

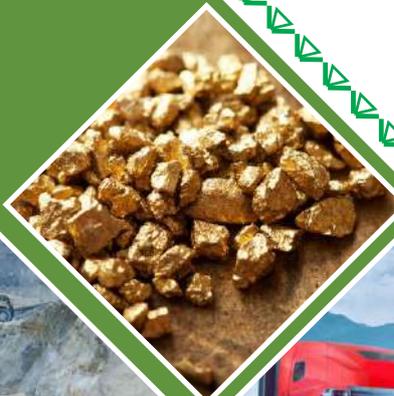


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Welcome to the SME sector investment guide for Zimbabwe. This guide has been developed specifically to assist Indian business people wanting to invest in the Zimbabwean SME sector, as well as those looking to form partnerships and business linkages with Zimbabwean businesses.

SME INVESTOR GUIDE FOR ZIMBABWE

Embassy of India



Foreword

30 March 2018



I am happy that the Embassy of India is publishing 'SME Investor Guide' 2018. This guide has been designed specially to assist Indian business people wanting to invest in the Zimbabwean SME sector, as well as those looking to form partnerships and business linkages with Zimbabwean businesses.

The new President H.E. Emmerson D Mnangagwa has declared that Zimbabwe is "Open for Business" and this call for investors has been backed by several reforms which will make it easier for investors to come into Zimbabwe.

A lot of literature has been developed highlighting the major investment opportunities from a macro-economic point of view. This guide has been developed, however, to complement such literature by giving information that is specific to opportunities in the SME sector.

The guide has focused on three key areas namely, Opportunities to come and invest in Zimbabwe directly, by establishing your own operations here, Opportunities for joint ventures, partnerships, franchising/licensing arrangements and collaborations and Opportunities for provision of machinery and capital goods to the SME sector either directly or through partnerships/joint ventures with local businesses.

I hope this publication will be useful in enabling Indian SME businesses/companies in planning investment into this high-potential market. I would like to thank Mr. Farai Mutambanengwe, Chief Executive Officer, SMEAZ for helping us in putting together this useful information contained in this Guide.

Embassy of India will be happy to assist your business endeavors in all possible ways. We can be reached at our website, <http://eoi.gov.in/harare/>

Sd/-

(R. Masakui)
Ambassador

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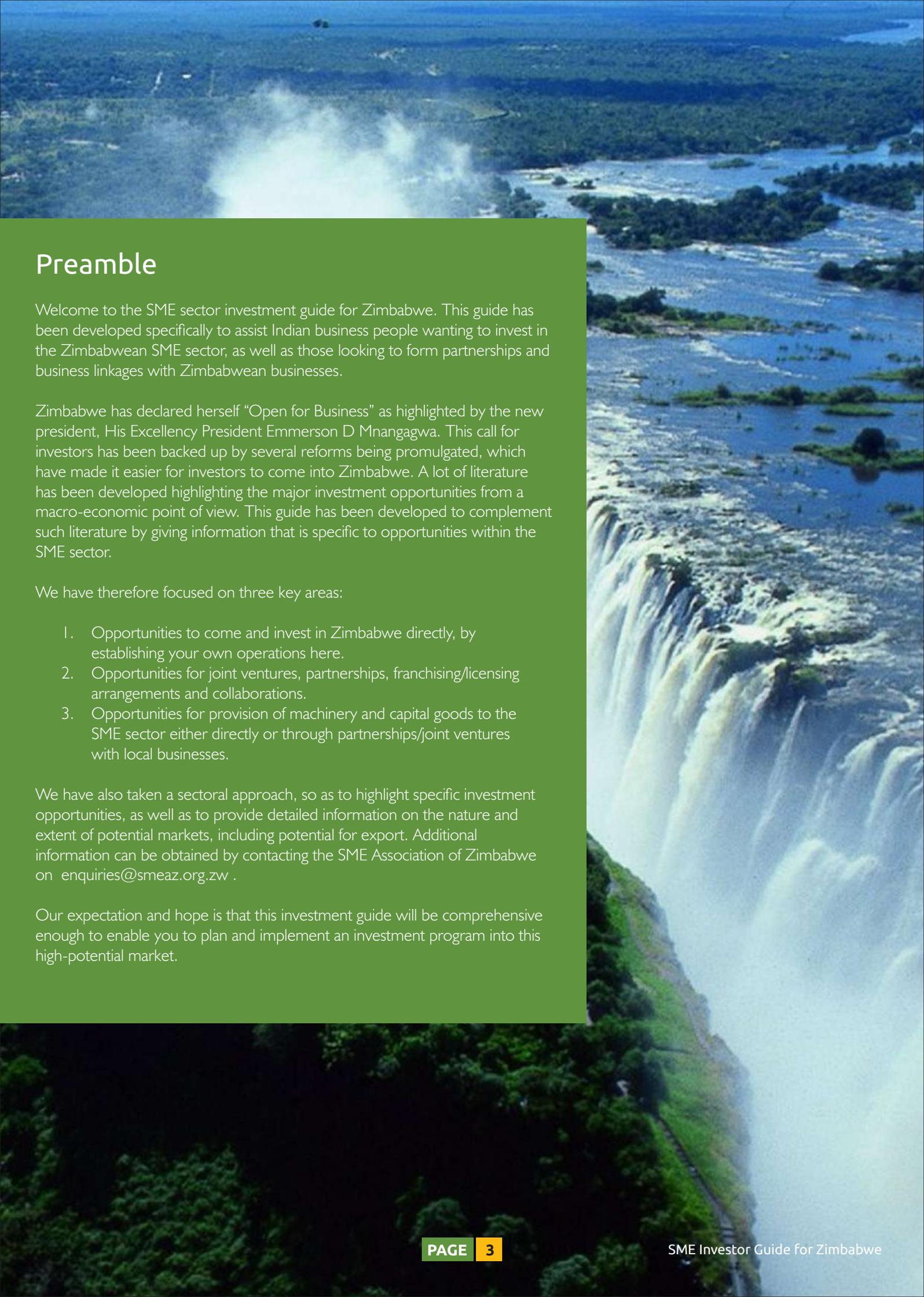
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List of Abbreviations

AMA	Agricultural Marketing Authority
AU	African Union
CFTA	Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EIA	Environmental Impact Assessment
EMA	Environmental Management Agency
GDP	Gross Domestic Product
GMO	Genetically Modified Organism
ICT	Information Communication Technology
NSSA	National Social Security Authority
SADC	Southern African Development Community
SAZ	Standards Association of Zimbabwe
SEZ	Special Economic Zone
SME	Small and Medium Enterprises
SMEAZ	SME Association of Zimbabwe
ZIA	Zimbabwe Investment Authority



Preamble

Welcome to the SME sector investment guide for Zimbabwe. This guide has been developed specifically to assist Indian business people wanting to invest in the Zimbabwean SME sector, as well as those looking to form partnerships and business linkages with Zimbabwean businesses.

Zimbabwe has declared herself “Open for Business” as highlighted by the new president, His Excellency President Emmerson D Mnangagwa. This call for investors has been backed up by several reforms being promulgated, which have made it easier for investors to come into Zimbabwe. A lot of literature has been developed highlighting the major investment opportunities from a macro-economic point of view. This guide has been developed to complement such literature by giving information that is specific to opportunities within the SME sector.

We have therefore focused on three key areas:

1. Opportunities to come and invest in Zimbabwe directly, by establishing your own operations here.
2. Opportunities for joint ventures, partnerships, franchising/licensing arrangements and collaborations.
3. Opportunities for provision of machinery and capital goods to the SME sector either directly or through partnerships/joint ventures with local businesses.

We have also taken a sectoral approach, so as to highlight specific investment opportunities, as well as to provide detailed information on the nature and extent of potential markets, including potential for export. Additional information can be obtained by contacting the SME Association of Zimbabwe on enquiries@smeaz.org.zw.

Our expectation and hope is that this investment guide will be comprehensive enough to enable you to plan and implement an investment program into this high-potential market.

Background

Zimbabwe has a young and vibrant SME sector which was born out of the political and economic challenges that the country went through in the past 20 years. There are an estimated 2.8 million SMEs in the country whose activities are primarily in the agricultural sector, as well as in trade, manufacturing and services. Limited access to capital, and low credit availability in the SME sector means that most of these businesses are small, and only 800 000 have at least an employee, in addition to the proprietor. [a]

Literacy in Zimbabwe is at very high levels, and most people in the SME sector are educated and fluent in English, making it easy to communicate, and assuring investors of sufficient knowledge to be able to do business productively. Zimbabwe is a peaceful country with low crime levels and a

conducive social and political atmosphere generally. Despite the poor ranking in the Ease of Doing Business figures, there are several ongoing reforms to policies which have made it easier for investors to do business.

Zimbabwe is due to go for elections shortly, and it is expected that the international isolation that has bedevilled the country in the last twenty years will come to an end, thereby making it easy to do business internationally, in addition to the local opportunities.

