implementation of environment, health, safety and social impact assessments and safeguards with respect to the petroleum activities.
- ii. Ensure presence of the necessary capacity and facilities from the environment authority to review SEA and ESIA reports for upstream petroleum activities, monitor the implementation of ESMPs, Environmental Audits, and other environmental safeguard & performance checks.
- iii. Adopt international best practices in environmental and social management, monitoring and auditing in the upstream petroleum sector.
- iv. Ensure HSE is adequately covered in the field development plan before the approval decision.
- v. Ensure joint investment in Decommissioning and minimized risk of project abandonment.

4.36 THREATS ON TERRESTRIAL AND MARINE BIODIVERSITY

4.36.1 KEY ISSUES

- Potential loss of terrestrial and marine biodiversity as a result of habitat degradation and mortality; risks of onshore and offshore exploitation of Marine Protected Areas (MPAs); National Parks; forest reserves and other ecologically sensitive areas; and lack of functional capacity to enforce protection of biodiversity hotspots in Zanzibar.

4.36.2 OBJECTIVE

- To ensure that all exploration, drilling, production, supplying, and decommission activities are carried out in safe and prudent manner in line with laws related to biodiversity protection laws, their international and regional biodiversity conventions, protocols and best practices.

4.36.3 POLICY STATEMENT

- The government shall ensure the presence of legal, institutional and administrative capacity and facilities to monitor and prevent the impact of oil and gas on the terrestrial and marine biodiversity.

4.36.4 IMPLEMENTING STRATEGIES

- i. Activate a multi-sectoral National Biodiversity Authority (NBA) comprising of terrestrial and marine biodiversity management-related institutions and experts specifically assigned to address, prevent or minimize, mitigate, and manage oil and gas related biodiversity threats.
- ii. Coordinate programs for corporate responsibilities, best practices, financing, capacity building, and technology transfer mechanism in the protection and management of terrestrial and marine biodiversity.

- iii. Designate “No-Go” areas for oil and exploitation in order to safeguard flora and fauna species of ecological concern.

4.37 OCCUPATIONAL SAFETY AND HEALTH

4.37.1 KEY ISSUES

- Potential for injury or risk of accident including the potential for extreme natural hazards; Occupational health and safety including safety and injuries (Fire and explosion, poor air quality, hazardous materials, transportation, well blowouts, emergency preparedness and response, working in confined spaces); and regulations for occupational health and illness (chemical hazards, carcinogens, toxic and physical hazards, biological hazards, ergonomic hazards and psycho-social hazards) of employees in connection with exploration, drilling, production and operational facilities for oil and gas.

4.37.2 OBJECTIVE

- To establish effective regulatory and management systems related to occupational safety and health in the oil and gas industry.

4.37.3 POLICY STATEMENT

- The Government shall establish Occupational and Safety Management System (OSHMS) for oil and gas industry and make sure that is properly implemented.

4.37.4 IMPLEMENTING STRATEGIES

- i. Develop a regulatory framework in line with international OSH best practices.
- ii. Make continuous monitoring of the working conditions and well-being of the workers in the oil and gas industry.

- iii. Emphasize occupational safety and health protocols and periodic medical check-up depending on the job and work area and develop necessary counteractive actions to be taken in advance.
- iv. Institutionalize occupational health and safety in different phases of the oil and gas industry.
- v. Emphasize monitoring, reporting and investigation of occupational safety and health accidents, incidents, and near-miss investigations to establish causal factors and develop means to avoid re-occurrences.
- vi. Ensure availability and timely reaction to the implementation of Emergency Preparedness Response Plan (EPRP) in every upstream petroleum organization.

4.38 CLIMATE CHANGE ADAPTATION AND MITIGATION

4.38.1 KEY ISSUES

- Challenges in the implementation of the Zanzibar Climate Change Strategy which guides the country towards the proposed strategic interventions to switch to a climate resilient economy; increased Greenhouse Gas Emissions (GHGs) from oil and gas activities e.g. flaring; and challenges in facilitating capacity building for collaborative framework for the implementation of climate change mitigation initiatives in the petroleum sector.

