ZIMBABWE

INVESTMENT GUIDELINES AND OPPORTUNITIES IN ZIMBABWE

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AND

OPPORTUNITIES IN ZIMBABWE

January 2018

GOVERNMENT OF ZIMBABWE

His Excellency Emmerson Dambudzo Mnangagwa
President Of The Republic Of Zimbabwe

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I. TOWARDS A NEW ECONOMIC ORDER:INVESTMENT POLICY STATEMENT AND ACTION PLAN OF THE GOVERNMENT OF ZIMBABWE.

i. Introduction

1.1 As Zimbabwe transitions to a new economic order and prepares to regain its place as a leading African economy, the Government, by this Investment Policy Statement, underscores the key role of investment in improving the well-being of Zimbabweans. This investment policy statement sets out the key principles that will guide Zimbabwe's investment policy and elaborates a plan of action to expeditiously and effectively implement them.

1.2 The Government of Zimbabwe's commitment to those investors who have been the lifeblood of our economy in good and bad times is to provide a stable business environment that enhances their growth and competitiveness and brings jobs and opportunities to the people of Zimbabwe. For this reason, the Government of Zimbabwe recognises the essential role of foreign direct investment in advancing Zimbabwe's development by connecting domestic entrepreneurs to the global economy, permitting the inflow of capital, modern technology and know-how and creating jobs for Zimbabweans.

1.3 Zimbabwe's historical realities, and the fact that dispossession of ancestral land was the fundamental reason for waging the liberation struggle means that land reform cannot be reversed. The Government recognises, however, that the execution of land redistribution has had unfortunate outcomes and consequences and is setting up mechanisms to address these.

1.4 The Government of Zimbabwe hereby declares, from this point forward and without prejudice to the issues addressed in (1.3), its commitment to companies that invest in Zimbabwe and support its economic development. Zimbabwe's economy will be founded on sound market principles and principles of legal protection that encourage and protect private enterprise and the fruits thereof, while gainfully interacting with strategic public enterprises run professionally and profitably, all to yield a properly run national economy in which there is room and opportunity for everyone.

1.5 The people of Zimbabwe are the cornerstone to our success and the strongest pillar to build a strong and sustainable economy. The Government of Zimbabwe hereby

commits to implementing a reform agenda that will build a competitive private sector that will maximise linkages, deliver high quality jobs and support long-term growth.

1.6 The Government of Zimbabwe commits to adopt and implement consistent and transparent policies that render Zimbabwe a competitive and preferred investment destination. To this end, the Government commits to respect obligations under Bilateral Investment Protection and Promotion Agreements (BIPPAs) which shall be applicable to all investors and shall be modernised to reflect good international practices.

1.7 Reforms undertaken will seek to increase Zimbabwe's attractiveness for all types of investment, but in particular for investments aligned with this vision. The objectives of these reforms will be achieved by:

(a) Providing an efficient, effective and transparent system for attracting and carrying out investment;

(b) Enhancing, modernising and streamlining the legal framework for investment; and

(c) Promoting the development and application of good international standards and practices regarding investment.

ii. Principles of a strong, sound and sustainable investment policy

1.8 Using as guidance good practices found in modern investment agreements, the Government of Zimbabwe will endeavour to apply the following key principles for its investment policy:

(a) Non-discrimination between domestic and foreign investors and among foreign investors.

The Government commits to treating all foreign and domestic investors and investments as favourably as any other investor in like situation in relation to the establishment, expansion, operation, and protection of their investments, subject to such exceptions as are provided for in domestic laws, regulations and policies.

(b) Effective protection of property:

The Government commits to the protection of all investments from expropriation, or from measures taken that will have a similar effect, except for a public purpose and on a non-discriminatory basis, in accordance with national laws and principles of international law, and subject to the prompt payment of adequate and effective compensation.

(c) Transparency and good regulatory practices:

The Government commits to ensuring that all laws, regulations, administrative guidelines and policies pertaining to investment are enacted following proper notice and consultation and are available publicly in a prompt, transparent, and readily accessible manner.

(d) Maintain environmental and social standards:

The Government commits to ensuring that all labour, health, safety, and environment regulations are adhered to by domestic and foreign investors.

(e) Promote investment retention:

The Government commits to implementing effective mechanisms to manage investors' grievances, in order to foster investor confidence and ensure that investment is retained.

(f) Avoid mandatory performance requirements:

The Government commits to ensuring that the legal regime for foreign direct investment is founded on sound market principles that do not permit mandatory and/or arbitrary performance requirements that distort or limit the expansion of trade and investment.

(g) Facilitate entry and sojourn of personnel:

The Government commits, subject to appropriate policy prescriptions intended to drive foreign direct investment while generating employment for Zimbabweans, to facilitate the entry and stay in Zimbabwe of key foreign technical and managerial personnel for the purpose of engaging in activities related with foreign investment.

(h) Pursue high standards of governance:

The Government of Zimbabwe commits to pursuing high standards of governance and combating corruption at all levels in order to ensure that all state institutions charged with overseeing any regulatory or administrative functions relating to investment or private enterprise shall do so in a transparent and efficient manner.

iii. Reform action plan & timeline

1.9 For immediate action:

The Government of Zimbabwe commits itself to expeditiously and constructively addressing outstanding legacy issues in keeping with modern investment principles.

(a) Compensation for losses sustained through Land Reform Programme:

The Government of Zimbabwe has stated its intention to compensate those farmers who lost their investments through the land redistribution programme.To ensure equitable compensation, the Government of Zimbabwe is considering a number of measures including the establishment of a special *ad-hoc* tribunal based on international good practices to determine, amongst others, the value of compensation payable and modalities for payment.

(b) Amendment of the Indigenisation and Economic Empowerment Act:

The Government of Zimbabwe will amend the Indigenisation and Empowerment Act in order to ensure certainty for investors. While the Government will encourage partnerships between international and Zimbabwean firms, the proposed amendments will confine the 51/49 percent indigenisation threshold to only two minerals in the extractive sector namely, diamonds and platinum. For these two sectors, the Ministry of Mines shall be charged with developing a bill and regulations to create a non-discretionary legal and regulatory regime founded on the principles enumerated above.