Opportunity areas

Zimbabwe has a well-diversified economy with agriculture and mining being the mainstay activities. There is also a sizeable manufacturing sector, geared primarily towards serving the local economy. Due to developments over the past twenty years, however, a major part of the aggregation and processing segment of the economy was lost, and the most significant investment opportunities abound in this space.'

Despite being endowed with a lot of natural resources, human capital and good infrastructure, Zimbabwe has not made significant inroads into the regional and international markets. Most exports are of primary commodities and not

value-added goods, and this is something government is trying to address through the promotion of Special Economic Zones.

The country is also heavily dependent on imports, a situation which has resulted in a strongly negative Balance of Payments position. Imports span the range from raw materials to finished goods, thus there is a huge opportunity to produce such imported goods locally.

Opportunities for import substitution have been highlighted in the tables provided in the various sections below.

We also highlight specific opportunities, as well as information on how these can be exploited. We have focused on the following areas within the SME sector:

- Agri-business
- Auto, Transport and Logistics
- Clothing, Leather and Textiles
- Consumer products
- Consulting & Services (includes ICT)
- Construction
- Engineering and Mining (beneficiation)
- Healthcare
- Hospitality and Event Management
- Renewable Energy

Specific information on other sectors can be availed on request.



Estimated Value of Markets

Zimbabwe's GDP was estimated at US\$16.6 billion in 2016 (\$14.2 billion at basic/deflated prices). The Zimbabwean economy is fairly diverse, as shown by the breakdown of GDP in the table below.

GDP by industry – 2016 [e]

Industry	GDP (US \$millions)	Percentage
Agriculture, Hunting and Fishing and forestry	1 618	9.7
Mining and Quarrying	1 219	7.3
Manufacturing	1 408	8.5
Electricity and water	287	1.7
Construction	442	2.7
Finance and Insurance	1 082	6.5
Real Estate	420	2.5
Distribution, Hotels, and Restaurants	2 216	13.3
Transport and communication	1 509	9.1
Public administration	1 613	9.7
Education	1 890	11.4
Health	418	2.5
Domestic services	50	0.3
Other services	478	2.9
Taxes	1 970	11.2
Total	16 620	100

Source: Zimstats

We have also looked at total imports into the SADC and COMESA regions as a pointer to potential regional markets. Zimbabwe is a member state of these two regional blocs, and trade between member states is duty-free. There is work going on to form a Continental Free Trade Area (CFTA) which will encompass SADC, COMESA and the EAC (all EAC countries are either in SADC or COMESA), while the African Union has also made the first strides towards the establishment of an Africa-wide trade bloc.

Zimbabwe is centrally located within the Southern African region, making it an ideal country from which to manufacture or produce for the region. In evaluating potential investments, therefore, it is important to look at regional, rather than purely Zimbabwean opportunities. We have included figures indicating regional opportunities in our sector analyses below.

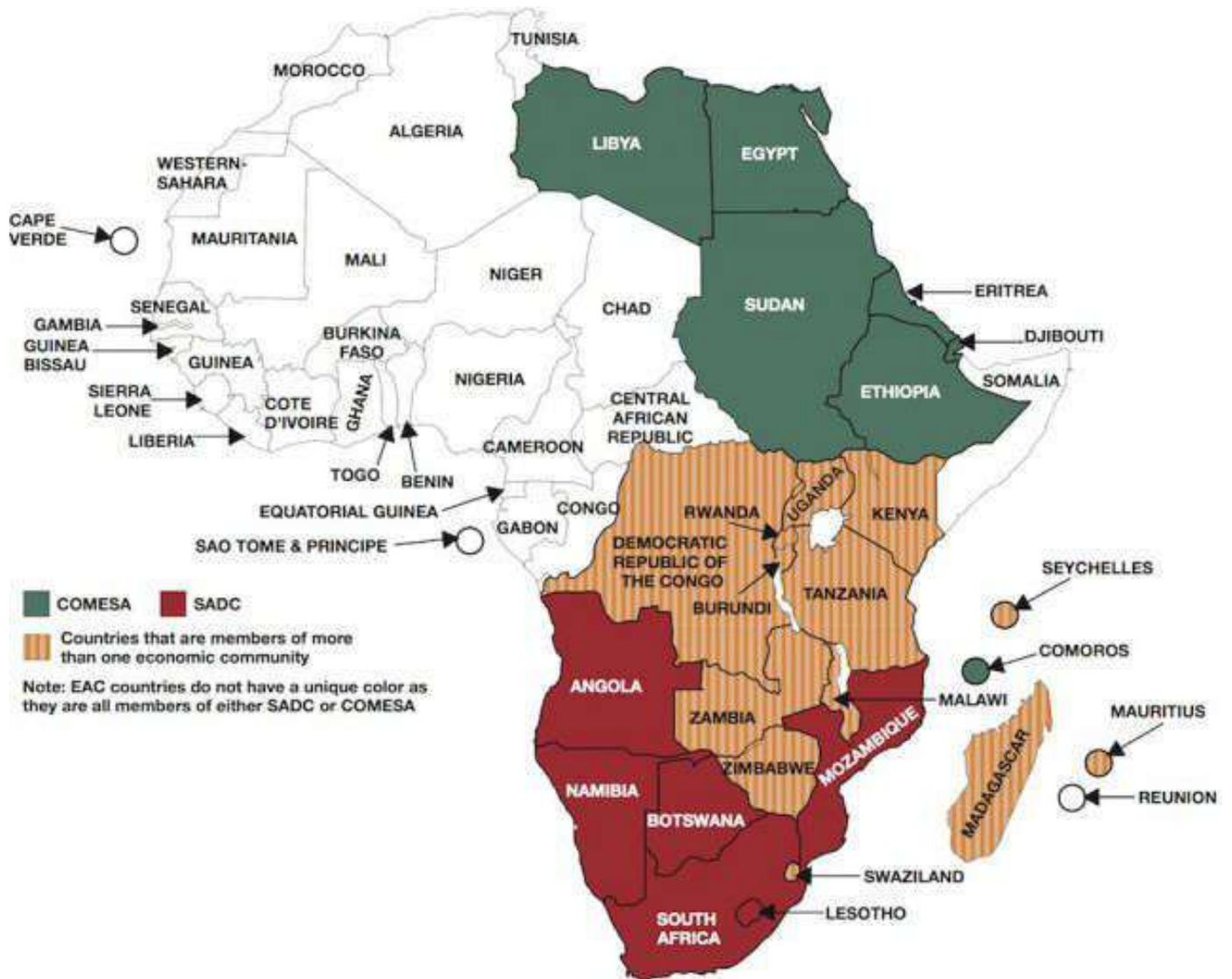
Note that there is an overlap in terms of countries in SADC and COMESA, so figures in the one will incorporate the other. Information has been obtained from the ITC's trade map [d]. More specific information on particular opportunities can be obtained from their website.

The trade map excludes Sudan's statistics from information on COMESA countries (though it is a member of COMESA), but this is a significant market as indicated by its size below, notwithstanding political instability in the country.

Country	GDP 2016 (\$ millions)	Total Imports 2016 (\$millions)	SADC Membership	COMESA Membership
Total	1 223 576	262 324	142 049	142 293
South Africa	280 367	74 744	Yes	No
Egypt	346 565	58 053	No	Yes
Ethiopia	69 218	16 408	No	Yes
Kenya	69 170	16 331	No	Yes
Angola	91 939	10 748	Yes	No
Libya	39 389	9 805	No	Yes
Tanzania	46 695	7 876	Yes	No
Zambia	20 574	7 339	Yes	Yes
Sudan	94 297	7 213	No	Yes
Namibia	10 183	6 721	Yes	Yes
Botswana	10 948	6 103	Yes	No
Mozambique	12 045	5 295	Yes	No
Zimbabwe	14 193	5 211	Yes	Yes
Uganda	25 613	4 829	No	Yes
D.R Congo	39 820	4 806	Yes	Yes
Mauritius	11 740	4 655	Yes	Yes
Djibouti	1 894	4 460	No	Yes
Madagascar	9 740	2 965	Yes	No
Rwanda	8 341	1 778	No	Yes
Seychelles	1 419	1 648	Yes	Yes
Lesotho	1 806	1 335	Yes	No
Malawi	5 474	1 302	Yes	Yes
Swaziland	3 430	1 300	Yes	Yes
Burundi	2 742	625	No	Yes
Comoros	622	433	No	Yes
Eritrea	5 352	341	No	Yes



Map of SADC and COMESA countries



Agri-business

Background

An estimated 43 percent of SMEs in Zimbabwe operate within the agriculture value chain. Most are engaged in primary farming, animal husbandry as well as informal selling of produce. The range of produce is diverse, with both cash crops and horticultural products being grown.

Cash crops include the staple maize, tobacco, cotton, soya beans and wheat. Horticultural produce includes peas, lentils, carrots, onions, tomatoes, baby marrow, baby corn, strawberries and many more. Crops are grown for both the domestic and export markets.