4.38.2 OBJECTIVE

- To initiate a strategic plan that focuses on providing best practice guidance on GHG emissions monitoring, reporting and management in the oil and gas industry.

4.38.3 POLICY STATEMENT

- The Government shall work with oil and gas

industry in acquiring petroleum technology that minimizes GHGs emissions and adopt best practice guidance on GHG emissions monitoring, reporting and management.

4.38.4 IMPLEMENTING STRATEGIES

- i. Deploying low carbon technologies, reducing venting, flaring and fugitive emissions from the petroleum industry.
- ii. Ensure that projected increase in CO₂ and other GHGs emissions resulting from petroleum activities are adequately addressed in the Zanzibar Climate Change Strategy.
- iii. Integrate renewable energy, low carbon emissions, and energy efficiency technologies in the production, supply and use of energy in Zanzibar.

4.39 DISASTER RISK REDUCTION (DRR) IN THE PETROLEUM SECTOR

4.39.1 KEY ISSUES

- Inadequate operational capacity in addressing disaster management in the petroleum industry; lack of petroleum risk issues in the Disaster Management Policy and Action Plan of Zanzibar; lack of capacity in handling offshore climate and natural hazards, industrial accidents resulting in fire, oil spills and infrastructural systems failure.

4.39.2 OBJECTIVE

- To reduce the likelihood of occurrence and the scale of consequences for both man-made and natural hazards in the upstream petroleum sector.

4.39.3 POLICY STATEMENT

- The Government shall work with the oil and gas companies and national authorities to ensure

prevention and minimization of risks and hazards in the upstream petroleum activities.

4.39.4 IMPLEMENTING STRATEGIES

- i. Establish a Disaster Preparedness, Prevention and Management (DPPM) Unit to spearhead response in accidents and disasters in the petroleum sector.
- ii. Establish a collaborative framework of the (DPPM) Unit with the National Disaster Management Committee.
- iii. Undertake a detailed risk assessment of the oil and gas sector and implement the risk mitigation programs.
- iv. Establish and implement hazard monitoring systems in collaboration with other authorities for disaster prevention and mitigation in the upstream petroleum sector.

4.40 OIL AND GAS STANDARDS & RELEVANT INTERNATIONAL CONVENTIONS

4.40.1 KEY ISSUES

- Absence of appropriate upstream oil and gas standards in Zanzibar; Inadequate operational capacity of Zanzibar Bureau of Standards (ZBS) in dealing with standardization of upstream oil and gas industry; lack of adequate knowledge by the Government institutions and local private sector in establishing and operationalizing linkages between upstream oil and gas activities and the relevant international conventions on health and environmental safety of the upstream oil and gas operations.

4.40.2 OBJECTIVE

- To ensure full engagement of international best practices in adoption and application of

relevant oil and gas standards in line with the established international conventions and protocols safeguarding health, safety, and environment.

4.40.3 POLICY STATEMENT

- The Government shall work with the oil and gas companies and national authorities to ensure full implementation of oil and gas standards related to health, safety and environment in line with the relevant international conventions and protocols guiding such safeguards.

4.40.4 IMPLEMENTING STRATEGIES

- i. Strengthen the operational and functional capacity of the ZBS in dealing with publication and enforcement of relevant upstream oil and gas standards.
- ii. Develop institutional capacity to understand and operationalize the relevant international conventions with regards to health, safety and environmental standards in oil and gas industry.
- iii. Establish and implement a multi-institutional focal point network that will work together in the integrated implementation of the international multilateral environmental conventions related to upstream oil and gas operations.

4.41 SECURITY IN OIL AND GAS EXPLORATION

4.41.1 KEY ISSUES

- Challenges of regional piracy in the Western Indian Ocean region; Absence of a regional maritime safety and security strategy to protect offshore oil and gas exploration activities ; lack of regular marine surveillance and patrols; low capacity of KMKM to control the maritime boundaries against any violation.