(c) Special Economic Zones. Following the promulgation of the Special Economic Zones Act [Chapter 14:34] , the Government of Zimbabwe will accelerate establishment of Special Economic Zones (SEZs) in order to attract investment and increase exports. The SEZs are aimed at promoting value addition and beneficiation by offering targeted and specific incentives to qualifying investments.

1.10 The Government proposes hereby to adopt an Action Plan for the next six months as follows:

(a) Modernisation of the Legal Framework for Investment:

The Government of Zimbabwe is committed to reforming its investment legislation following the principles stated in 1.8 (a) – (h) above. This process will be conducted in a transparent manner, in consultation with all relevant and interested parties and will be informed by best international practice. The new investment law shall ensure non-discrimination between domestic and foreign investors and shall accord to all foreign investors and their investments treatment no less favourable than that accorded in like situations to domestic investors in relation to the establishment, expansion, operation, and protection of their investments, with any specific exceptions being provided for in a negative

list to be annexed as a schedule to the law. The new investment law will enforce the protection of investors in accordance with the principles elaborated above.

(b) Strengthening of Investment Promotion and Retention Framework:

Recognising the importance of attracting new investment and of reinvestment by existing investors, the Government of Zimbabwe will take actions to enhance and upgrade the investment promotion and aftercare strategies. To this end, the Government of Zimbabwe will undertake efforts to:

i. Streamline all processes and procedures to reduce administrative costs.

ii. Implement mechanisms to address concerns and grievances that investors face during the conduct of their business in Zimbabwe.

iii. Ensure effective use of the incentives regime.

(c) The new investment law and the institutional framework for investment promotion, both of which will serve as building blocks for Zimbabwe's new economic order will be submitted to Parliament as soon as possible.

1.11 Implementation of Zimbabwe's New Investment Policy and Legal Framework

(a) Investment Entry and Establishment.

The Government of Zimbabwe will enhance the ability of firms to enter and establish in Zimbabwe by:

i. Eliminating prior screening of foreign investors and adopting a risk-based approach that applies regulations to prevent infractions by any investors – domestic or foreign – of laws enacted to preserve national security public health and other national imperatives.

ii. Identify and remove legal barriers to entry currently contained in legislation.

(b) Investor Retention.

The Government of Zimbabwe will adopt a new investment promotion, retention and expansion strategy that clearly articulates the roles of domestic and foreign investment towards achieving Zimbabwe's development goals.

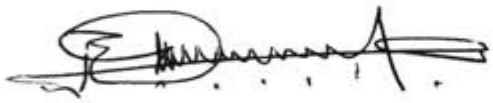
The Government of Zimbabwe commits to implement effective mechanisms to manage investors' grievances, in order to address them before dispute escalation and thus foster investors' confidence, ensure that investment is retained and expanded, and increase regulatory and administrative transparency.

Recognising the importance of reinvestment by existing investors, the Government of Zimbabwe will take actions to enhance and upgrade the investment promotion functions of the Zimbabwe Investment Authority (ZIA) and ensure their effective implementation. ZIA will develop a value proposition commensurate with the locational advantages offered to investors. Proactive investment promotion will follow good practices involving sector targeting and aftercare.

(c) Investment Incentives.

To ensure transparency and predictability, the Government of Zimbabwe will develop and publish an inventory of all incentives currently offered to investors in Zimbabwe. This inventory will be updated periodically to ensure that it remains current. Incentives will be revisited periodically to ensure that they are effective and well aligned with Zimbabwe's development goals. ZIA will be responsible for carrying out efficiently the incentive award process in accordance with good practices that minimise distortions to competition and ensure transparency and good governance.

Competition for investment and changing global circumstances necessitate a dynamic investment policy framework. This reform action plan will therefore be updated periodically in order to be responsive to the ongoing changes in the global economy.



His Excellency E. D. Mnangagwa

PRESIDENT OF THE REPUBLIC OF ZIMBABWE

Harare, January 2018

2 KEY FACTS ABOUT ZIMBABWE

2.1 Zimbabwe is strategically located at the heart of Southern Africa, making it land linked through the North-South Corridor which connects the Southern African Countries. This has made the country a regional logistics hub supported by railways, roads, power and telecommunications.

2.2 Zimbabweenjoys preferential market access to the regional and international communitythrough bilateral, regional and multilateral arrangements.The country is a member to regional and international organisations such as the Southern African Development Community (SADC) with over 190 million people, the Common Market for Eastern and Southern Africa (COMESA) with around 500 million people, African Caribbean and Pacific Nations (ACP), and World Trade Organisations (WTO).

2.3 The SADC and COMESA region accounts for half of the membership of the African Union (AU) and contribute over 58% of the continent's total GDP. They have a combined population of more than 625 million people and a Gross Domestic Product (GDP) of approximately US$1.2 trillion.

Table 1: Zimbabwe Fact Profile

Total Area	390 757 square kilometers
Land	386 670 square kilometers
Water	4 087 square kilometers
Border Countries	Botswana (West), Mozambique (East), South Africa (South), Zambia (North)
Capital City	Harare
Official Language	English
Climate	Tropical low temperatures from April to July. It is warm to hot From August to October. The rainy season begins in November and ends in March.

Population	+/- 13 million (2012)
Annual Population Growth	1.1%
Literacy Level	90%
Major Economic Sectors	Agriculture, (18.5% of GDP – backbone of the country), Mining (4% of GDP, over 60 minerals, largely untapped), Manufacturing (15.5% of GDP, diverse), Tourism (6% of GDP) [**2016 statistics**]
Financial Sector	Well established and sophisticated
Infrastructure and Energy	Good road, rail and air transport network, modern communications systems, hydro & thermal power
Access to markets	Membership to SADC, COMESA, ACP, GSP, WTO