Within animal husbandry, activity ranges from wildlife conservancies, cattle ranching, goats, sheep and chicken rearing, as well as other small animals such as rabbits. There is virtually no exporting of meat products at the moment,

although a few companies do export products such as crocodile and ostrich meat and skin. There is also a small but growing leather sector which processes hides into semi-finished products, and an active crafts market which produces leather products such as shoes and bags, for the domestic market.

The Commercial Farmers' Union [d] in 2015 estimated that Zimbabwe's cattle herd stood at about 5.5 million beasts, goats at 4 million and sheep at 457 000. Most of these livestock are owned by communal farmers who struggle to source dependable markets for their beasts. There are currently no meat exports from Zimbabwe, yet there is high potential for export of beef as well as small livestock (goat and sheep) into the EU as well as other markets.

Opportunities

There are several opportunities along the value chain to do business in this sector. We highlight them according to the stages in the value chain. We will cover both crop and animal husbandry opportunities.

The Land Reform program transformed the land ownership model from a private title system to a system

where all land is owned by government, and Zimbabwean citizens can apply for 99 year leases from government. It is difficult for an investor to acquire farming land, but with a solid investment proposal it may be possible to get it. The preferred alternative is to go into joint venture or contract farming with local farmers

Inputs

- Production of fertilisers (especially organic)
- Production of veterinary medicines, vaccines and feed supplements
- Production of tillage equipment, including tractor-drawn implements, sprayers, harvesters
- Production of efficient irrigation equipment (centre pivots, drip irrigation systems, solar water pumps)
- Production of chicken rearing cages
- Production of processing equipment (harvesting, grinding, milling, packaging)

Zimbabwe imports a significant amount of inputs for its agricultural sector. The same is true for the SADC and COMESA countries, which Zimbabwean products have zero-rated tariff access into. The agricultural sector has traditionally relied on chemical fertilizers and pesticides, but with the opening up of opportunities to export into the EU, there is an increasing emphasis on organic products.

Manufacturing and distribution of organic fertilizers and pesticides is therefore an opportune area for investment. Animal feeds are another significant import in this market segment, as is the supply of machinery for tilling, harvesting and irrigation.

Production of machinery and equipment is another potential investment area. Most equipment is imported, while some is made locally by semi-informal artisans. A huge percentage of farm produce goes to waste due to the lack of machinery and equipment to further process farm output into juices, dried or canned produce.

Product	Imports 2016 (US\$ millions)	Imports into SADC region	Imports into COMESA region	Major supplying countries	Major Local Suppliers
Fertilizers	95	1 182	1 405	South Africa Mauritius, Lebanon Morocco	Sable Chemicals ZimPhos
Animal fodder	76	775	1 455	South Africa Malawi Zambia	Prime Seed Wiruma Westbay Agro Chemicals Prime Agro
Insecticides and pesticides	56	622	608	South Africa China Mauritius	Agricura Chemplex Corporation
Agricultural machinery (excl. tractors)	13	383	244	Germany South Africa UAE	KB Davies Elimobil Enterprises Maxim Agencies
Veterinary medicines and vaccines	5	92	1 19	South Africa Botswana Bhutan	CFI Holdings Vetco

Processing

- Contract farming / Joint Ventures, especially in horticulture for export
- Small livestock farming (sheep and goats)
- Game farming
- Fish farming
- Solar dryers
- Canning equipment
- Juicing equipment
- Foodstuff production (jams, snacks, beverages, condiments, flavours e.t.c)
- Honey processing
- Tanning (production of finished leather)
- Timber sawing
- Grinding and milling
- Packaging equipment
- Research and development (seed hybridisation)
- Meat processing
- Storage and warehousing of farm produce
- Production of perfumes and essential oils

Opportunities for involvement in agro-processing as well as manufacture of equipment for processing agricultural produce are many, due to the diverse nature of Zimbabwe's agricultural produce. Farming is mostly done on smallholder farms (1-6 hectares in size) with emphasis being on production of food crops. There is also a large commercial farming sector.

Investment can be in the direct production of crops and in animal husbandry, or in the processing of such products

post-harvest. Production of machinery for small-scale processing would be the most likely investment, that will enable smallholder farmers to process their products in their immediate vicinity.

While import figures in this area are low, this has primarily been due to lack of appropriate financing facilities, rather than absence of demand. There is also demand for such machinery within the region, as most of our neighbouring economies are similarly structured to ours.

Product	Imports 2016 (US\$ millions)	Imports into SADC region	Imports into COMESA region	Major supplying countries	Major Local Suppliers
Agro-Processing Equipment	19	106	134	South Africa China India Germany	ATA Africa Tanroy Engineering Star Instruments
Packaging Equipment	3.8	99	151	South Africa Germany China	ATA Africa
Dairy Equipment	0.7	23	18	South Africa China India	Agricura Chemplex Corporation

Outputs

- Aggregation and marketing of fresh produce
- Export of beef into EU
- Export of lamb and mutton
- Export of honey and honey products
- Furniture production and export
- Leather processing

Most of Zimbabwe's agricultural produce is consumed locally, the exception being tobacco and cotton which are mostly exported, but in raw form. Zimbabwe exported \$29 million worth of raw hides and \$24 million worth of processed but un-beneficiated timber in 2016, yet there are hardly any exports of leather products or furniture, indicating a major deficit in processing capacity. There are sizeable markets in the SADC and COMESA region for exports of many products, yet these remain unexploited, as shown in the table below.

There is also huge and growing global demand for non-GMO vegetables and fruits. Zimbabwe currently exports these into South Africa as well as the Netherlands, but the volumes are still low compared to the huge production potential the country has. The European Union is involved in extensive programs to support Zimbabwe to export to the EU under the Interim EPA, and horticulture is a major sector targeted under this program. Demand for horticultural products is also increasing in Middle East and Asian markets.

Zimbabwe also boasts some unique hardwoods that can be processed into furniture for export. There are several small furniture manufacturers capable of producing high quality furniture, and in fact most upmarket furniture shops in Harare are supplied by these small producers. It is therefore possible to produce using these small players, and export into the region and internationally.

Product	Imports 2016 (US\$ millions)	Imports into SADC region	Imports into COMESA region	Major supplying countries	Major Local Suppliers
Meat and meat products	-	1 213	1 776	Egypt DRC Libya Mauritius	-
Fish and fish products	7	1 066	1 147	Egypt Mauritius Seychelles Zambia, DRC	Lake Harvest
Honey	-	9	-	Egypt Libya Mauritius Kenya, DRC	-
Furniture	5	1 470	1 510	Egypt, Kenya Ethiopia, Libya Djibouti DRC	-
Fruit and Vegetables	62	416	1 003	Egypt, Ethiopia Djibouti Kenya Libya	Selby Enterprises
Leather products	-	362	291	Egypt, Kenya Ethiopia Libya Djibouti	-



Requirements for investment

- Zimbabwe Investment Authority (ZIA) license
- Environmental Impact Assessment (EIA) report*
- Standards certification (SAZ, ISO, Food Testing Standard)*
- NSSA factory license*
- 99 year lease*

*Dependent on nature of activities being undertaken. May not be required.

Requirements vary depending on the nature of investment envisaged. To be involved in primary agriculture, one has to acquire land by applying with the Ministry of Agriculture. Ordinarily this is limited to Zimbabwean nationals, but where there is going to be a significant concomitant investment in infrastructure, processing and exports, it may be possible to apply for special dispensation.

Food processing and exporting will require compliance with phyto-sanitary regulations and food testing standards.

Locally, standards are governed by the Standards Association of Zimbabwe (SAZ), while export requirements are dependent on the exporting destination. An environmental impact assessment (EIA) report is also required from the Environmental Management Agency (EMA) for certain activities.

Specific Incentives

- Special incentives in the agricultural sector include:
 - VAT zero-rating on inputs such as animal feeds, medicines, fertilizer, plants, seeds, pesticides and machinery.
 - Deferred VAT on specific equipment used in farming activities.
 - Rebate of duty on materials to be used in the preparation and packaging of fresh produce for export.
 - 5% export incentive for exporters



Auto, Transport and Logistics

Background

Transportation is at the heart of any nation, and in 2015 (latest available statistics) Zimbabwe paid a total of \$460 million to procure transport services. This was down from a figure of \$1 billion in 2011. Regionally, SADC consumes up to \$20 billion for transport services, a significant proportion of which goes through Zimbabwe.

Overall, this sector easily presents the biggest investment opportunity in the economy next to mining and agriculture.

Zimbabwe is strategically placed at the heart of the SADC region, making it an ideal location for the provision of Southern African regional transportation services.

The major ports in the region are Beira and Durban, and most traffic emanating from these ports, as well as commercial cargo produced in the region, goes through Zimbabwe.

Opportunities

There are several opportunities available in this sector, some of which are explored below. Commercial transportation is the largest area in this sector. There are, however, several players in that industry, which has resulted in margins being eroded. The opportunity may lie more in providing the haulage trucks as well as the spares required, than in the actual ferrying of cargo. Opportunities are likely to increase as the economy expands, following the recent change in political leadership.