4.41.2 OBJECTIVE

- To establish a joint operational mechanism to combat threats of maritime piracy in the Western Indian Ocean Region while strengthening the capacity of the local maritime security forces to manage the problems of piracy.

4.41.3 POLICY STATEMENT

- The Government shall strengthen the capacity of the KMKM while working jointly with national, regional and international partners in maximizing the safety and the security of offshore oil and gas exploration activities within the jurisdiction of Zanzibar.

4.41.4 IMPLEMENTING STRATEGIES

- i. Establish a joint maritime task force to protect offshore oil and gas activities for Zanzibar.
- ii. Strengthen institutional and operational capacity of the KMKM units.
- iii. Collaborate with the oil and gas companies in developing joint security cooperation in offshore oil and gas activities.
- iv. Develop and operationalize a joint regional maritime security strategy for offshore oil and gas development.

CHAPTER 5: INSTITUTIONAL ARRANGEMENT, STRUCTURE AND RESPONSIBILITIES

5.1 INSTITUTIONAL STRUCTURE

In order for the policy to be successful, there is a need to develop a new “canonical” model for optimal petroleum governance evolving out of the current institutional framework to facilitate the promotion and exploration for oil and gas in Zanzibar. The establishment of the new institutional structure should also take into task the roles of various institutions of the state in the implementation of oil and gas activities. The policy recommends setting up of the following three separate institutions:-

- Petroleum governance, policy making and monitoring body through Ministry responsible for Petroleum development and its respective technical department
- An independent regulatory body (e.g. ZPDA)
- A commercial entity e.g. Zanzibar State Oil Company.

5.1.1 THE ROLE OF THE MINISTRY RESPONSIBLE FOR PETROLEUM

The main role of the Ministry responsible for petroleum development through its respective technical Department will be to carry out, but not limited to, the following roles:

- Prepare grounds for a transparent, accountable, sustainable, inclusive, and participatory process of establishing model petroleum governance in the country with effective state’s participation.
- Ensure clear-cut spatial boundaries of jurisdiction in petroleum operations.
- Development of the Petroleum-related policies, strategies and action plans for the country to adopt, own and implement.

- Providing pertinent information related to petroleum development before oversight committees of the House of Representatives.
- Prepare and submit legislations related to petroleum's legal and regulatory framework to the House of Representatives.
- Develop regulations under the Petroleum Act passed by the House of Representatives.
- Spearheading negotiations with serious investors and development of Model Petroleum Agreements.
- Licensing and Contracting including block allocation according to the size of the reserve in the oil and gas fields in accordance with the International Best Practices of the Industry.
- Ensure full accountability, transparency, and efficiency in developing a system of revenues management and tax collection and their planned expenditures.
- Approval of the FDP and data management system.
- Engage the international platform for petroleum investments and data acquisition.
- Facilitate integrated planning between the petroleum sector and other sectors of the economy (Land, Water, Agriculture, Fisheries, Tourism, Environment, Health, Information, Communications & Infrastructure)
- Ensuring public awareness and citizen's knowledge on petroleum activities.

5.1.2 THE ROLE OF AN INDEPENDENT REGULATORY BODY

The independent regulatory body will have the following roles:

- Implementation of the approved legal and regulatory framework on oil and gas.

- Monitoring, Reporting and Verification of the Petroleum Operations.
- Monitoring and operationalization of the issued licenses and their related activities.
- Acquisition and management of primary technical data.
- Participate in the preliminary and main negotiations process and monitoring the implementation of the Petroleum Agreements.
- Play advisory and assisting role to the Ministry responsible for petroleum matters.
- Regulations of block allocation, relinquishments and data management
- Implement proper management of royalties, revenues and taxes from petroleum activities
- Enforcement of laws and regulations related to the terms of contract for petroleum activities.
- Ensuring Health, Safety, Environmental and labor standards in oil and gas operations.
- Ensuring optimal utilization of existing and planned infrastructure.
- Implement the integrated approach in multi-sectorial involvement in operational safeguards and performance checks.