Source: Zimstats& Reserve Bank

3 WHY INVEST IN ZIMBABWE

3.1 Zimbabwe presents the following unique selling points to potential investors:

- Centrally and strategically located in the SADC region which provides a regional gateway (North-South Corridor) & access to major regional markets of SADC/ COMESA
- Strong human capital base – highest literacy rate in Africa of 90,7% (the African Economist, 2015)
- Use of multicurrency systems which eliminate exchange rate risk.
- Fully liberalised current account which facilitates ease of doing business.
- Dividends are freely remittable.
- Resource endowment with over 55 exploitable important minerals/materials resources
- Country's strength in resource endowment, education & well developed mining industry which made it to win bid to host the Pan African Minerals University of Science and Technology
- Pro-market policies that government is implementing such as Ease of Doing Business reform initiatives.
- Existence of Investment Promotion & Protection Agreements (Bilateral and Multilateral)
- Voted World Best Climate (tied with Malta) (International Living Magazine, 2011)
- Voted World Best Tourism Destination (European Council on Tourism and Trade, 2014)

4 LIVING AND WORKING IN ZIMBABWE

Procedures for entry into Zimbabwe by Foreigners

4.1 The Immigration Department facilitates the issuance of visas, investor and work permits for potential foreign investors and their families. Information on visa, investor and work permits can be obtained from the following;

i. Immigration Department Head office
ii. Nearest immigration office
iii. Zimbabwe Foreign mission in the respective countries
iv. The Ministry of Foreign Affairs and International Trade

5 GOVERNMENT POLICY THRUST

- Zimbabwe's economy to be based on sound market principles with emphasis on legal protection for private property
- Implementing a reform agenda to build a competitive private sector that will maximize linkages, deliver high quality jobs and support long-term growth
- Compensating farmers whose land was seized in terms of the laws of the land
- Corrupt activities to be discouraged and dealt with severely whenever they emerge
- Skilled Zimbabweans who left the country over the years to be encouraged to come back home to re-build the nation
- Government to service its domestic and external debt
- Respect international obligations including Bilateral Investment Protection and Promotion Agreements (BIPPAs)
- Re-engagement programme with all the nations of the world

6 MACROECONOMIC POLICY DEVELOPMENTS

6.1 Zimbabwe's economy is on the rebound buoyed by sound policies that the Government has put in place together with the re-engagement of the international community.

Table 2: Zimbabwe's Macroeconomic Indicators

	2013	2014	2015	2016	2017
REAL SECTOR					
Real GDP at Market prices (US$m)	13,572.80	13,861.50	14,095.71	14,182.50	14,551.44
Nominal GDP at Market Prices (US$m)	15,451.77	15,891.05	16,304.67	16,619.96	18,129.97

	2013	2014	2015	2016	2017
GDP at Market Prices % changes	5.53	2.13	1.69	0.62	3.69
Per Capita GDP	1,155.82	1,163.98	1,169.36	1,165.31	1,246.71
Selected Sectoral GDP growth Rates %					
Agriculture, Hunting and Fishing	-2.57	23.00	-5.21	-3.62	14.57
Mining and quarrying	11.71	-3.40	0.42	8.23	8.48
Manufacturing	-0.60	-5.09	0.20	-3.98	1.00
Finance and Insurance	14.18	-21.93	5.48	10.23	0.21
Distribution and Tourism	3.93	2.50	3.80	7.63	1.12
PRICES					
Consumer price Inflation (end period) %	0.33	-0.80	-2.47	-0.93	2.97
Consumer price Inflation (period average) %	1.63	-0.21	-2.41	-1.57	0.70
EXTERNAL SECTOR					
Export Growth (%)	-3.55	-3.74	-2.77	2.41	6.06
Import Growth (%)	1.47	-7.38	-3.87	-13.63	4.09
Current a/c Balance (US$M)	-2,559.25	-2,289.43	-1,557.38	-591.32	-618.15
Current a/c Balance (% of GDP)	-16.56	-14.41	-9.55	-3.56	-3.41
Capital a/c Balance (US$M)	251.00	369.40	398.40	242.30	250.00
Direct Investment (net) US$M	-373.05	-472.80	-399.20	-343.01	-235.46
Portfolio Investment (net) US$M	-114.20	-130.30	-122.80	80.06	41.00
Total External Debt (US$M)	8,934.03	10,838.43	10,684.04	10,959.84	11,248.65
Debt Service Ratio (%)	25.33	24.86	26.90	26.27	26.27
Gross Official Reserves (US$M) - at 100%	331.40	349.47	429.83	384.36	405.88
Import Cover (months) at 100%	0.59	0.67	0.87	0.95	0.70
Total External Payments Arrears (US$M)	5,410.00	5,563.00	5,706.00	5,710.70	5,852.00
MONETARY SECTOR					
Broad Money M3 (US$'000)	3,887,978	4,377,131	4,736,139	5,638,281	8,020,028
Domestic Credit (US$'000)	5,205,602	5,423,007	6,448,367	7,669,496	10,637,228
Credit to Other Sectors (US$'000)	3,714,186	3,867,839	3,975,531	3,921,777	4,366,210
Other Financial Corporations	*38,904*	*24,194*	*114,997*	*119,157*	*107,454*
State and Local Government	*18,619*	*12,198*	*45,258*	*34,237*	*38,417*
Parastatals (Public Non Financial Corporations)	*80,529*	*86,262*	*156,989*	*240,007*	*514,831*
Private Sector	*3,576,135*	*3,745,186*	*3,658,288*	*3,528,375*	*3,705,508*
Credit to Government net (US$'000)	1,491,415	1,555,168	2,472,836	3,747,720	6,271,019
Claims on Central Government	*1,583,493*	*1,652,978*	*2,582,659*	*3,908,493*	*6,346,320*
Less Liabilities to the Central Government	*(92,078)*	*(97,810)*	*(109,823)*	*(160,774)*	*(75,301)*
Long Term Deposits (US$'000)	1,327,430	1,532,982	1,632,980	1,471,657	1,450,191
Transferable Deposits (US$'000)	2,477,939	2,723,992	3,051,376	4,033,559	6,184,269
Bond Notes and Coins (US$'000)		299	7,127	70,171	319,084
Nominal Minimum Lending Rate (%)	6.00	6.00	6.00	4.00	4.00
Nominal Maximum Lending Rate (%)	35.00	35.00	16.00	18.00	18.00

	2013	2014	2015	2016	2017
Individual Weighted 360-day Lending Rate (%)	14.00	14.16	12.17	10.59	9.39
Corporate Weighted 360-day Lending Rate (%)	9.35	9.66	7.82	6.87	7.00
STOCK MARKET INDICES					
Industrial Index (Points)	202.1	162.8	114.9	144.5	333.0
Mining Index (Points)	45.8	71.7	23.7	58.5	142.4
Grand Market Capitalisation (US$m)	5,203.1	4,327.0	3,073.4	4,008.0	9,580.6
Population (million)	13.37	13.65	13.94	14.26	14.54

Notes:

(i) 2017 national accounts figures as per 2018 National Budget Statement

(ii) Consumer price index as at November 2017

iii) External Sector statistics as per RBZ BOP projections

(iv) Debt Service Ratio (%) as a proportion of exports

(v) 2017 monetary numbers are as at November 2017

(vi) Broad money redefined using IMF's Monetary and Financial Statistics Manual of 2000. Major changes include exclusion of Government deposits held by banks from broad money.