Roads rehabilitation and maintenance

The Zimbabwe National Roads Authority (ZINARA) spends over \$200 million a year in roads rehabilitation, and there are plans for multi-billion dollar road expansion projects both in the country as well as in the region. The Zimbabwean government is also open to Build, Operate and Transfer projects in this area, where investors can construct strategic roads and benefit from toll revenues for an agreed time period. Such partnerships have been used in the past, specifically for construction of the Beitbridge-Bulawayo railway, as well as the New Limpopo Bridge road.

Passenger vehicle assembly

Zimbabwe has a significant population, as well as demand for motor vehicles. Whilst this demand may not justify a full motor vehicle manufacturing plant, there is scope for motor vehicle assembly and financing. Figures for importation of motor vehicles into Zimbabwe stand at over \$250 million per annum currently. These imports are mainly of second-hand Japanese cars, which are imported by individuals. These also need backing up through supply of spares and accessories. Demand can extend to neighbouring countries, which are within good road reach of Zimbabwe.

Though motor cycles are currently not a popular form of transport in Zimbabwe, motor cycle assembly is another potential area for exploration both for the local market as well as for exporting into the region. Traditionally they have been used more by messengers as well as in farms, but with increasing traffic and urbanisation, they may become mainstream as is found in other East and North African countries.

Heavy vehicles

Most commercial traffic in Zimbabwe is transported by road, due to breakdown of the railway network. A lot of cross-regional traffic passes through Zimbabwe, making it an ideal central point for commercial transportation activity. Apart from commercial transport, there is also significant activity in the construction and mining industries. Investment in this area could be in the form of assembly of heavy vehicles (lorries, buses), provision of plant and machinery, as well as heavy duty vehicles (caterpillars, bulldozers).

Consolidation and Air freighting

There is a vast and increasing level of horticultural production which needs to be airlifted to foreign markets both regionally and internationally. Global demand for horticultural produce is increasing, and Zimbabwe has a unique advantage of producing non-GMO and organic products. There is a significant opportunity in providing aggregation/consolidation services, as well as shipping produce to regional and international destinations.

Passenger transportation

There are several opportunities in this space, some of which are:

- Assembly/distribution of minibuses
- Provision of tourist transportation services
- Provision of modern transit services in urban centres

Product	Imports 2016 (US\$ millions)	Imports into SADC region	Imports into COMESA region	Major supplying countries	Major Local Suppliers
Passenger & goods vehicles	247	8 127	8 062	Japan South Africa United Kingdom	Croco Holdings Blackwood Hodge Cummins Zim Quest Motors WMMD, Nissan
Bulldozers & heavy equipment	87	2 341	1 426	South Africa China France USA	Power Network Dube Forklifts Afgri Zim
Buses	18	313	380	China South Africa India	Deven Engineering
Motorcycles and bicycles	5	345	340	China South Africa India Mauritius	Honda Cycle King Merajan & Co

Requirements for Investment

- ZIA license
- EIA report*
- NSSA factory license*

*Dependent on nature of activities being undertaken. May not be required.

The major requirement will be an investment license from the Zimbabwe Investment Authority. Depending on the specific project being entered into, it may be necessary to get special dispensation from the Ministry of Transport and Infrastructure Development.

Special incentives

- Rebates on duties for selected industries: aircraft assembly, bus assembly, motor vehicle assembly, tyre manufacturing and electrical manufacturing.



Clothing, Leather and Textiles

Background

Zimbabwe produces some of the finest hand-picked cotton in the world, most of which is exported as seed cotton. There has been declining production of the crop due to unviable prices being offered to farmers. This in turn is driven by a greater use of cheaper synthetic fabrics globally. As a result, David Whitehead, the country's biggest producer of cotton fabric has faced viability challenges and has teetered in and out of judicial management.

Despite this, cotton still commands a niche market, especially for non-static fabric requirements, as well as high-end fashion and linen markets. The opportunity in this space may therefore be as a niche producer and exporter of high quality cotton fabric. There is also the opportunity to produce other fabrics for both local and regional consumption.

Despite the woes in the cotton sector, there is a vibrant clothing manufacturing industry which ranges from individuals running cottage industries, to large producers who are into exports. It relies heavily on imported fabric, as

opposed to the local cotton fabric. Very little of the output is exported, however.

The leather industry in Zimbabwe is unfortunately dominated by export of raw skins and hides. Most skins are cow hides, but Zimbabwe also produces exotic game skins such as crocodile, ostrich, elephant and skins from other animals hunted in safari parks. While there are some tanneries in the country, these are hamstrung by capital constraints, as well as inability to process raw hides into finished leather. Many only partially process to wet blue.

There is also a vibrant SME industry producing a wide range of leather products from shoes, belts, bags all the way to high fashion items. Ironically these have to import finished leather. The opportunity therefore is in processing leather through to finished leather which can either be used locally, or exported at higher values than those currently prevailing.



Opportunities

Processing

- Cotton ginning
- Clothing factories
- Establishment of tanneries (wet blue to finished leather)
- Leather products manufacture

The number of ginneries in Zimbabwe has declined over the years due to viability challenges. These challenges arose from a decline in the number of cotton farmers (in turn brought about by a drop in the international cotton price), use of antiquated equipment as well as high utility costs. Substitution of cotton by synthetic products has also contributed towards the industry's demise.

Demand for cotton products nevertheless remains high, and the opportunity lies in production of natural, non-allergenic materials as well as in blending with synthetics. There is need to add value to the seed cotton produced, in order to circumvent the low yields associated with trade of the commodity.

Processing of leather into different types of finished leather will greatly add value to the leather currently being exported in its raw form, as well as eliminate the need for local factories to import. It will also increase the leather available to the local

Output

- Production of finished leather
- Retailing and export of leather and leather products
- Retailing and export of cotton fabric and garments

While there is a vibrant craft industry for the manufacture of leather products such as shoes and bags, the major shortcoming has been the development of brands and intellectual properties to create greater value for the local products.

Highly-skilled artisans hand-produce high quality leather products, but because of the absence of proper brand development and marketing strategies, local products do not attain the standing and stature that they deserve, relative to internationally-recognised brands.

There is thus an opportunity to formalise and standardise this artisanal sector, develop the right branding and intellectual properties, and market high-end products internationally. This same opportunity exists in the garment industry, where niche natural fibre markets can be exploited effectively by use of innovative branding strategies.

Product	Imports 2016 (US\$ millions)	Imports into SADC region	Imports into COMESA region	Major supplying countries	Major Local Suppliers
Hides and skins	29	450	323	South Africa Italy China	Padenga Holdings Imponente Tanning Brands Africa
Cotton	25	599	1 034	Zambia China Pakistan	Cottco Costham Trading Zimbabwe Spinners & Weavers
Clothing and apparel	10	3 173	3 809	South Africa China Pakistan	Neyhom Enterprises Matabeleland Clothing Manufacturers Navidale Textiles Six Count Trading
Leather products	1	1 376	960	South Africa China Malawi	Bata Shoe Company Costham Trading Floodex Enterprises

Requirements for investment

- ZIA license
- EIA report*
- NSSA factory license*

*Dependent on nature of activities being undertaken. May not be required.

There are no stringent requirements for investment into this sector. Depending on the scale and scope of activities, it may be necessary to get an environmental impact assessment and licence from the EMA.

Special incentives

- 5% export incentive for exporters



Consumer Products

Background

Zimbabwe has a population of 14 million people, making it one of the bigger nations in Southern Africa. Her GDP per capita as of 2016 stood at \$1 008.60 (sub-Saharan Africa \$3 724) and national GDP at \$14 billion. It is anticipated that Zimbabwe will rise to become a middle-income economy by 2030. This is in light of the new political and economic dispensation now prevailing, and based on our infrastructure base, compared to other regional countries.

Zimbabwe used to have a vibrant manufacturing industry with international players like Colgate-Palmolive, Reckitt & Benckiser and Johnson & Johnson producing locally for distribution into the region. This sector collapsed due to the adverse economic conditions that were prevailing in the last two decades. As a result, most consumer goods consumed in the country are imported.

Opportunities

Most of the imports into the country are consumption-related, with items such as petroleum fuels and products, cereals, electronic and electrical goods and appliances, raw and manufactured plastics and pharmaceuticals dominating the list. There are limited opportunities for import substitution in these areas either due to scale considerations, or the nature of the products.

the fields of supply of raw materials needed to produce locally-manufactured consumables such as soap and lotions, as well as producing machinery which enable small-scale processing of foodstuffs like peanut butter, beverages, jams and similar consumables. Grinding mills for production of specialised starches and groats are also in high demand locally and regionally

Areas where import substitution can occur, however, are in

Inputs

- Supply of raw materials
- Supply of packaging
- Supply of machinery for production

Some import statistics in this area are given below as an indication of market size. A small though niche market is the production of starch, which is not being done in Zimbabwe currently.