5.1.3 THE ROLE OF THE NATIONAL OIL COMPANY

Definitely, the country will have to gradually acquire and handle its commercial interests in petroleum development and move away from totally relying on external investors in exploration and production activities. The specific roles of the National Oil Company shall include:

- Managing the business aspects of surveying, exploration and production on behalf of the state.
- Participate in co- ventures and partnership with other oil companies.

- Survey, exploring and appraising new upstream, midstream and downstream ventures.

5.1.4 THE ROLE OF THE SPECIALISED UPSTREAM TAX COLLECTIONS

The role of Specialized Tax collections with regards to oil and gas will include:-

- Administering the implementation of the Petroleum Taxation Act
- Ensuring collection of all designated sources of revenues from upstream, oil and gas activities in line with the relevant laws.

5.2 THE ROLE OF SECTORS

This policy has equally recognized the roles of other institutions of Government, NGOs and the Private Sector in facilitating the policy implementation framework related to oil and gas activities. The successful implementation of this policy will depend on the ability and the capacity to achieve collective responsibility and active participation all stakeholders. The roles of the public and private sector including the civil society in general are explained in the following sections:

5.2.1 INSTITUTION RESPONSIBLE FOR PLANNING

The Planning institute has a prominent role in ensuring integrated planning approach for inclusive economic growth between the petroleum sector with all other key macro-economic sectors such as Population, Education, Agriculture, Fisheries, Energy, Land, Water, Tourism, Forestry, Environment, and Health.

5.2.2 INSTITUTION RESPONSIBLE FOR FINANCE

The role of finance for implementing oil and gas policy include:-

- Monitoring, verification and reporting of the fiscal regime (licensing, Agreements, rentals, royalties)

and economic issues associated with petroleum activities.

- Implementation of accounting standards and procedures for petroleum activities.
- Ensuring efficient, transparent and accountable collection and management of petroleum revenues.
- Provide financial architectural guidance on establishment of SWF.
- Provide mechanism for implementation of the petroleum income tax collection for Zanzibar.
- Monitoring and assessing the impact of oil and gas revenues on the economy.

5.2.3 INSTITUTION RESPONSIBLE FOR CONSTITUTIONAL AFFAIRS

This institution has a significant role because its deals directly with constitutional and legal issues pertaining to Zanzibar and the implementation of the rule of law. Both are crucial in the oil and gas industry. Its roles include:

- Coordinate and supervise the implementation of Zanzibar Constitution
- Dealing with all legal matters related to Zanzibar
- Coordinate registration of companies and copyrights
- Ensure and supervise the implementation of the rule of law

5.2.4 INSTITUTION RESPONSIBLE FOR LOCAL GOVERNMENTS

Apart from existing roles and responsibilities, this Institution will be linked to oil and gas in the following roles:-

- Implementation of social safeguards on land acquisition, involuntary displacement,

- stakeholder's engagement, and community consultations with respect to petroleum activities.
- Integrating upstream and midstream oil and gas activities in local governments' plans and programs and in accordance with the law.
- Mobilizing community support towards corporate social responsibility.
- Dealing with issues of waste management disposal of wastes coming from the upstream petroleum activities.

5.2.5 INSTITUTION RESPONSIBLE FOR LAND USE PLANNING

This Institution will be linked to oil and gas in the following roles:-

- Integration of petroleum sector into urban and rural planning policies, strategies and programs.
- Ensuring the activation of the National Land Use Plan and demarcation of spatial boundaries separating petroleum locations from tourism hotspots.
- Increasing sustainable land management capacity and protection of ecologically sensitive areas and heritage sites.
- Ensuring all issues of land valuation, compensation, and resettlement are adequately addressed and implemented.

5.2.6 INSTITUTION RESPONSIBLE FOR ENVIRONMENT AND CLIMATE CHANGE

Besides the existing roles and responsibilities, this Institution will be linked to oil and gas in the following roles:-

- Establishing Health, Safety and Environment Unit (HSE Unit) for oil and gas activities.