(vii) Transferable deposits made up of demand and savings deposits.

(viii) NCDs are also referred to as securities included in broad money.

(ix) All classes of time deposits, short and long term are classified as time deposits, which are also termed other deposits.

(x) Credit to the private sector now excludes claims on other financial corporations, as well as claims on state and local government (local authorities)

Source: Economic Research Division, Reserve Bank of Zimbabwe

Existing Multicurrency System

6.2 Zimbabwe uses a basket of multicurrencies for its trade and investment transactions. The multicurrency system was introduced in 2009. These currencies include the United States Dollar (US$), Great Britain Pound (GBP), South African Rand (ZAR), Botswana Pula (BWP), the Euro, Japanese Yen (JPY), Australian Dollar (AUD), Chinese Yuan (CNY) and the Indian Rupee (INR).

6.3 Authorised Dealers (banks) can open accounts for both individuals and corporates, in any of the nine (9) currencies in the multicurrency basket. Any of the currencies in the multicurrency basket can be used for settlement of both local and international transactions. Furthermore, Authorised Dealers can receive export proceeds on behalf of account holders in any of the currencies in the multicurrency basket.

Full Liberalisation of the Current Account

6.4 The Reserve Bank liberalised the Current Account which deals with international trade in goods and services in 2009, and undertook a partial liberalisation of the Capital Account. As a result of the liberalisation of the current account, corporates and individuals wishing to undertake cross border payments can do so freely without seeking prior Exchange Control approval.

6.5 Due to the liberalisation of trade and investment transactions, foreign investors can now freely remit investment income such as dividends and profits realised from their investments to various destinations without seeking prior Reserve Bank approval. Requests to remit investment income to external destinations are handled at Authorised Dealer (bank) without coming to the Reserve Bank.

6.6 In terms of existing foreign investment regulations, foreign investors with bona fide investments can freely disinvest from the country. Foreign investors divesting from Zimbabwe are permitted to remit their initial capital plus appreciation proceeds.

6.7 Regarding exports, Zimbabwe encourages export of products and services by resident companies to offshore markets to increase foreign currency earnings. Exporters can easily access exports documents from Authorised Dealers (banks), as well as online in order to speed up the export process and reduce costs of doing business.

6.8 The export of goods excluding minerals such as gold and diamonds is administered at bank level and Reserve Bank accounts, monitors and administers the country's exports through a robust web based system called Computerised Exchange Control Exports Payments Systems (CEPECS) for the convenience of exporters.

7 FOREIGN TRADE GUIDELINES

Imports Formalities

7.1 Zimbabwe liberalised current account in 2009 to facilitate free international trade and investments. In this regard, corporates and individuals can freely make import payments for goods and services through normal banking channels.

Exports Formalities

7.2 All new exporters should register with Authorised Dealers (banks) for recognition and to have access to the Reserve Bank of Zimbabwe's CEPECS.

7.3 All exports except for the Diamond, Gold, Ammunition, bulk cash (above $2,000), do not require Central Bank approval. The Banks or exporters may process their declaration without first applying to the Central Bank for approval for all the other exports in pursuance of contract of sale, gifts up to a maximum of $10,000, second hand vehicles, scrap metal, livestock, live wild animals, second hand industrial equipment, emigrant effects, household effects, returns outwards, goods sent out for repairs, goods sent out for replacement, samples excluding soils/mineral samples and goods for toll manufacturing.

8 FOREIGN INVESTMENT GUIDELINES

8.1 Zimbabwe's three (3) main entry points for foreign investment are; the Zimbabwe Investment Authority (ZIA), Zimbabwe Stock Exchange (ZSE) and the Reserve Bank of Zimbabwe (RBZ).

Guidelines for Establishing Greenfield Investments

8.2 The Zimbabwe Investment Authority (ZIA) is the country's investment promotion body set up to promote and facilitate both foreign direct investment and local investment. It is the prime investment promotion body that deals with "Greenfield Projects," that is, investments into new projects.

8.3 The investor has a variety of options to set-up operations in the country. The most form of limited liability company is private company limited by shares. The Companies Act [Chapter 24:03] administers various companies and Cooperatives Societies Act [Chapter 24:05] governs cooperatives in Zimbabwe.

Business Registration Process

8.4 Zimbabwe introduced several reforms that resulted in streamlining business start-up process. The following are the registration procedures;

Table 3: Business Registration Process

	Step	Turnaround Time
1.	**Company registration** File MOU and Articles of Association with the Registrar of Companies, CR6 & CR14 Form. Online name search.	2 days
2.	**Zimbabwe Investment Authority Licencing**	2 days

	• Lodge application through ZIA 1 Form which can be downloaded on ZIA website. • Attach primary company registration documents, brief business plan, CVs for Directors/ shareholders.	
3.	**Immigration Control Department** • Application for investor and temporary employment permits	5 days
4.	**Registration with Zimbabwe Revenue Authority for Tax Purposes** • Registration for PAYE, Income Tax, VAT, Customs Duty	3 days
5.	**Environment Management Agency** • Only for projects which requires Environment Impact Assessment Licence e.g. mining, manufacturing and infrastructure development. **NB. Provisional approval is granted upon submission of application**	

Guidelines for investing into Existing (Brownfield) Investments

8.5 The RBZ through its Exchange Control Division, administers and facilitates foreign investments into existing entities and operations, also known as **Brownfield investments.** Such investments, largely take the form of dilutions, mergers and acquisitions, rights issues, cross-border investments and restructuring. All these investments require specific Exchange Control approval.

