

ZIMBABWE BUSINESS MISSION FACT SHEET 2010-2011



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BUSINESS OPPORTUNITIES IN ZIMBABWE

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

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

Energy: Energy opportunities include methane gas drilling, thermal power projects; hydro and mini-hydro power generation projects and biodiesel production among others

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

Manufacturing: Zimbabwe's highly diversified industrial base provides the investor with a number of opportunities. Zimbabwe's share of manufacturing in Gross Domestic Product is comparable with the Sub-Saharan average. The manufacturing industry is closely linked to agriculture with an excess of 60% of manufacturing value added either related to agro-industry or to the provision of inputs to the agricultural sector.

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

GENERAL INTRODUCTION

The Republic of Zimbabwe is situated in the southern region of the African continent. The countries of Botswana, Namibia, Zambia, Mozambique and South Africa enclose Zimbabwe in a land locked alignment.

Zimbabwe which was formerly known as Southern Rhodesia was a UK annexed territory from the British South Africa 1923. In 1961 a constitution was formulated which favored whites in power but in 1965, the government unilaterally declared its independence. In 1980, Zimbabwe gained independence from the British and Robert G Mugabe was sworn in as president and he has been the president of Mugabe since independence.

Zimbabwe's wide range of natural resources makes agriculture and mining the main pillars of the economy. In 2008 agriculture and industry accounted for about 18% and 22% of gross domestic product (GDP), respectively.

In April 2005, Harare embarked on Operation Restore Order, ostensibly an urban rationalization program, which resulted in the destruction of the homes or businesses of 700,000 mostly poor supporters of the opposition. President MUGABE in June 2007 instituted price controls on all basic commodities causing panic buying and leaving store shelves empty for months.

Regarding aids to Zimbabwe, the EU and the US provide food aid on humanitarian grounds. Badly needed support from the IMF has been suspended because of the government's arrears on past loans and the government's unwillingness to enact reforms that would stabilize the economy.

COUNTRY FACT

| | | |
|-------------------------------|------------------------|---|
| Area | Total | 390,757 sq km |
| | Land | 386,847 sq km |
| | Water | 3,910 sq km |
| coastline | | 0 km (landlocked) |
| Terrain | | Mostly high plateau with higher central plateau (high veld); mountains in east. |
| Land use | Arable land | 8.24% |
| | Permanent crops | 0.33% |
| | Other | 91.43% (2005) |
| Irrigated land | | 1,740 sq km (2003) |
| Population | | 11,392,629 |
| Population growth rate | | 1.53% (2009 est.) |

ECONOMIC FACTS

| Subject | Unit | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2014 |
|--|--------------------------|---------|--------|---------|--------|-------|-------|-------|-------|
| GDP Constant Price | Annual percentage change | -3.6 | -4.0 | -6.3 | -6.9 | -14.1 | 3.7 | 6.0 | 6.0 |
| GDP Current Price ¹ | Billion US dollars | 4.713 | 4.627 | 5.596 | 11.977 | n/a | n/a | n/a | n/a |
| GDP per Capita, current price ² | US dollars | 332.788 | 209.56 | 122.526 | 54.616 | n/a | n/a | n/a | n/a |
| Inflation rate, consumer price | Annual percentage change | 113.6 | -31.5 | 33.0 | -72.7 | 156.2 | 9.0 | 12.0 | 4.0 |
| Current account balance ³ | Billion US dollars | 0.101 | 0.1968 | 0.675 | 1.807 | 1.552 | 2.727 | n/a | n/a |
| Current account balance | Percentage of GDP | -12.6 | -16.2 | -12.6 | -10.7 | -29.5 | -21.4 | -19.9 | -17.9 |

¹http://www.economywatch.com/economic-statistics/Zimbabwe/GDP_Current_Prices_US_Dollars/

²http://www.economywatch.com/economic-statistics/Zimbabwe/GDP_Per_Capita_Current_Prices_US_Dollars/