- Ensuring that oil and gas activities conform to the requirements of the laws, regulations, and best practices related to environmental management and performance of the industry.
- Implementing rigorous Environmental and Social Impact Assessment and Management Plans of projects in each phase of the project cycle – e.g. Surveying, Exploratory Drilling, Appraisal, Production Drilling, and Decommissioning.
- Increasing environmental monitoring (air, water, soil quality assessment) of the exploration and production areas in strengthening the monitoring regime.
- Strengthening environmental auditing, environmental management systems, and inspection protocols in the exploration and production areas.
- Mainstreaming Strategic Climate Change Adaptation Action Plans in the petroleum sector

5.2.7 INSTITUTION RESPONSIBLE FOR DISASTER MANAGEMENT

Apart from existing roles and responsibilities, this Institution will be linked to oil and gas in the following roles:-

- Establishing a Disaster Management Unit for upstream oil and gas industry.
- Ensuring that the national disaster management policy and action plan documents are integrated into the Environment, Health and Safety systems of the oil and gas sector.
- Integrating risk assessment, financing and investment into the petroleum activities.

5.2.8 INSTITUTION RESPONSIBLE FOR OCCUPATIONAL SAFETY AND HEALTH

The potential roles of this institution in the oil and gas industry have to include the following:

- Ensuring implementation of Occupational Safety and Health in the oil and gas sector.
- Monitoring compensation for occupational injuries and diseases.
- Mediating labour disputes and participating in conflict resolution.
- Monitoring compliance with the labour standards and promote the culture of prevention and continuous improvement.
- Investigate all occupational accident to establish root causes and develop means to prevent reoccurrence or minimizing the effect to as low as practically applicable.

5.2.9 INSTITUTION RESPONSIBLE FOR OCCUPATIONAL HEALTH SERVICES

This institution is responsible for ensuring implementation of public and community health policies, plans and programs in the oil and gas sector.

5.2.10 INSTITUTION RESPONSIBLE FOR WATER

The potential roles of this institution in the oil and gas industry have to include the following:

- Ensuring that petroleum activities are in harmony with the policies, plans and programs regarding conservation of fresh water resources.
- Overseeing rational distribution and utilization of water including in the petroleum industry.
- Developing Regulations on water quality standards.
- Developing laws and regulations on wastewater discharge, wastewater effluents concentration

limits, and issuance of waste water discharge permits.

- Ensuring protection of surface water catchment and drainage areas.

5.2.11 INSTITUTION RESPONSIBLE FOR MARITIME TRANSPORT & SAFETY

Apart from existing roles and responsibilities, this Institution will be linked to oil and gas in the following roles:-

- Ensuring the implementation of certain maritime laws under the International Maritime Organization (IMO) responsible for prevention of oil pollution and maritime accidents and other associated provisions.
- Participating in verification of the structural integrity of oil rigs and other production facilities.
- Ensuring the functional capacity of the organization to handle petroleum exploration and production activities.

5.2.12 INSTITUTION RESPONSIBLE FOR INFRASTRUCTURE

The infrastructure has a significant and supportive role in the development of oil and gas sector through:-

- Ensuring the implementation of National Transport Master Plan that addresses the requirements of the upstream petroleum activities.
- Supporting development of the infrastructure for oil and gas activities

5.2.13 INSTITUTION RESPONSIBLE FOR AGRICULTURE

This Institution has a prominent role in ensuring conservation and protection of agricultural lands through

the implementation of policies, strategies, programs and action plans of the responsible Ministry.

5.2.14 INSTITUTION RESPONSIBLE FOR FISHERIES

Apart from existing roles and responsibilities, this Institution will be linked to oil and gas in the following roles:-

- Ensuring conservation and protection of artisanal and deep sea fishing from the potentially polluting or marine degradation activities of the petroleum industry.
- Safeguarding the rights of the fishers and their respective fish landing sites from the potentially adverse impacts of petroleum activities.
- Ensuring Conservation and rehabilitation of the marine protected areas and other marine conservation units.
- Facilitating support in the protection of marine migratory species from adverse effects of offshore petroleum activities.