8.6 Foreign investors may invest up to 100% in unlisted companies for existing projects and Exchange Control permission is granted for such investments. These applications are in respect of foreigners investing into existing local enterprises not listed on the Zimbabwe Stock Exchange (ZSE).

8.7 Applications for Exchange Control approval of Brownfield investments are submitted through Authorised Dealers (banks) for onward submission to the Reserve Bank.The turnaround period for approving such investment proposals is 2 days.

Guidelines for investing in the Money Market

8.8 Foreign investors may subscribe for up to 100% of primary issues of bonds provided the purchase is financed by inward transfer of foreign currency through normal banking channels.

8.9 There is no limit on the level of participation by each investor, who are free to dispose of their investments in the secondary market. The foreign investors are also free to buy and sell bonds in the secondary market.

8.10 However, the Reserve Bank requires that investors provide proof of transfer of funds through normal banking channels. Disinvestment proceeds are freelyremittable without prior seeking Reserve Bank approval.

8.11 Foreign investors are free to purchase any other money market instrument offered by banks without seeking prior Reserve Bank approval.

Guidelines for Investing on the Zimbabwe Stock Exchange

8.12 The Zimbabwe Stock Exchange (ZSE) provides an alternative avenue for Foreign Portfolio Investment (FPI) injection into the local economy through the stock market. There are various active counters listed on the ZSE from various sectors of the economy including mining, agriculture, tourism, services and manufacturing.

8.13 Such a wide range of share offerings provides foreign investors with a choice of sectors to invest in. Some counters on the ZSE have dual listings, which entitles them to listing on other foreign Stock Exchange markets. Foreigninvestors willing to participate on the ZSE are required to observe the regulations regarding purchase and sale of securities.

Guidelines for Investing in Special Economic Zones

8.14 The Government is in the process of implementing Special Economic Zones (SEZs) which were ushered in by the promulgation of the Special Economic Zones Act [Chapter 14:34] .The country's SEZs are focussed towards value addition and exports generation and the prioritised sectors include agriculture, manufacturing, mining, tourism, services and information communication technology (ICT).

8.15 All investment proposals into the SEZs are considered by the Special Economic Zones Authority.

Guidelines for Provision of External Loans

8.16 The country seeks to access external loans at sustainable prices to support the productive sectors of the economy. Foreign investors wishing to lend funds to local

borrowers are free to do so in line with existing Exchange Control Guidelines on External Borrowing (ECGEB).

8.17 The country's external borrowing guidelines seeks to promote the provision of long term financing by external lenders as the pricing of the external loans rewards lenders providing long term financing to the country as follows:

Table 4: Pricing of External Loans

(All charges per annum except L/C Confirmation fees)	Tenor				
	1 Year and less	Between 1 year and 2 years	Between 2 years and 5 years	Between 5 years and 9 years	Above 9 years
Margin Above Reference Rate of up to (p.a)	6.00%	7.00%	8.00%	9.00%	10.00%
Commitment Fees (Only for committed lines)	1.00%	1.00%	1.00%	1.00%	1.00%
TOTAL MARGIN	**7.00%**	**8.00%**	**9.00%**	**10.00%**	**11.00%**
L/C Confirmation Fees (per quarter)	1.5%	1.5%	1.5%	1.5%	1.5%
TOTAL FOR FLAT FEES	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**

8.18 Tobacco financing, shareholder loans and notional vendor finance have a different pricing model which is as follows:

Table 5: Pricing of External Loans for Tobacco Financing, Shareholder Loans & Vendor Financing

(All charges per annum except L/C Confirmation fees)	Tobacco Pre/Post Export Finance	All shareholder loans, Including vendor financing loans
Margin Above Reference Rate of up to (p.a)	5.00%	5.00%
Commitment Fees (Only for committed lines)	0.50%	0.50%
TOTAL MARGIN	**5.50%**	**5.50%**
L/C Confirmation Fees (per quarter)	1.50%	1.50%
TOTAL FOR FLAT FEES	**4.00%**	**4.00%**

8.19 For ease of administration and to enable time as drawdowns by borrowers, all external loans of up to USD20 million are processed at bank level and those above

USD20 million are approved by the Reserve Bank in line with the external borrowing guidelines.

8.20 In order to provide comfort to the external lender, the Reserve Bank allows borrowers to securitise their external borrowings with immovable property, securities, minerals and plant and equipment. However, such securitisation arrangements would require prior Reserve Bank approval.

9 PRIORITY AREAS OF INVESTMENT

9.1 Zimbabwe's remarkable resource and diversified economy makes it an attractive destination for investment. The priority areas of investment include mining, manufacturing, agriculture, tourism, ICT and infrastructure development.

Mining Sector

9.2 Mining is the major attraction of the country with over 60 international tradable minerals. Zimbabwe has the second highest deposits of platinum in the world. Major mineral belts include: The Great Dyke belt (PGMs, chrome, gold etc.), Coal fields include Beitbridge–Gokwe-Hwange belt and Marange diamond fields.

9.3 The following Table presents the top 9 minerals in the country and their estimated resources;

Table 6: Top 9 Minerals in Zimbabwe

	Mineral	Estimated Resource
1.	Gold	13 million tonnes
2.	Platinum	2.8 billion tonnes
3.	Chromite	930 million tonnes
4.	Coal	26 billion tonnes
5.	Nickel	4.5 million tonnes
6.	Diamonds	16.5 million tonnes
7.	Iron Ore	30 billion tonnes
8.	Copper	5.2 million tonnes
9.	Coal Bed Methane	Largest known reserves in Southern Africa, exploration work ongoing.

Source: Ministry of Mines and Mining Development

9.4 Foreign investors are free to invest in the mining value chain which include provision of finance and technical services, exploration, extraction, logistics, beneficiation and value addition.

9.5 Foreign investors are allowed to own 100% shareholding for mining operations in all other minerals except for platinum and diamonds which the foreign investor is expected to jointly own with the Government on a 49/51% basis in favour of the Government.