³http://www.indexmundi.com/Zimbabwe/current_account_balance.html

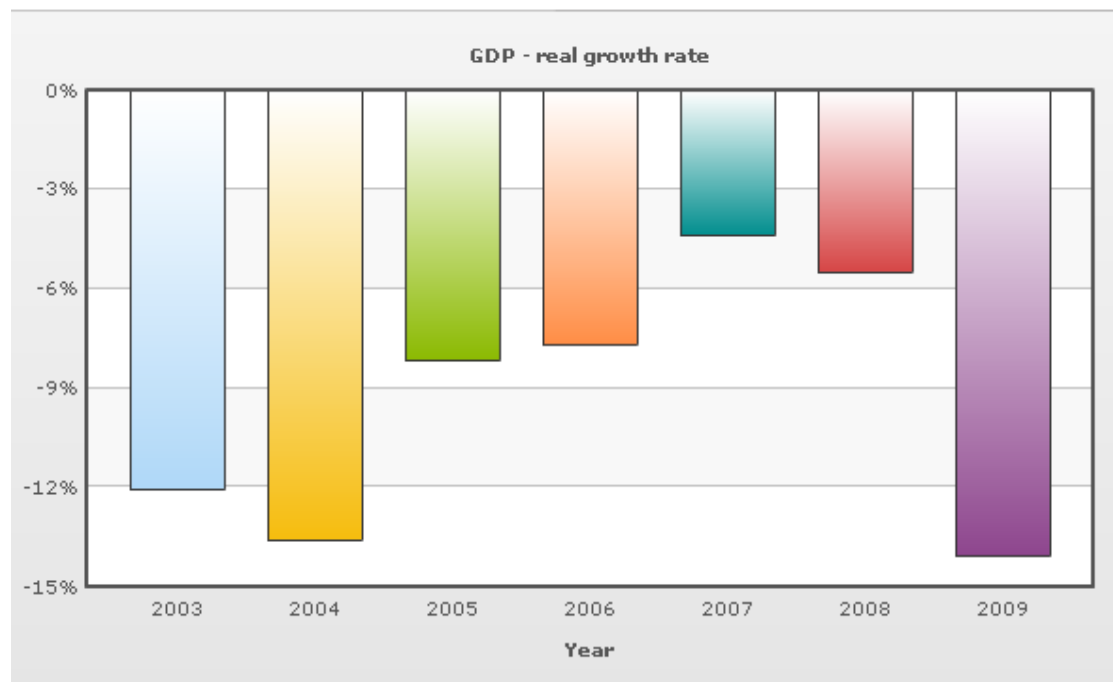
ECONOMIC SITUATION

On the Global Competitiveness Ranking Madagascar is now on the 132nd position out of 133 according to the 2009-2010 ranking. Also, according to the 2009 innovation index country ranking, Zimbabwe is ranked 110th⁴. Moreover, the ease of doing business in Zimbabwe still remains difficult seen from its ranking on a global scale.

Zimbabwe's wide range of natural resources makes agriculture and mining the main pillars of the economy. In 2008 agriculture and industry accounted for about 18% and 22% of gross domestic product (GDP), respectively. Zimbabwe has an important percentage of the world's known reserves of metallurgical-grade chromite. Other commercial mineral deposits include coal, platinum, asbestos, copper, nickel, gold, and iron ore. In order to develop these mineral deposits, Zimbabwe relies on foreign investment.

In July 2007, the government had made a desperate attempt to control inflation, which brought persistent shortages fuel, food, and other goods, by forcing firms and supermarkets to reduce prices by half, which resulted in severe shortages of basic commodities. Inflation vaulted over 200 million percent (year on year) in July 2008, according to official estimates; independent economists estimated inflation was at least in the quadrillions of percent. In January 2009, official recognition of dollarization stopped hyperinflation. Investor confidence remains low due to insecurity of land tenure and indigenization laws that require, in theory if not always in practice, 51% of investments to be owned by Zimbabwean citizens.

GDP growth, annual percentage change



⁴ <http://www.america.gov/st/scitech-english/2009/November/20091106151558ebvessedo0.3619305.html>

Political situation

UN sanctions and a guerrilla uprising finally led to free elections in 1979 and independence (as Zimbabwe) in 1980. Robert MUGABE, the nation's first prime minister, has been the country's only ruler (as president since 1987) and has dominated the country's political system since independence. His chaotic land redistribution campaign, which began in 2000, caused an exodus of white farmers, crippled the economy, and ushered in widespread shortages of basic commodities. Ignoring international condemnation, MUGABE rigged the 2002 presidential election to ensure his reelection.

General elections held in March 2008 contained irregularities but still amounted to a censure of the ZANU-PF-led government with significant gains in opposition seats in parliament. MDC opposition leader Morgan TSVANGIRAI won the presidential polls, and may have won an outright majority, but official results posted by the Zimbabwe Electoral Committee did not reflect this. In the lead up to a run-off election in late June 2008, considerable violence enacted against opposition party members led to the withdrawal of TSVANGIRAI from the ballot. Difficult negotiations over a power sharing agreement, allowing MUGABE to remain as president and creating the new position of prime minister for TSVANGIRAI, were finally settled in February 2009.

