The Coat of Arms of Zimbabwe1

MINISTRY OF ECONOMIC PLANNING AND
INVESTMENT PROMOTION (MoEPIP)

INVESTMENT OPPORTUNITIES IN ZIMBABWE

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1. INTRODUCTION

The Zimbabwean economy experienced an economic decline starting from the year 2000 to 2008. The economic decline was partly caused by international isolation which emanated mainly from disagreements concerning how the land reform programme was implemented. Resultantly following the establishment of the inclusive Government, stimulating investment was adopted as one of the strategies towards the restoration of economic stability and growth. The objective is to increase investment from the current level of 4% of GDP to about 25% of GDP.

Zimbabwe's overall investment environment offers a market driven economy with the following attributes:

- Abundant natural resources;
- Well developed infrastructure which only needs some maintenance;
- Access to world and regional markets;
- Educated, easily trainable labour force with at least four years of secondary education, and
- Liberal labour regulations based on collective bargaining.

2. STABILISATION PROGRAMME

- In early 2009 the Inclusive Government was put in place and part of its objectives is to stabilise the socio-economic and political environment. The inclusive Government immediately put together a Short Term Emergency Recovery Plan (STERP) whose priorities are ensuring political stability and good governance, social protection and promoting macroeconomic stabilisation. The specific measures adopted in order to promote macroeconomic stability as well as improve the business environment include the following:

Political and Governance Issues

- The Inclusive Government will embark on the drafting of a new people driven Constitution as a matter of urgency;
- The Inclusive Government will liberalise the air waves, free the media, and ensure that plural voices are heard through both electronic and print media, and
- Undertaking legislative reforms intended to strengthen good governance, accountability and promoting the rule of law as well as equality and fairness, including gender equality.

Bilateral Investment Promotion and Protection Agreement

- In order to ensure security of investment, access to markets and provide dispute resolution mechanisms and credit worthiness, Government is a signatory to Multilateral Investment Guarantee

Agency, Overseas Private Investment Co-operation, International Convention of the Settlement of Investment Dispute, United Nations Commission of International Trade and Arbitration Law and Bilateral Investment Promotion and Protection Agreements (BIPPA).

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- The Inclusive Government is committed to adherence to Bilateral Investment Promotion and Protection Agreements. The BIPPA between South Africa and Zimbabwe was negotiated and initialled and is now awaiting signing by the two parties. The preparedness of Zimbabwe to quickly sign this BIPPA is an indication of its readiness to welcome South African investors into Zimbabwe. We hope this will boost confidence to all South African investors who were sceptical about whether this is the right time for coming to do business in Zimbabwe

Multi- currency and Rand Reference Currency

- Legalizing the use of multiple foreign currencies such as the South African Rand, United States Dollar, Botswana Pula, Euro, Pound Sterling, among others, for investment purposes and business transactions including stock exchange trading, sale of agricultural commodities and payment of salaries. No licences will be required to trade in foreign currencies.

- Furthermore, Government has decided that the reference currency should be the Rand.

Cash Budgeting

- The National Budget will be a cash budget, that is to say the amount the Nation spends will be determined by tax revenues plus grants from donors. There will be no money printing which has been the major source of money supply growth resulting in high inflation levels.

- The Reserve Bank of Zimbabwe will desist from funding quasi-fiscal operations and hence will now concentrate on its major mandate of ensuring the stability of prices and the financial sector.

Taxation

- All taxes including corporate tax and personal income tax will be payable in convertible foreign currencies.

Interest Rates

- The foreign exchange lending will be at interest rates that take into account the bank's risk assessments, as well as the cost of capital in international financial markets.
- The local banking system can now issue foreign exchange loans in support of productive sectors at rates which take into account risk assessments by the banks and the cost of capital in international financial markets.

Exchange Controls

- In order to remove restrictions on business transactions, Government deregulated restrictive Exchange Controls, and delegated export administration and payment authority to banks.
- Individuals and companies are now free to pay for goods and services offshore as well as service external debts without prior Exchange Control approval.
- In order to remove bureaucratic hurdles associated with the processing of loan applications for both domestic and foreign investors, Government simplified the approval process for external loans, with authority delegated to banks to process loans of up to US$5 million without prior Treasury and Reserve Bank External Loans Coordinating Committee (ELCC) approval.

Remittances

- Similarly, all applications on income related transactions such as dividends, profits and capital appreciation proceeds no longer require prior Exchange Control approval.

Liquidation of FCAs

- In order to build confidence in the country's foreign exchange market, all holders of FCAs including exporters can hold foreign exchange in their FCA s indefinitely.
- There are no longer any surrender requirements by exporters they can now retain 100 percent of their export proceeds.