Manufacturing Sector

9.6 The sector is well diversified and possesses strong linkages with other productive sectors of the economy. Opportunities for investment in the manufacturing sector presents themselves in form of joint ventures and/or strategic partnerships in companies under Industrial Development Corporation and other private sector companies. The diversified industrial base provides potential investors with a number of investment opportunities, some of which are;

Table 7: Investment Opportunities in the Manufacturing Sector

Sub-Sector	Description
Textile industry	Zimbabwe produces one of the best cotton in the world and great opportunities exist for value addition.
Meat Processing	Canning of beef and poultry represents a major investment area, the country has lucrative export markets in the region, Europe and the Far East.
Canning of vegetables and fruits	Canning of vegetables and fruits creates backward linkages with agriculture. Currently exports are unprocessed and great opportunities exist for value addition and processing.
Motor Vehicle Assembling & Manufacturing	Joint venture investment opportunities exist such as the manufacture of buses, fuel-efficient vehicles and manufacture of spare parts locally.
Chemical Manufacturing	There is potential for investment in the manufacture of chemicals, both Basic and Speciality chemicals, Pharmaceuticals and Health Care Products most of which are currently imported using the scarce foreign currency reserves.

9.7 There is excess capacity in the industry, thereby presenting immense opportunities for investors to establish new and resuscitating existing operations.

9.8 The Government is eager to dispose of part of its shareholding which it holds through Industrial Development Corporation of Zimbabwe (IDCZ). Some of the specific investments that the Government has prioritised for partnerships are as follows;

	Project Name	Details
3.	IDCZ Zimbabwe Glass Industries (ZimGlass) - Container Glass Manufacturing ***[Equity participation into existing entity & provision of loans]***	ZimGlass seeks Financial and Technical partners for rebuilding of a container glass manufacturing electric furnace (G1 Furnace) at its factory in Gweru. The furnace can produce (on its present super-structure) 110 tonnes of glass per day. The estimated cost of rebuilding the furnace is US$22 million. Pre-feasibility has already been undertaken.

	Project Name	Details
4.	IDCZ Sale of shares in Chemplex Corporation Limited ***[Equity participation in an existing entity (Brownfield investment)]***	Chemplex Corporation owns 6 subsidiaries – ZimPhos, Dorowa Mine, GD Haulage, Chemplex Marketing, G & W Industrial Minerals and Chemplex Animal and Public Health (CAPH). The company also has three associated companies which are Zimbabwe Fertilizer Company, Sable Chemical Industries and Allied Insurance. ZimPhos is the country's sole producer of phosphate fertilisers, aluminium sulphate for municipal water treatment, sulphuric acid and other industrial chemicals. Chemplex Marketing imports a wide range of chemicals for the mining, plastics, food and other industries. Chemplex Animal and Public Health manufactures cattle dips and other formulated veterinary products as well as some public health products. Dorowa Mine mines magnetite used on coal mines and phosphate rock which is crushed and transported to ZimPhos plant for the whole value chain beneficiation process by GD Haulage. Zimbabwe Fertilizer Company granulates phosphate compounds from ZimPhos into various compound fertilizers. Sable Chemicals manufactures hydrogen and nitrogen and converts these to ammonium nitrate fertilizers. Allied Insurance is into short term insurance.
5.	IDCZ Sale of 49% stake in Stone Holdings (Pvt) Limited to potential foreign investors. ***[Equity participation in an existing entity (Brownfield investment)]***	Stone Holdings is owned by Finstone SARL (51%) and the Industrial Development Corporation of Zimbabwe Limited (49%). It has subsidiaries which are ZimRock International, Quarrying Enterprises and Minaco. ZimRock International's main business is that of processing dimension stone into slabs using its cutting and polishing plant located in Ruwa, Zimbabwe. Quarrying Enterprises is 55% owned by Stone Holdings and is in the business of quarrying dimension stone and supplying it to both ZimRock and for export. Minaco is also wholly owned by Stone Holdings and adds value to the slabs by cutting them to customer
		specifications, for kitchen counter tops and cladding for the construction industry. An investment opportunity for an equity partner of strategic fit into Stone Holdings is being sought to replace IDCZ which is disposing of its 49% stake in the company.

	Project Name	Details
6.	Multi-Fruit Juice and Avocado Processing ***[Equity participation as a Greenfield investment]***	Zimbabwe produces a variety of fruits such as banana, mango, guava, avocado, citrus and pineapple into juice concentrates, fruit pulps, fruit nectars and essential oils. Manicaland Province of Zimbabwe produces annual output of over 160,000 tonnes of different types of fruits where less than 20% of the output is either sold as fresh or processed into value added products. There is only one juicing factory in Zimbabwe which mainly produces orange juice while the rest of the juice concentrates are imported. Opportunities therefore exist in processing the varieties of fruits for the Zimbabwe market as well as the export market. A proposal for a multi-fruit processing investment project is available to process banana, mango and guava, citrus and pineapple in Zimbabwe into juice concentrates, fruit pulps, fruit nectars and essential oils. The feedstock is already in place and markets have been identified. The estimated cost of the project is US$27 million.

Source:Ministry of Industry, Commerce and Enterprise Development

Agriculture Sector

9.9 Agriculture is the mainstay of the economy and it provides vertical and horizontal linkages to other economic sectors. It is also a source of the much needed agro-based raw materials.This sector is strongly linked with other major sectors of the economy, as it provides the much needed agro-based raw materials.

9.10 Foreign investors are free to invest in the sector through contract farming arrangements. Opportunities include provision of financial and technical services, greenhouse production of vegetables and flowers, fruits production, livestock production, dairy farming, tobacco farming, soya beans production and many others.

Table 9: Investment Opportunities in the Agriculture Sector

Sub-Sector	Description
Tobacco	Is among the country's major foreign currency earners, accounting for about 15% of the total exports earnings. Given the high quality that the country is renowned for tobacco processing presents another potential investment area.
Cotton	Opportunities for value addition and beneficiation in this sector exist. This is in view of the fact that the country exports 70% of its cotton output as cotton lint, which can be further processed before being exported.
Timber	Extraction and processing also presents investment opportunities for furniture manufacturing.
Sugar milling	There is potential in the by-products of sugar milling e.g. electricity generation, ethanol for blending petrol and molasses for stock feeds.