FOREIGN AID

As part of the UN aids to Zimbabwe, the United Nations in its efforts to stimulate agriculture offered US\$60 million aid package for Zimbabwean farmers, in a bid to restore the country's agricultural output. The United Nations Office for Coordination of Humanitarian Affairs said that the package would be used to provide agricultural inputs such as seed and fertilizer for up to 600,000 households. This will meet about 45% of the amount required for the sector this year. Donors have so far pledged US\$315 million worth of aid, while the UN says Zimbabwe needs a further US\$403 million in aid this year.⁵

Norway is increasing its aid to Zimbabwe by NOK 58 million. The money will be used to help the people of Zimbabwe and support the new Government of National Unity. The World Bank has agreed to give Zimbabwe \$22m (£14.4m), its first assistance to the heavily-indebted African country since 2000. The World Bank said the relatively small amount of money was "a first step". More could be forthcoming when Zimbabwe begins to clear its arrears. It owes the World Bank and the African Development Bank more than \$1bn. It should be noted that despite the tension between the unity governments formed by Mugabe, foreign aids are being offered to Zimbabwe in order for the government to rebuild its economy.

⁵ <http://www.tradeinvestafrica.com/news/225949.htm>

FOREIGN INVESTMENT

The government's command and control tendencies and its intervention in many sectors make Zimbabwe generally unwelcoming to foreign direct investment, particularly from Western countries. Nonetheless, a few U.S. multinationals maintain subsidiaries in the country, largely holdovers from better years a decade ago. Many others sell their products through certified dealers.

The government's priority sectors for foreign investment are manufacturing, mining and infrastructure development for tourism. In these sectors foreign investors have been free to take up to 100 percent ownership, although in 2007 the government introduced an Indigenization Bill that mandates, over time, 51 percent indigenous ownership of business. It also introduced an Amendment to the Mines and Minerals Act that has onerous indigenization requirements.

Investment climate

The Zimbabwean government is being characterized by corruption and mismanagement which has severely crippled the economy making it difficult to attract foreign direct investment. Government policies have seriously eroded the rule-of-law and put private property rights at grave risk. In the absence of comprehensive reforms, prospects for foreign direct investment, along with the country's economic outlook, are bound to remain dismal.

In addition, for the third year in a row Zimbabwe was last out of 65 regions and countries surveyed in the Vancouver-based Fraser Institutes 2006-2007 "Report Card" to governments on the attractiveness of their mining policies.

TRADE

In 2006, Netherlands accounted for about 7.6% of Zimbabwe exports and products such as platinum, cotton, tobacco, gold, ferroalloys, textiles/clothing where exported to the Netherlands.

Zimbabwe belongs to the SADC (Southern African Development Community) shows its international involvement and also being a member of the of the Common market for eastern and southern Africa (COMESA) implies Zimbabwe enjoys a free trade area which is zero tariff.

The table below shows Zimbabwe's top export products⁶

| Top Products Exported by Zimbabwe | | Market Value : 5,867 (millions) | | |
|-----------------------------------|-------------|---------------------------------|-----------|--|
| Product | Trade Value | Share | Growth | |
| | (thousands) | (%) | (% 5yr) | |
| 7502 - Nickle | 323,939 | 5.52 | 329.95 | |
| 2401 - Tobacco | 216,617 | 3.69 | (63.94) | |
| 7202 - Ferroalloys | 190,821 | 3.25 | 77.11 | |
| 2604 - Nickel Ores | 174,256 | 2.97 | 220.05 | |
| 7501 - Nickle Mattes | 172,343 | 2.94 | 35,383.94 | |
| 5201 - Cotton | 99,559 | 1.70 | 62.07 | |
| 1701 - Cane Sugar | 72,673 | 1.24 | 88.46 | |
| 2516 - Granite | 48,684 | 0.83 | 233.29 | |
| 7403 - Refined Copper & Alloys | 44,922 | 0.77 | 13,789.67 | |
| 2603 - Copper Ores | 31,186 | 0.53 | 245.38 | |