Product	Imports 2016 (US\$ millions)	Imports into SADC region	Imports into COMESA region	Major supplying countries	Major Local Suppliers
Soaps & Detergents	45	884	823	South Africa Zambia Botswana	Nelspot Surface Wilmar
Cereal groats, meal and pellets	17	103	49	South Africa Zambia Botswana	Manyame Milling National Foods Parrogate Zimbabwe
Food preparation machinery	10	250	365	South Africa China Italy	ATA
Starch	3	25	29	South Africa Virgin Islands Netherlands	ZSR Surface Wilmar Schweppes Zimb. National Foods

Processing

- Detergents and soaps manufacture
- Domestic chemicals manufacture
- Perfumes and essential oils
- Exotic furniture
- Resuscitation of closed factories

There is high demand locally and regionally for detergents, most of which is met by the multi-national corporations such as Unilever and Colgate-Palmolive through imports. Despite this, there is also a lot of production done by small and medium sized enterprises, especially for cleaning and industrial detergents. The opportunity would therefore be in the supply of raw materials, as well as machinery for soap production.

Several factories that used to produce consumer goods were closed over the last two decades, and there is

potential for resuscitation of many of these factories, given a conducive macro-economic environment. This would especially apply in the areas of agro-processing and manufacturing.

A niche area for investment is the production of perfumes and essential oils. There is a lot of flower production in the horticultural sector, yet Zimbabwe imported \$41 million worth of essential oils and perfume bases in 2016.

Another area is production of high-end furniture for niche international markets. Zimbabwe has hardwoods such as teak, mukwa and mahogany. There are a number of factories that manufacture furniture, but hardly any exports done.



Product	Imports 2016 (US\$ millions)	Imports into SADC region	Imports into COMESA region	Major supplying countries	Major Local Suppliers
Perfumes and essential oils	41	915	610	South Africa France UAE	Organic Africa
Furniture	3	498	634	South Africa China Hong Kong	Savanna Wood Pride of Africa Flair International Sterling Furnishing

Outputs

- Wholesale distribution
- Export distribution
- Export of exotic furnitures

The retail sector remains a large part of Zimbabwe's economy, and though there are several players, there is always room for setting up, especially in the wholesale and distribution space. Distribution of locally-manufactured products into the region and even internationally is a big

opportunity. Most manufacturers in Zimbabwe are not keen on exporting, despite their products having high demand especially in the region.

Zimbabwe produces many exotic woods, and there are factories producing high-end furniture from these. A market opportunity exists to export such furniture regionally and internationally.

Requirements for investment

- ZIA license
- NSSA factory license*
- EIA report*

*Dependent on nature of activities being undertaken. May not be required.

Manufacturing requires compliance with health as well as safety standards, while distribution (wholesale) will not require any special licensing beyond the Zimbabwe Investment Authority as well as Local Authority licensing.

The retail sector (i.e. end point retailing to the customer, e.g. shops, supermarkets) has been reserved for local entrepreneurs, but it is possible to partner with locals, or get special dispensations to operate in this segment.

Special incentives

- Rebate on duty for electrical manufacturing.
- 5% export incentive



Consulting & Services (including ICT)

Background

Zimbabwe is a fairly diverse and sophisticated African economy, with a well-developed services and consulting sector, as well as ICT infrastructure. Internet penetration is at a level of around 49% as of 2016, and mobile phone penetration is over 100%.

Opportunities

Opportunities abound for providing consulting services to the various segments of the economy, as well as for partnering with local SMEs either through franchising or licensing, so that they are able to provide services in Zimbabwe. The high literacy levels also mean that there are opportunities to sub-contract work to Zimbabwean SMEs. Some areas in which this can be done are:

ICT

Zimbabwe's ICT infrastructure is fairly advanced, but there is still room for further development along the chain.

Inputs

- Provision of infrastructure and related equipment
- Assembling of devices and ancillary equipment

While mobile penetration has reached saturation point, there is still room for the provision of internet services, particularly broadband, as penetration is still only at 49%. This is a generally high capital investment area, but with continuing innovation in the IT field, it may be an opportunity area.

The second opportunity is in the assembly and retailing of electronic devices such as computers, laptops, mobile phones and related ancillary equipment. Zimbabweans spent \$264 million in 2016 on importing electrical devices, while regional expenditure was in excess of \$13 billion. Most devices are imported as complete units which attract higher rates of duty, and have more value.



Processing

- Software development
- Mobile apps development
- Advanced e-commerce platforms
- Content development

With increasing digitalisation and automation comes the opportunity to provide custom software solutions to businesses. Zimbabwe has lagged behind in the area of integrating IT into business practices, but this is expected to change. Providing tailored software solutions is an area that is likely to have increasing relevance as the economy revives.

To date, Zimbabwe has been isolated from international payment platforms due to the sanctions, a situation which now is gradually lifting. International payment platforms are

now opening up to allow Zimbabwean businesses to operate e-commerce enabled websites. Virtually all Zimbabwean websites at the moment are not enabled for international payment systems, thus an opportunity exists to provide such services across the entire economic spectrum.

Zimbabwe's digital footprint at the moment is very small, and very little content exists on the web for Zimbabwean businesses, products and services.

There is therefore an opportunity for content generation to ensure that Zimbabwe is visible on the world wide web. This can be commercialised primarily through working with government departments and agencies, which are keen to participate in the digital evolution space.

Outputs

- Establishing call centres
- Establishment of hosting and cloud centres
- Establishment of incubators

Zimbabwe has the space, infrastructure and digital connections to enable establishment of call centres, hosting and cloud centres within the country. There is a large number of unemployed, highly educated and literate (verbal and written English fluency) youth who can be incorporated in such establishments at relatively low cost.

Education

There is a shortage of educational facilities, especially at the secondary/advanced level stage. Zimbabwe runs its own examinations, but there is also provision for offering alternative curricula, the most popular being the Cambridge Examinations Board. International schools are also in demand, and in the past, prior to the emergence of economic problems many parents in the region brought their children to Zimbabwe because of the high standards that prevailed.

There is also high demand for vocational training facilities, as well as related facilities such as incubation and factory shell facilities for the large SME sector.



Financial Services

Despite the existence of a fairly well-developed financial services sector, there are a wide range of opportunities for provision of both traditional and innovative financial services in Zimbabwe. Some of these are:

-
- Provision of Islamic banking services
- Provision of financing for small and medium enterprises
- Provision of electronic banking platforms and equipment (POS)
- Development of alternative financial markets
- Establishment of venture capital companies

According to the February 2018 Monetary Policy Statement, there was a total of 254 094 active clients within the MFI sector in 2017, meaning less than 10% of the 2.8 million SMEs are accessing credit through formal channels. In 2017, total bank lending stood at \$10.6 billion yet loans to the SME sector were \$146.22 million in the banking sector, and \$238.6 million in the MFI sector. There are no financial institutions providing Islamic banking services.

In Zimbabwe, the venture capital space in general, and SME equity funding in particular is virtually un-serviced. There have been attempts to set up SME stock exchanges, but these to date have not yielded traction. Zimbabwe is open to foreign investment in both the venture capital, as well as financial markets space.

Despite the country moving towards using electronic commerce as opposed to physical cash, there is an absence of Point of Sale devices that can handle such transactions, especially for the SME sector. To date, there are only about 60 000 Point of Sale machines, yet there are over 2 million SMEs that would need them. Available devices are costly and therefore out of reach for the majority, and there is no back-up service for them either.

Requirements for investment

- ZIA license
- RBZ license (for financial institutions)
- SEC Zim license (for establishing financial markets)

Requirements are dependent on the sector in which one would want to operate.

There are no special requirements for investing in the ICT space, unless one is investing in the infrastructure space, where licenses are needed. It is also possible to have remote working arrangements with local programmers, developers and other consultants here in Zimbabwe, while based outside.

Education and financial services have specific registration requirements.



Construction

Background

The reversal of adverse political conditions is expected to usher in a growth period, and this invariably comes with an increase in construction activity. Zimbabwe experienced a massive fall in construction activity in the past 20 years due to the continuous decline in the economy.

Construction activity in Zimbabwe is expected to rise on the back of renewed interest in the economy subsequent to the peaceful change of leadership that occurred in November 2017, and more so after elections are held in July 2018. Construction activity in Zimbabwe spans the range from

civil works through to specialised construction work for mines, roads, infrastructure (bridges, dams, bulwarks and related) and high-rise buildings, which is expected to recommence.

The World Bank as well as the Infrastructure Development Bank of Zimbabwe estimate that Zimbabwe has an infrastructure deficit of \$26 to \$33 billion which needs to be filled in the next 30 years.

Opportunities

There are a wide variety of business opportunities presented by the Construction sector. It is a fairly diverse value chain, and Zimbabwe is a comparatively advanced economy, compared to other countries in the region. It is envisaged that over the next 20 to 30 years Zimbabwe will rise to become a \$100 billion economy, placing it in the top five in Africa. A stable political environment will usher in a jump in construction activity which will create opportunities within the SME space.