Source:Ministry of Finance & Economic Development

Tourism Sector

9.11 Zimbabwe has vast tourist attractions ranging from natural to man-made historical sites. These includes Victoria Falls, Lake Kariba, The Great Zimbabwe National Monument, Scenic Beauty Eastern Highlands, Matopo Hills and Wildlife. Opportunities for investment in this sector exist in the following areas:

i. Hotel and Catering Industry
ii. Safari and tour operations
iii. Gaming
iv. Construction of international convention centres
v. Production of animal documentaries

Infrastructure Development

9.12 The provision for good infrastructure is a pre-requisite for achieving economic growth and development and also for enabling other sectors of the economy to function smoothly.

9.13 Investment potential exists in the expansion and modernisation of existing infrastructure as well as the construction of new infrastructure such as modern highways and associated tollgates linking key cities, power generation, dam construction, water reticulation, budget hotel chains in the tourism industry etc.

9.14 Opportunities in infrastructure development exists in the public sector. Some of the projects include;

Table 10: National Power Generation Projects Ready for Investors

PROJECT TITLE	PROJECT DESCRIPTION
ENERGY	
Gokwe North Thermal Power Station (Sengwa)	Construction of a 1400 MW Thermal power station at the Sengwa coal field. Gokwe North Transmission and Distribution Network
Gwayi Thermal Power Station	Development of an integrated 2.4 million tonne/year coal mine and 600MW thermal power station in Gwayi.
Western Area Power Plant	Construction of a 1200MW Thermal Power Station including Transmission works.
Lupane Coal Bed Methane	Construction of 2 Gas Turbine units of 150 MW each
Mini Hydro Power Stations	Construction of Gairezi (30MW) mini hydro power station.
	Construction of Mutirikwi (5MW) mini hydro power station.
	Construction of Manyuchi (1.4MW) mini hydro power station.
	Construction of Osborne (5MW) mini hydro power station.
	Construction of Duru (2.3MW) mini hydro power station.
Small Thermal Power Stations	Upgrading of Harare, Bulawayo and Munyati thermal power station-replacement of industrial coal fed boilers with those that use other types of coal.
Transmission & Distribution Networks	Rehabilitation and upgrading of transmission &distribution networks.
Solar Energy	Construction of a 100MW solar plant in Gwanda

Source: Ministry of Finance and Economic Development

Dam Construction

9.15 Foreign investors are welcome to enter into Public Private Partnerships (PPPs) such as Build Operate & Transfer (BOT) and Build Own Operate & Transfer (BOOT) in the construction of the following dams;

Table 11: Investment Opportunities in Dam Construction

	Province	Project (Dams)
1.	Mashonaland Central	• Semwa, Bindura, Nyatana, Mazowe-Nyagui and Dande
2.	Mashonaland East	• Chipara, Chivhu, Muda, Kunzvi and Musami
3.	Matabeleland South	• Tuli-Manyange
4.	Midlands	• Connemara, Shavi, Lubongo and Kudu
5.	Manicaland	• Chitowe, Conde and Aberfoley
6.	Masvingo	• Runde-Tende
7.	Matabeleland North	• Ziminya

Source: Ministry of Finance and Economic Development

10 PRIVATISATION OF SELECTED PARASTATALS

10.1 Currently the Government owns various parastatals across the economic sectors. In order to enhance efficiency of these Government entities, the Government is in the process of working out modalities on how to dispose part of its shareholding to the private sector.

10.2 In this regard, foreign investors should take advantage of this window of opportunity that is presenting itself. Some of the entities to be privatised are lucrative and are key to the country's turnaround strategies.

11 TAXATION SYSTEM IN ZIMBABWE

11.1 The following are the current investment tax provisions offered by the Government;

Table 12: Current Tax Provisions

Type of Tax	Rate
Income Tax	25%
Capital Gains	20%
Dividends	10/15%
Value Added Tax	15%

11.2 Taxation on Mining Royalties are payableper mineral as follows;

Table 13: Mining Royalties per Mineral

• Platinum	10 %
• Diamonds	15%
• Gold- small scale miners	3%
• Gold- other miners	5%
• Precious Stones	10%
• Other precious stones	4 %
• Base metals	2%
Industrial metals	2 %
Coal bed methane	2 %
Coal	1%

12 AVAILABLE INCENTIVES TO FOREIGN INVESTORS

Fiscal Incentives Available to Investors

12.1 Zimbabwe is striving to incentivise investors in a manner that promotes industrial growth and development. Specific fiscal incentives in the form of corporate tax available include;

Build Own Operate and Transfer (Boot) or Build Own Transfer (Bot) Arrangement:	
First 5 Years	0 %
Second 5 Years	15 %
Industrial Park Developer	
Before 5th Year Of Operations	0 %
After 5th Year Of Operations	25 %
Special Economic Zones Licensed investor	
First 5 years	0 %
After 5 years	15 %
Special Mining Lease	15 %
Pension Funds	15 %
Tourist facility in approved Tourist Development Zone	
First 5 years	0 %
After 5 years	25 %
Manufacturing of a company which exports	
• between 30% to 41%	20 %
• above 41% to 51%	17.5%
• above 51%	15 %

Duty Exemptions

12.2 The Government allows for duty exemptions in the following areas;

- imported capital equipment
- importation of raw materials used in the manufacture of goods for export.

Value Added Tax (VAT)

12.3 Exemption from VAT for a variety of products that include agricultural produce, raw materials for further processing, goods used in the production of agricultural, mining, industrial or manufactured products etc.

Notes

15% corporate tax is applied for the first five years of operation in road, bridge and sanitation or water facility construction

15% corporate tax for special mining lease operations. Losses are carried forward indefinitely for mining operations.