5.2.15 INSTITUTION RESPONSIBLE FOR FORESTRY

The role of this institution with regards to oil and gas will include:-

- Strengthening protection of the forest reserves, mangrove biodiversity, and national parks in the islands.
- Supporting continued efforts in safeguarding the social forestry biomes and community management forest areas (COFMAs).
- Ensuring protection of flora and fauna of ecological concerns under the Red Data Book.
- Ensuring sustainable exploitation and utilization of the earth materials (murrum, rocks, sand, limestone) for the construction of the critical infrastructure related to petroleum development.

5.2.16 INSTITUTION RESPONSIBLE FOR TOURISM

The institution responsible for tourism has a significant and supportive role in the development of oil and gas sector through:-

- Ensuring that petroleum activities are in harmony with the development of tourism infrastructure, operation of tourist services, plans and programs.
- Facilitating implementation of sustainable tourism that is focused upon protection and conservation of beach layouts, coral reefs, lagoons, and the marine environment.

5.2.17 INSTITUTION RESPONSIBLE FOR TRADE AND INDUSTRY

Apart from existing roles and responsibilities, this Institution will be linked to oil and gas in the following roles:-

- Promoting a long-term economic pathway towards petroleum-related industrial investments in the country.
- Support setting up of oil and gas investment center for Zanzibar.

5.2.18 INSTITUTION RESPONSIBLE FOR INFORMATION TECHNOLOGY

The role of this institution with regards to oil and gas will include:

- Supporting an enabling ICT environment for data transmission and storage for oil and gas activities.
- Ensuring availability of the ICT infrastructure necessary for communication of data and voice in the upstream, midstream and downstream activities.

5.2.19 INSTITUTION RESPONSIBLE FOR EDUCATION

The role of this institution responsible for education for implementing Oil and Gas Policy will include:

- Promoting the development of advanced education and vocational training for the oil and gas sector.
- Promoting research and development for oil and gas economy.
- Supporting public awareness and knowledge on petroleum activities.

5.2.20 INSTITUTION RESPONSIBLE FOR HIV/AIDS PREVENTION

This institution is responsible for ensuring that policies, plans and programs with regards to the Zanzibar AIDS Commission's fight against HIV/AIDS are mainstreamed in the oil and gas sector.

5.2.21 INSTITUTION RESPONSIBLE FOR MAINSTREAMING GENDER ISSUES

This Institution has prominent role in ensuring that policies, plans and programs with regards to the gender mainstreaming in workplaces are integrated in the oil and gas sector.

5.3 ROLE OF SPECIALIZED AGENCIES AND AUTHORITIES

5.3.1 TAX ADMINISTRATION INSTITUTIONS IN ZANZIBAR

The role of this institution is responsible for participating in the formulation of upstream taxation system to regulate revenues from oil and gas activities.

5.3.2 ATTORNEY'S GENERAL OFFICE

Apart from existing roles and responsibilities, this

Institution will be linked to oil and gas in the following roles:-

- Leading and guiding the formulation and drafting of upstream petroleum legislations including the legal architecture of negotiations, licensing, Agreements, exploration and production.
- Guiding in demarcation of sea boundaries and ownership of spatial areas within the jurisdiction of Zanzibar.
- Facilitate citizen's charter on oil and gas development.

5.3.3 ZANZIBAR PORTS CORPORATION

The role of this institution regards to oil and gas will include conducting a feasibility study on the logistics of the current critical infrastructure (port terminals and associated depots, storage facilities, and marine communications.)

5.3.4 ZANZIBAR SOCIAL SECURITY FUND

This Institution has a significant and support role in the development of oil and gas sector through:-

- Ensuring operationalization of the strategy and opportunities for foreign and local investors to invest in the Fund.
- Facilitating the implementation of the Fund's policies, plans and programs in the petroleum sector.

5.3.5 ZANZIBAR BUREAU OF STANDARDS

The role of this institution for implementing oil and gas policy will include:-

- Ensuring formulation and operationalization

of the established standards guiding upstream petroleum activities.