Inputs

- Brick-making machinery & moulds
- Machinery for tiles manufacture
- Steel manufacturing
- Manufacture of scaffolding

Immediate opportunities exist in manufacturing equipment for construction material production, such as that indicated above. Zimbabwe has demand for residential housing in excess of 1.25 million units, according to the Infrastructure Development Bank of Zimbabwe's website. This is driving demand for construction material such as bricks and tiles, but also for other related hardware requirements.

In 2016, \$99 million was spent importing various construction materials falling under the above categories into Zimbabwe. Regional demand for construction material is also very high, making a compelling case for investment in this segment of the construction industry.



Product	Imports 2016 (US\$ millions)	Imports into SADC region	Imports into COMESA region	Major supplying countries	Major Local Suppliers
Construction iron and steel	99	3 125	4 746	South Africa China Mozambique	Zimbabwe Spring & Steel Africa Steel
Ceramics and cement	37	1 312	1 251	South Africa Botswana China	Beta Bricks
Scaffolding	1	61	71	South Africa India China	Neyhom Enterprises

Processing

- Partnering with local construction companies
- Government and NGO tenders
- Housing development (especially low-cost and eco-friendly housing)
- Development of student accommodation facilities (for tertiary institutions)
- Construction of shopping malls and resort centres
- Construction of agricultural markets
- Construction of factory shells
- Water reticulation and sanitation
-

The most significant opportunity in the sector presents itself in the development of the actual infrastructure needed. As alluded to above, Zimbabwe has an infrastructure deficit of as much as \$33 billion which is expected to be filled in the next 30 years.

Housing development is going to remain a significant opportunity area as there is a high propensity for spending on housing amongst Zimbabweans. Most Zimbabweans prefer to own property rather than lease, and there is abundant land for such development. Currently, there are over 1.25 million units required in urban centres, according to the Local Authorities' housing lists. Together with such housing development comes development of shopping centres and malls, another high-potential area for investment, particularly within the new suburbs emerging.

Zimbabwe has built several tertiary institutions (universities) but these all lack student accommodation. Students therefore are forced to seek accommodation within the suburbs surrounding such institutions, a very unfavourable situation. According to the 2016 National Budget statement, over 117 000 students are not able to secure campus accommodation across the country's 11 universities. There is thus an opportunity for investing in student accommodation infrastructure either on a private commercial basis, or on a Build-Operate-Transfer / PPP basis.

A unique opportunity exists to construct agricultural markets in Harare and Bulawayo, where agricultural produce is mainly sold in informal markets. These can also provide grading, packaging and processing facilities to further process horticultural inputs. Factory shells targeted at small to medium enterprises is another area for potential private or PPP investment.

In line with development of housing comes the need for water reticulation and sanitation infrastructure. These can be tied in to waste disposal and renewable energy (biogas) facilities, a growing global trend which can be exploited in Zimbabwe. Organic fertilisers can also be produced from such facilities.



Outputs

- International marketing of local residential and commercial properties
- Refurbishing of existing buildings

Zimbabwe does not have restrictions on ownership of property, and it is possible for foreign investors to invest in local properties. Of particular interest would be the tourism sector, as well as the commercial sector, where returns are expected to increase as the economy improves. Refurbishment of existing buildings and infrastructure is an opportune investment area, as there are several buildings which have not run out their lifespan, but have suffered from neglect.

Requirements for investment

- ZIA license
- NSSA registration & factory license

Depending on the nature of investment, an EIA certificate may be needed. Compliance with the National Social Security Authority regulations, as well as insurance requirements will be needed.

Special incentives

- Rebate of duty on goods imported temporarily for an approved project.
- Rebate of duty on goods for incorporation in the construction of approved projects.



Engineering and Mining

Background

Mining is Zimbabwe's second largest foreign currency generator after agriculture, generating over \$1 billion annually. Zimbabwe is endowed with a vast range of mineral deposits, including rare metals. This handbook does not cover the extractive mining sector, as this is dealt with in another guide. Most of the exports from this sector, however are exports of either ores or semi-processed ores. There are, therefore, plenty of opportunities to benefitiate the raw output from extractive mining activities, some of which are highlighted here.

Zimbabwe has a fairly robust engineering sector, albeit not producing much in the way of value-added machinery and equipment. Most engineering facilities are for machining and tooling. Iron and steel used to be a major industry in Zimbabwe with ZISCO Steel, one of the largest iron and steel processing plants in the region, producing one million

tonnes of iron and steel annually. Due to past mismanagement, this plant was mothballed but plans are at an advanced stage for resumption of operations at this plant. ZISCO Steel was the backbone for an extensive iron and steel industry, with Zimbabwe being known as a producer of superior ferro alloys. It is estimated that if ZISCO Steel were to resume production at capacity, the country's GDP would improve as much as 50% from the plant, as well as downstream industries.

Apart from iron, Zimbabwe produces platinum, gold, silver, copper, nickel, chrome, tin and platinum. There are also proven lithium deposits, making Zimbabwe a potential production centre for electronic components and devices such as batteries.

Opportunities

The Engineering sector represents an opportune area for investment as there is a relative lack of engineering skills in the country. Most companies are still using antiquated and inefficient equipment, which makes Zimbabwean products uncompetitive. Providing consultancy services, as well as installation of up-to-date machinery and equipment is therefore an opportune area. Automation of processes is another area, as many industrial processes are still labour-intensive.

Beneficiation of mineral ores, as well as production of value-added/finished products is another area which can be exploited. Most of Zimbabwe's mining output is exported as ore, or semi-processed matte. Processing into finished products prior to exporting provides an opportunity to realise greater value, and eliminate the cost of transporting excess waste matter.

Inputs

- Machining & tooling
- Ore crushing facilities
- Smelters and refineries

Engineering services are a necessity for any industrialising nation, and Zimbabwe is expected to undergo swift re-industrialisation in the short to medium term. The mining sector is driven by small-scale miners, who require a lot of equipment for their smaller operations. Provision of such machinery, as well as toll crushing/processing facilities is an area that can be profitable.

There is huge potential in the value addition and engineering space, given Zimbabwe's abundant and wide-ranging mineral deposits. Setting up of smelters and refineries for these various metals is the most immediate opportunity. Zimbabwe exported the following mineral ores in 2016 alone:

Mineral	\$million
Nickel ore	294
Chromium ores	21
Other (niobium, tantalum, vanadium, copper, manganese, tungsten)	4
Silver	1

Processing of these ores alone is likely to yield as much as a three to five-fold increase in their value. Incorporating them in finished products will add even further value.

Processing

- Manufacture of electrical transformers, generators and motors
- Manufacture of copper wire and cabling
- Steel products manufacture
- Manufacture of inorganic chemicals
- Diamond cutting and polishing
- Jewellery manufacture
- Granite polishing
- Production of lithium batteries
- Production of cans
- Production of cabling and copper articles
- Refining of mineral ores (chrome, platinum)
- Production of alloys
- Steel and metal fabrication
- Manufacture of paper and paper board

Zimbabwe currently imports over \$200 million worth of iron and steel products, primarily for its construction industry. This is mainly because of the inactivity at ZISCO Steel alluded to above. Rather than being an importer, Zimbabwe should naturally be an exporter, and there is demand for such products regionally and internationally.

The diverse range of metals (including rare earth metals) and gems mined in Zimbabwe make it possible to engage in a wide range of beneficiation activities in order to produce a wide range of intermediate products (special alloys, pure metals, polished diamonds) and finished goods. Local value addition and beneficiation has the advantage of eliminating the cost of transporting low-value ores. As the economy advances, businesses beneficiating locally will have a competitive advantage over those transporting raw ores and processing elsewhere.

The major deterrents to local beneficiation have been relatively high costs of utilities (especially electricity) and erratic supplies, as well as adverse economic policies. These issues are both being addressed at the moment, as government has opened up the energy sector to allow private participation, and has embarked on policy reforms meant to make Zimbabwe attractive for foreign and local investment. Several independent power plants have since been constructed, some of which are feeding into the national grid.

Value-added products that can be produced for the local market include electrical equipment, mechanical equipment (especially small-scale processing equipment), chemicals, ornaments and other machinery.

Product	Imports 2016 (US\$ millions)	Imports into SADC region	Imports into COMESA region	Major supplying countries	Major Local Suppliers
Iron and Steel products	213	5 311	5 978	South Africa China Zambia	Grid Transmissions Zimbabwe Spring Steel
Paper and paper board	60	1 374	1 849	South Africa China Spain	Art Corporation Hunyani Paper & Packaging
Electrical transformers, generators and motors	49	2 003	1 840	South Africa China Tanzania	ZETDC
Manufacture of inorganic chemicals	47	1 902	1 048	South Africa China UAE	ZimPhos Sable Cernol Chemicals Chemplex Corporation



Outputs

- Export of beneficiated products (diamonds, jewellery e.t.c)
- Import substitution

Manufacturing is the biggest opportunity area in Zimbabwe, both for catering for the domestic market, but also for exporting into the region and beyond. Sub-Saharan Africa remains relatively undeveloped, and average GDP per

capita is at \$3 000. Contrasted to developed countries' average GDP per capita of \$25 000, this represents a potential upswing in African countries' GDP of over 500%, all of which will mean greater markets for those that are located within these economies.