Land Acquisition

- The question of land acquisition is being addressed through instituting a land audit and the issue of farm invasions is also under consideration to ensure that this is stopped forthwith as it sends wrong signals to investors.

- The issue of security of tenure will also be pursued to enable farmers to freely make investments on their farms. Zimbabwe will be a law abiding country and will respect property rights as well as the rule of law.

International Support

- We are now reengaging the international community to mobilise support for the resuscitation of social services, utilities, and infrastructure. A multi-pronged approach to engage the international community is focusing on restoration on normal diplomatic relations, unlocking critically needed balance of payments financing, foreign debt rescheduling and renegotiation as well as clearance of outstanding external payment arrears.

3. INVESTMENT OPPORTUNITIES

The Government recognises the need to stimulate investment. Therefore, it is the intended objective of increasing investment capacity from 4% of GDP to over 25% of GDP. Increased investment is meant to underpin sustainable economic growth and development.

The Strategy is to develop to the maximum extent the potential of the main sectors of the economy namely agriculture, manufacturing, mining and tourism. Increasing investment in these sectors is critical for achieving sustained economic growth and for creating more employment opportunities in the country.

Government recognizes the important developmental contribution that the private sector, both domestic and foreign can make by increasing investment in Zimbabwe. Therefore, it is promoting both domestic and foreign investment.

The specific opportunities that exist in the various sectors are as follows:

Manufacturing

- Industrial intermediate and capital goods, consumer goods and further processing of cotton and manufacturing of cigarettes among others;
- This sector is currently operating under 10% capacity utilization and the aim is to increase this to above 60%, and

- Beneficiation of raw materials especially those from agricultural and mining sectors.

Energy

- Energy opportunities include methane gas drilling, thermal power projects; hydro and mini-hydro power generation projects and bio-diesel production among others.

Tourism

- Tourism infrastructure such as hotels, refurbishment of airport infrastructure in resort towns such as Victoria Falls and Kariba in readiness for the 2010 World Cup. In order to promote investment in preparation of 2010 World Cup, duty exemption will be granted on capital goods as well as equipment for expansion, modernisation and renovation of hotels and restaurants.

Mining

- Over 40 various minerals exist and the thrust is to resuscitate existing mines especially gold mines and establishing new mines for exploiting minerals such as diamonds, and
- Promote mineral exploration.

Agro-industries

- Manufacturing of agricultural implements and machinery, canning of fruits, vegetables, meat products and fruit juices among others.

Infrastructure

- Dualisation of the Chirundu –Beitbridge and Harare to Bulawayo roads, upgrading of Kariba and Victoria Falls airports, construction of Kunzwi Dam, completion of Tokwe Mukorsi, Gwayi-Shangani Dam, construction of Mtshabezi water pipeline, Zambezi-Bulawayo pipeline and Harare Chitungwiza railway line are some of the significant infrastructural projects where investment is called for.

5. THE ROLE OF THE SOUTH AFRICAN PRIVATE SECTOR

Capitalisation of South African Companies in Zimbabwe

The South African private sector can play a significant role in the economic recovery through recapitalisation of South African companies in Zimbabwe which are currently operating at low capacity levels. These companies need injection of resources to enable them to increase their production.

Lines of Credit

South Africa can also benefit through advancing lines of credit to Zimbabwean companies which are operating at low capacity levels. South Africa will tend to benefit both as companies as well as a country if credit lines are extended to Zimbabwe. These benefits include optimal capacity utilization by South African companies, preservation of jobs and consequently keeping the current global recession out of South Africa as well as re-establishing the Zimbabwe market which dwindled.

The total requirements by Zimbabwean companies are in excess of US$1 billion, for an initial ten-month period, to facilitate the same to raise capacity utilisation from 10% to about 60%. Therefore, we are requesting the South African private sector to support these companies with lines of credit.

Zimbabwe will be able to repay these loans with proceeds from exports of cotton, tobacco, horticulture, gold, platinum, remittances and receipts from tourism. Zimbabwe is also making concerted efforts to attract foreign direct investment and it is anticipated that such efforts will bear fruit and hence generate foreign currency that will also assist in repayment of these lines of credit.

In future the recovery of Zimbabwe will also bring significant benefits to the South African economy through increased employment, export earnings as well as remittances from profits earned by subsidiaries situated in Zimbabwe. Therefore, the assistance advanced to Zimbabwe by the South Africans will result in a win win situation for both countries.

6. CONCLUSION

Zimbabwe is ready to accept investors and is working tirelessly to create a conducive investment climate and we encourage South African investors to take advantage of the existing investment opportunities in Zimbabwe. South Africans should also extend credit lines to Zimbabwe since this will benefit both individual private companies as well as the South African Government.

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