- Guiding in the application of required standards in the implementation of all quality assurance, necessary technology and specifications, health, safety, and environment matters in oil and gas activities.

5.3.6 CONTROLLER AND AUDITOR GENERAL (CAG)

Among the role of CAG are:-

- Direct responsibility for the authorization of government spending through a legally established process.
- Auditing all Government institutions, including agencies and corporations.
- Ensuring value-for-money procurement for all institutions which is mandated to control.

The Office will therefore be directly responsible for controlling and auditing the finances, spending and procurement processes of all government institutions related to oil and gas industry.

5.3.7 ZANZIBAR ANTI-CORRUPTION AND ECONOMIC CRIMES AUTHORITY (ZAECA)

The roles of ZAECA include:-

- To receive and investigate any complaint concerning corruption practices in any public or private body;
- To investigate any matter that is susceptible to corruption or economic crime;
- To investigate any person susceptible to corruption, economic crime or breach of ethics;
- To advise a person or institution on ways to prevent corrupt practices.

- To investigate the extent of liability for the loss of or damage to any public property.

Given the vulnerability to corruption of the petroleum industry, these roles are important in ensuring that oil and gas activities in Zanzibar are operated in a clean and reputable manner.

5.4 ROLE OF THE CIVIL SOCIETY

The Civil Society has a prominent role in ensuring Civil Society Organizations (CSO's), NGOs and Community Based Organizations (CBOs) are playing a greater role in promoting responsible advocacy on petroleum development, as well engaging local communities in a positive dialogue and CSR, and local content. CSOs, NGOs, and CBOs can contribute greatly in ensuring accountability with regards to oil and gas issues.

CHAPTER SIX: MONITORING AND EVALUATION OF THE POLICY

6.1 RATIONALE FOR PLANNING, MONITORING AND EVALUATION

Monitoring and Evaluation helps track the implementation progress to achieve stated objectives and demonstrate results for accountability. In this context the monitoring and evaluation of this policy will have to be consistent with the overall M&E framework of the Zanzibar Strategy for Growth and Reduction of Poverty (MKUZA). However the responsibility for compiling, monitoring and evaluating reports falls in the hands of Centralized M&E Unit, the institution responsible for petroleum development and other sectoral institutions responsible for the implementation of this Policy. Such reports shall be used to advise the Government and help guide the country towards informed decision-making process.

6.2 POLICY IMPLEMENTATION STRATEGIES

The Monitoring and Evaluation (M&E) activities associated with the Petroleum Policy will be guided by the policy implementation strategies. The impact of the policy measures set forth in the Policy will be monitored and assessed over time against targets and benchmarks that are established in the implementation strategies and in line with the Policy goals. Monitoring and evaluation will be carried out at all levels: National level, sub-national level and at grass roots level.

6.3 MONITORING AND EVALUATION APPROACH

The approach to monitoring and evaluation will be guided by a series of measurable feedbacks coming from the following:

- Operationalization of the policy implementing strategies in respect to action plan, financial requirements and results.
- Operationalization of M&E through the central unit with the two way functional mechanism to an institutional level
- Monitoring, Reporting and Verification through Bidding,

Production Sharing Agreements; Negotiations; Licensing and Contracting; Field Development Plan, Exploration and Production, Decommissioning, internal and external reporting and publications, periodic feedback from the Environment, Health and Safety proceedings; Corporate Social Responsibility; Royalties, Revenues, and Taxes; State Participation; Citizen's involvement.

- Annual evaluation of the impact of the work plan and strategic action plans that draws on information obtained from the compiled activity monitoring data, the assessed key performance indicators, strategically focused studies.
- Periodic Publication of the overall state of the Petroleum sector in Zanzibar.
- Performance of various actors at national, sub-national and grass root level in relation to fulfilling their mandate, executing their roles and responsibilities and effectiveness of their plans and activities in delivering services and attaining the stated policy goals and objectives.

Specifically, the implementation of each policy statement will be structured in such a way that the Outcome, Outputs, Main Actors, Financial Requirement and Support, and Time Frame will be designed in the intervention program that is to be developed in the immediate future.