The opportune time for investing into this potential uplift is now

Requirements for investment

- Factory license
- Specific licenses for beneficiation (e.g. diamond polishing)
- EIA certificate

Special incentives

Most incentives in the mining sector are at the primary/extractive stage. Special incentives can be negotiated at the point of investment, for value addition/beneficiation projects.



Healthcare

Background

Post independence, Zimbabwe embarked on a campaign for “Health for All by 2000” which saw several hospitals and clinics being built. The Ministry of Health and Child Welfare (MOHCW) estimates that about 65% of healthcare is provided by public facilities, while the rest is from the private sector. A breakdown of the facilities available is shown below.

Type of Facility	# of Facilities
Central hospital	6
Provincial hospital	7
District hospital	46
Mission hospitals designated as district hospitals*	6
Rural clinic/Urban polyclinic	1,118
Mission clinics/Hospitals	86
Company clinics/Hospitals**	43
Private clinics/Hospitals	93
Military clinics	2
Prison hospitals	2
Other health facilities***	17

Opportunities

India is renowned for its well-developed healthcare sector and low-cost drugs. There are opportunities to assist in the resuscitation of Zimbabwe's healthcare sector through various means. Opportunities also exist to not only manufacture for Zimbabwe, but for the region, given Zimbabwe's central positioning and well-developed transportation network (including cold chain facilities) in Southern Africa

Inputs

- Manufacture/provision of disposables and consumables
- Manufacture of generic drugs
- Manufacture of lab chemicals and reagents
- Manufacture of sanitary pads & napkins
- Manufacture of hospital equipment

In 2016, Zimbabwe imported an aggregate of \$202 million worth of medicines and pharmaceutical products, while regional imports were in excess of \$4 billion.

Product	Imports 2016 (US\$ millions)	Imports into SADC region	Imports into COMESA region	Major supplying countries	Major Local Suppliers
Pharmaceutical products	202	4 238	5 219	India South Africa Denmark	NatPharm Varichem Datlabs
Lab chemicals and reagents	20	437	366	South Africa Germany Ireland	Diagnostic Lab Supplies Lancet
Sanitary towels, pads and napkins	14	277	1 840	South Africa China Zambia	Onsdale Enterprises Art Corporation

There are, therefore, opportunities to establish manufacturing businesses for the provision of most lines of hospital drugs and sundries, with a view to exporting into the region.

Processing

- Setting up of private clinics and surgeries
- Setting up of referral centres
- Public-Private-Partnerships with existing healthcare facilities

Zimbabwe has an acute shortage of healthcare facilities, both for general treatment as well as specialised procedures. While there are small surgeries run by individual doctors dotted around the country, there is need for more well-funded private clinics that can take also

Healthcare remains a priority area for most African countries, and in Zimbabwe acute under-investment in the last two decades has left most healthcare facilities under-funded. A major producer of drugs, Caps Ltd failed and was taken over by government. It is yet to be resuscitated, making Zimbabwe heavily dependent on imports for its drugs, including generics.

undertake specialised procedures as well as hospitalisations. High levels of informalisation have resulted in most people not being on medical aid, a situation which compromises the financing of healthcare facilities, but it is expected that with the revival of the economy will come an increase in the number of people on medical aid.

The National Social Security Authority as well as some private medical aid societies have come up with medical aid packages targeted specifically at the SME and informal sectors.



Outputs

- Regional distribution of local healthcare products

The region remains under-served and under-funded insofar as healthcare facilities are concerned. Donor agencies including the World Health Organisation and UNICEF provide a major portion of the funding driving the sector. Private interventions also form a significant part of the sector, and healthcare is one of the top allocations in every country's national budget.

Investing in healthcare is not only investing in the future; it is also a solid investment in the present, as the need for healthcare services is high and increasing, especially with increasing lifestyle diseases creeping in.

Requirements for investment

- ZIA license
- Licensing with the Medicines Control Authority of Zimbabwe*
- Health Practitioner license*

*Depending on nature of activities, it may not be required.

Special incentives

- Rebate on duty for Registered pharmaceutical manufacturer



Hospitality and Event Management

Background

Zimbabwe boasts a very favourable climate as well as various tourist attractions dotted around the country. It has a well-developed tourism industry which has experienced decline because of the poor country image and political differences with Western countries, which were the major source market for this industry. According to national statistics, Zimbabwe hosts over two million tourists annually, who spend over \$800 million in the country. Over

\$500 million is also spent annually on inward and out-bound personal travel.

Free and credible elections will see the country emerge from its pariah status, and will result in massive growth in tourist arrivals. This sector offers several investment opportunities across the chain.

Opportunities

Tourism is one of the top service industries and a top foreign currency earner in Zimbabwe, due to the favourable climate in the country, as well as the abundance of natural and man-made attractions. The Victoria Falls, the Eastern Highlands, Matopos as well as several game reserves are some of the natural attractions, while Lake Kariba, the Great Zimbabwe ruins as well as various forms of entertainment, arts and culture form the man-made attractions.

According to the Zimbabwe Tourism Authority, Zimbabwe currently receives about 2.5 million tourists a year, and this figure is expected to double in the next few years. Western tourist markets, which had been shut off over the past 20 years, are beginning to open up and these are associated with high per capita spend.

Inputs

- Provision of hotel sundries
- Construction and maintenance of facilities
- Provision of equipment
- Transportation services

Zimbabwe boasts several high end hotels and lodges, which require a constant supply of sundries ranging from towels, linen, soaps, lotions all the way to condiments and beverages. Equipment for catering as well as accommodation is also required, more so as there is expected to be significant work in refurbishment and expansion of facilities as arrivals increase.

Transportation services (partly covered under the Auto, Transport and Logistics section above) will also be increasingly in demand both from domestic as well as tourist traffic. Tours and travel packages, which used to be popular during Zimbabwe's heyday but had died down with the economic demise and collapse in tourist arrivals, are likely to start picking up once again post-elections.

Construction and maintenance of tourist facilities is likely to be a high growth area as investors move in to take advantage of Zimbabwe's many tourist spots. Several hotels closed down in prominent resorts such as in Kariba, and these are likely to be re-opened and revamped in the near future. An opportunity exists to invest in such facilities now, ahead of the anticipated boom.



Processing

- Running lodges & facilities
- Safari and tour operations
- Leisure resorts and facilities
- Waterfront sport and recreational facilities
- Restaurants

Zimbabwe is an ideal tourist venue, with the Victoria Falls being the most prominent tourist attraction. The Victoria Falls enjoys day-visit arrivals from neighbouring countries such as South Africa and Zambia, and is the home to several activities such as safari tours, white water rafting, helicopter rides, boat cruises as well as cultural activities. There are opportunities for investing in accommodation facilities of varying types there.

Lake Kariba, which previously used to enjoy the second-highest number of tourists because of its scenic views and varied water activities, is also expected to experience a major uplift in arrivals in the short to medium term. Several hotels and facilities were shut down in this area due to non-viability, and there is an opportunity to take up such facilities ahead of an expected upturn in arrivals.

Provision of road and air transport to Lake Kariba is another opportunity area that investors can take advantage of, as well as provision of boathouses and cruise boat facilities on the lake.

Outputs

- International marketing services
- Package tours
- Destination events

Because of its many natural attractions, Zimbabwe is an ideal venue for destination events such as weddings (at Victoria Falls, or on a houseboat in Kariba), anniversaries and even conferences. It also makes for excellent package tours, as tourists can visit several different types of attractions at one go. Marketing tourist services is therefore an excellent investment opportunity that can even be taken advantage of remotely, without being based in Zimbabwe.

Requirements for investment

- ZIA license
- Registration with Zimbabwe Tourism Authority

Special incentives

- Tax holiday for the first 5 years of operation for facilities set up in approved tourist development zone.
- Duty-free importation of specified capital goods and motor vehicles.
- VAT zero-rating on services provided by tourist designated facilities (excluding accommodation).



Renewable Energy

Background

Zimbabwe currently operates with a significant energy deficit, generating only 1 300 MW of power against estimated demand of 2 200 MW. It makes up for this deficit through imports and in 2016 \$169 million was spent on importing electricity, and an additional \$19 million on importing gas. With the anticipated rise in economic activity and resuscitation of industries, the demand for energy will also increase.

Despite the near-absence of construction activity on the commercial front, there has been a high number of houses built in both urban and rural areas. Many new settlements have arisen, most of which are not on the national electricity grid. They thus have to rely on alternative power. Many families are also voluntarily moving to off-grid power, either out of choice or for cost considerations.

It is estimated that only 20% of rural areas, and 80% of urban areas are covered by the national electricity grid. Energy needs in the rural areas are mostly met through burning of firewood, while in urban areas fossil fuels (paraffin, LPG, petrol/diesel generators) and to an increasing extent solar power meet the needs. Zimbabwe has an estimated 3 million households currently, while about 1.25 million housing units (local authority housing waiting list statistics) are required within urban centres alone.