Fiscal Incentives into Special Economic Zones

12.4 The Government is offering a variety of incentives in the Special Economic Zones and foreign investors should take advantage of these fiscal and non-fiscal incentives on offer. The incentives include the following;

Table 14: Fiscal Incentives on Offer into Special Economic Zones

Incentive Area	Actual Incentive
Corporate Tax	Zero-rated Corporate Income Tax for the first 5years of operation and corporate tax rate of 15% thereafter.
Customs Duty on Capital Equipment	Duty free importation of Capital equipment
Special Initial Allowance	Special Initial allowance of 50% of cost from year one and 25% in the subsequent two years
Employee's Tax	Exemption from Non-residents tax on fees on services that are not locally available.
Non-Residents Withholding Tax	Exemption from Non-residents tax on Dividends, Fees and Royalties
Capital gains tax	Zero rated for Capital gains tax.
Customs Duty on Raw Materials	Inputs which include raw materials and intermediate products imported for use by companies set up in the SEZs be imported duty free. The duty exemption will, however, not apply where such raw materials are produced in Zimbabwe.
New Clean Technologies	Importation of clean technologies, those that pre-treat effluent, solid waste and emissions to the Blue and Green Bands should be imported duty free in order to promote the use of environmentally friendly technology.

Source: Ministry of Finance and Economic Development

Table 15: Non-fiscal incentives for foreign investors into Special Economic Zones

Incentive Area	Actual Incentive
Work permits for Expatriates	Automatic work permits for expatriates for investments above USD50million 5 working days processing period of work permits for investment below USD50million
Residence Permits	Automatic Residence Permit for investment above USD50million 5 working days processing period for investment below USD50million

Water and Energy Supply	Dedicated Power and Water Supply for companies operating in Special Economic Zones A package of incentives for investors producing own power

Source: Ministry of Finance and Economic Development

13 SECURITY OF INVESTMENT

13.1 Zimbabwe guarantees investment security to all investors in line with international best practices. To this end, Zimbabwe is a signatory to a number of bi-lateral and international agreements which include the following Investment Protection Agreements:

- Overseas Private Investments Corporation (OPIC) and Multilateral Investment Guarantee Agency (MIGA
- International convention on settlement of Disputes (ICSID)
- New York Convention on the enforcement of arbitral awards
- United Nations Convention on International Trade Law (UNCITRAL)

13.2 Furthermore, Zimbabwe has ratified Bi-lateral Investment Treaties (BITs) with Denmark, Germany, Netherlands, Swiss Federation, Yugoslavia, China, South Africa andRussia.

13.3 BITs awaiting ratification include those with Botswana, India, Iran, Kuwait, OPEC Fund, South Korea, Mozambique, Malaysia,Singapore, Thailand, Egypt, Austria, Croatia, Czech Republic, France, Indonesia, Italy, Jamaica, Kuwait, USA/OPIC,Portugal, UK and Mauritius and are awaiting ratification.

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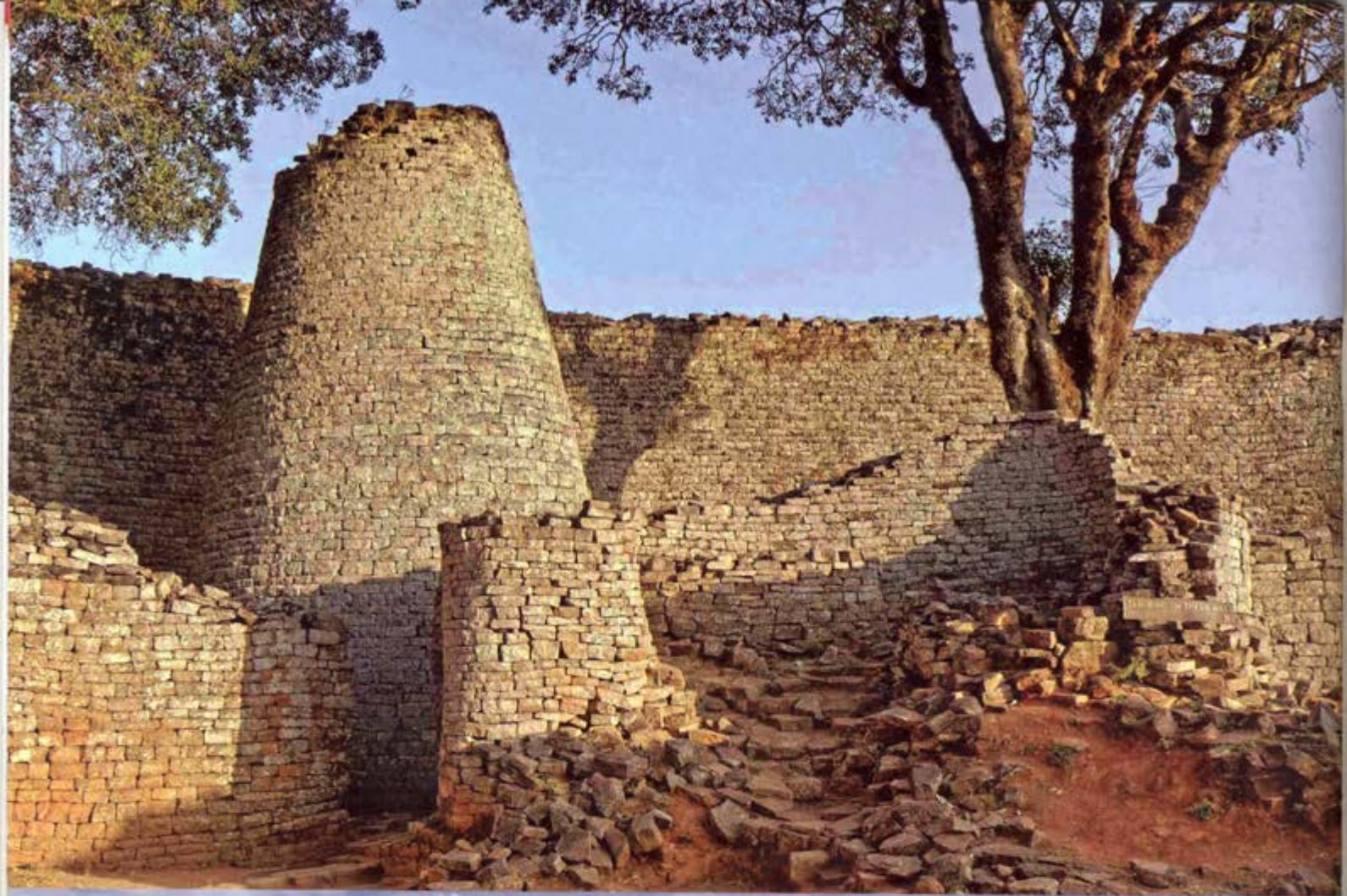

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