There is an increasing shift towards using alternative power solutions to the traditional non-renewable energy sources. With greening becoming a major issue internationally, opportunities abound for implementation of green projects, as well as providing alternative power sources to the many new houses being built.

Opportunities

There are opportunities for investment across the value chain in the Zimbabwean market. Solar power, biofuels and hydro-electric energy are the most prominent opportunities.



Inputs

- Manufacture of solar cells
- Manufacture of solar geysers
- Production of gas equipment

While national statistics do not specifically identify imports of solar equipment, their value has been high and increasing, due to the high demand for off-grid electrical solutions. Southern Africa has some of the sunniest weather globally, as well as vast unutilised land which is suitable for the establishment of solar farms. The Zimbabwean government has opened up the space for Independent Power Producers (IPPs) and solar farms are an increasingly popular investment not only in Zimbabwe, but throughout the region.

Manufacturing of solar geysers as well as solar equipment is already ongoing, but solar panels are still currently imported. Due to the demand that is likely to continue

increasing in the foreseeable future, manufacture of such equipment in Zimbabwe for the regional market would be feasible. Solar farm projects of 100MW capacity are the standard projects currently being undertaken under IPP projects.

A large number of houses already on the national grid, as well as most new housing developments, are opting for solar geysers. Government has mooted legislating for the banning of electric-powered geysers altogether, but most households are taking this option voluntarily for economic reasons.

Use of gas is also on the increase, partly due to power shortages, but also due to its lower cost for cooking and heating. The current trend is to use LPG, but there are opportunities for local production of biogas. Equipment used for gas is currently imported, thus there is an opportunity for import substitution.

Processing

- Solar power plants
- Hydro-electric power plants
- Gas reticulation systems
- Biogas plants
- Production of biofuels
- Landfill reclamation and power projects

Zimbabwe has legislated for, and introduced tariffs for Independent Power Producers to generate electricity and feed into the national grid. Investors are thus free to set up small, through to large power plants. Independent plants have already been set up for bagasse, hydro-electric power, diesel-powered plants as well as solar farms.

The most promising are solar plants, with 100MW projects being the most favoured. Zimbabwe has vast tracts of land, as well as sunny weather throughout the year, making such projects highly feasible. Zimbabwe also has several dams and rivers on which hydro-electric plants can be installed to

supply demand from specific projects, as well as feed into the national grid.

Production of biogas from sewage reticulation as well as from dump sites are other opportunity areas that can be pursued, particularly within major cities. Currently there is no exploitation of biogas generated from waste management systems. Smaller systems can also be set up for small communities and even individual households, especially in rural areas.

Biofuel production, particularly biodiesel can also be explored. Government at one point established a plant for processing biodiesel, which is currently idle due to lack of feed stock. There may be an opportunity for producing the feedstock and commissioning this plant on a PPP basis.



Outputs

- Energy efficiency audits and services
- Solar powered equipment (borehole pumps, refrigerators, domestic appliances)
- Solar heating, lighting and power units

In addition to the production of solar energy, there is also a need for the production of solar-powered equipment. Borehole and irrigation pumps, refrigerators and domestic appliances are some of the requirements that go with use of solar power. Conventional equipment is not suitable for use with small solar installations, thus there is a market for production of compatible equipment, consistent with the domestic requirements for solar energy.

Whilst one aspect to meeting power requirements is generation of additional power, another critical element is increasing energy efficiency to lower power requirements. A major cause of Zimbabwe's lack of competitiveness in manufacturing is the use of dated, inefficient machinery. Tied to this is inefficient production processes and practices. There is thus an opportunity for provision of consultancy services to the industrial and manufacturing sector for them to become more energy-efficient.

This is coupled to an opportunity for provision of more efficient plant and machinery to ensure such increased efficiency. Global estimates are that as much as 50% of energy is wasted, and applying this to Zimbabwe would imply that energy wastage is in the hundreds of millions of dollars.

Requirements for investment

- ZIA license
- License from ZETDC
- EIA certification

Specific incentives

- Negotiable tax holiday.
- Duty-free importation of solar equipment (panels, inverters, lights, geysers, energy saving bulbs, electrical motors and generators).
- Exemption from payment of withholding tax.

General Requirements for Investing in Zimbabwe

Background

Zimbabwe has set up a one-stop-shop for investors with the Zimbabwe Investment Authority, which is meant to enable investors to get all the required registrations and licenses for investing in Zimbabwe in one place. Whilst not yet fully functional, it is in the process of being improved, and so far it will enable the major registrations, as well as guide investors in terms of additional registration requirements that may be needed.

We have outlined specific requirements to operate in specific sectors in the sector analyses that follow, but the general requirements are as below:

a) Formal Registration

In order to operate in Zimbabwe, one needs to have a formally-recognised registration, which may be:

a. Branch operation

A foreign-registered entity can register a branch within Zimbabwe through the Company Registrar's office.

b. New Company

One can register a new foreign-owned company in Zimbabwe.

c. Acquisition of existing business

A foreigner can buy out shares in an existing local business. This requires Exchange Control approval from the Reserve Bank.

d. Joint Venture / Partnership

A foreign business can set up a joint venture or partnership with a local business, through a contractual agreement.

b) Investment license

All foreign investors are required to obtain an Investment License. This license enables one to access incentives and protections guaranteed under Law, and also to repatriate dividends, profits and capital invested. In order to obtain the license, one needs to provide the following:

a. Business Plan / Feasibility Study

Proof of investment funds

This can be in the form of a bank statement, confirmed loan/credit facilities or investment in kind (equipment, machinery e.t.c)

c. License fees

This falls into two parts: a non-refundable statutory application fee, and a license issuance fee once the license is approved.

c) Visas and Residence Permits

Where an investor intends to travel into the country or be resident within the country, there are requirements for visas and residence permits.

a. Visa

Visitors from India are now classified as Category B, meaning that visas can be issued at the port of entry, upon payment of a fee. You therefore do not need to apply in advance for the visa.

b. Residence Permits

Residents' permits can be granted for the following:

- i. A technical expert who has worked in Zimbabwe on a valid work permit for a period of at least 5 years, and who is investing not less than \$100 000 into the business.
- ii. A foreign investor wishing to invest at least \$100 000 in a joint venture with a local partner.
- iii. A foreign investor investing \$1 million and above.

Incentives

Zimbabwe is currently on a drive to attract foreign direct investment (FDI) and therefore several incentives are being offered to lure investors. Specific incentives have been highlighted in the sector analyses preceding, but general incentives available include the following:

Special Economic Zone (SEZ) status

Zimbabwe has promulgated the Special Economic Zones Act, which is meant to provide incentives for investing in particular areas, primarily those involved in value addition and exporting. Specific sectors targeted are agriculture, tourism, mining, services and manufacturing. As opposed to designating specific areas as special economic zones, the approach has been more to identify specific investments that meet the qualifying criteria. Investors can apply for SEZ status at the same time that they apply for their investment license. Incentives offered under the SEZ Act include:

- Income tax exemption for the first 5 years, and a corporate tax rate of 15% thereafter.
- Specialised expatriate staff taxed at flat rate of 15%
- Exemption from Non-Residents Withholding Tax on fees, royalties and dividends
- Duty-free import of capital equipment and raw materials that are not locally manufactured

Fiscal Incentives

The following fiscal incentives are available to all investors in general

- 100% repatriation of both investment capital and dividends/profits.
- Special fiscal incentives can be negotiated for high value investments. These are negotiated with the line ministries involved.
- Deferral of collection of VAT on importation of capital goods and equipment.

There are several specific fiscal incentives applying to specific sectors, which are covered in the relevant sectoral analysis is above.

Ease of Doing Business (EoDB)

Zimbabwe historically has ranked poorly in terms of ease of doing business, as measured by the World Bank index which places us at 159 out of 190 countries. This is an improvement from the all-time low of 171 out of 190, mainly as a result of cross-cutting reforms and initiatives by government, with the aid of the World Bank, over the past few years.

The new government has engaged with Rwanda to learn best practice in terms of ease of doing business, and there are ongoing programs to ensure that Zimbabwe's Ease of Doing Business indicators become favourable. Whilst the general indices would seem unfavourable, the Zimbabwe Investment Authority has set up a one-stop-shop which enables foreign investors to get all relevant services in one place, which considerably reduces turnaround time.

Some indicators are also lagged, as, for example registering a company now takes seven days, yet the indicators show 61 days. Changes which may have already happened on the ground take time to filter into the indices themselves, but the overall progression has been for the better, over the last three years.

Contacts

In order to invest in Zimbabwe, the following contacts are useful:



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Bibliography and Acknowledgements

This handbook has been prepared on the basis of information gathered by the SME Association of Zimbabwe, as well as information from the following sources:

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[b] 2017 Invest in Zimbabwe Handbook (Ministry of Macro-Economic Planning & Investment Development)

[c] ITC trade map <https://www.trademap.org>

[d] Commercial Farmers' Union 2015 review for RBZ

[e] Monetary Policy Statement (Zimbabwe) – February 2018



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