⁶ <http://globaleedge.msu.edu/countries/zimbabwe/tradestats/>

The table below shows Zimbabwe's top import products⁷

| Top Products Imported by Zimbabwe | | Market Value : 4,648 (millions) | | |
|---|-------------|---------------------------------|----------|--|
| Product | Trade Value | Share | Growth | |
| | (thousands) | (%) | (% 5yr) | |
| 2710 - Non Crude Oil | 190,748 | 4.10 | 383.62 | |
| 1005 - Corn | 78,014 | 1.68 | (12.03) | |
| 8704 - Trucks | 50,376 | 1.08 | 25.06 | |
| 2401 - Tobacco | 41,869 | 0.90 | 254.54 | |
| 3105 - Misc Mineral & Chemical Fertilizers | 33,484 | 0.72 | 260.56 | |
| 3102 - Nitrogenous Fertilizers | 32,247 | 0.69 | 1,100.97 | |
| 8703 - Passenger Vehicles | 26,057 | 0.56 | (54.93) | |
| 3808 - Insecticides | 25,616 | 0.55 | 99.59 | |
| 8431 - Parts For Fork Lifts, Bulldozers & Graders | 22,802 | 0.49 | 83.74 | |
| 8708 - Motor Vehicle Parts | 21,570 | 0.46 | 12.65 | |

⁷ <http://globaledge.msu.edu/countries/zimbabwe/tradestats/>

MINING

Over 40 various minerals exist and the thrust is to resuscitate existing mines especially gold mines and establishing new mines for exploiting minerals such as diamonds, and Promote mineral exploration. Opportunities also exist in the beneficiation of the minerals e.g. cutting and polishing of diamonds, jewellery manufacturing and tile manufacturing. Quarrying and mineral exploration

Coal

Joint venture partner required for the development of a major coal mining reserve. US\$15-million investment for a shareholding in the company that owns the coal assets. This will include all and any mineral rights in addition to the coal that the local company owns.

- Current rights-holder is a reputable company
- Its core business is mining and processing of minerals, including base metals, gold, diamonds and coal
- 50-Year renewable exclusive mining rights.
- Total probable reserves exceed 1.2 billion tonnes
- Proven reserves close to 400 million tonnes of low sulphur coal
- Exploration for more reserves in environs continue to expose more reserves
- Specifications and grades of coal followed by a site visit upon request.

Gold

There exist substantial opportunities to recapitalize a number of existing and profitable gold mines in return for equity participation. Part of this strategy involves using new technology to ‘reclaim’ existing gold dumps, some of which have not been reworked using modern technology at all.



Threats

- Illicit diamond mining
- Nationalization by government
- Spread of HIV/AIDS among mine workers related to labor productivity.

Incentives

- Income tax on Mining companies shall be levied at a flat rate of 15 %. All Capex incurred wholly and exclusively for mining operations shall be allowed as a deduction at the rate of 100%.
- Royalties on minerals are extremely low, but are non tax deductible and are charged on a gross fair market value.
- There is a 5% withholding tax on dividends for Zimbabwe Stock Exchange (ZSE) listed companies and 10% for all other companies.
- There shall be a duty exemption for customs duty, surtax and VAT on all capital goods during the exploration phase of a mining project, and for a period of up to five (5) years from the date of grant of mining title, during the development phase thereof.

Key companies

- Anglo American PLC
- Aquarius platinum LTD
- Caledonia mining corporation

Ministry of mines and mining development

Website: www.mines.gov.zw

Email: minsec@technopark.co.zw

Tel: +263 4 703781

ENERGY

Although it has huge deposits of coal, the landlocked southern African country of Zimbabwe has no proven oil or natural gas reserves. However, it has been established that it has good potential for coal-bed methane gas production. Zimbabwe uses hydro-electric power, coal, liquid fuel, wood fuel, solar power and biogas.

Energy opportunities include methane gas drilling, thermal power projects; hydro and mini-hydro power generation projects and biodiesel production among others. In the petroleum sector, the following investment opportunities exist:

- Fuelsourcediversification,throughthedevelopmentofthebio-fuelsindustry
- Fuel supplies through financing facilities
- Resuscitation of Ethanol blending
- Bio-diesel production & Crude Oil refining options

Also, there is under utilization of solar energy which provides opportunities in the field of design and manufacture of solar panels and other solar related equipments.

Weaknesses

- Shortage of power supply resulting to blackouts.
- Zimbabwe imports far more energy than it produces, the country needs to pursue technologies that help it become more energy independent

TOURISM

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

Incentives

- Currently all tourist operators are allowed duty free exemptions on vehicles imported for their operations.
- Investors in areas designated as Tourism Development Zones (TDZ) enjoy 0% tax on first five (5) years of operation, thereafter 15% and 20% for the second and third five (5) year periods.
- Full refund of duty on all capital expenditure for use in TDZ.
- Normal corporate tax is 30%.

Contacts

Ministry of environment and tourism

Website: www.met.gov.zw

MANUFACTURING

Zimbabwe's highly diversified industrial base provides the investor with a number of opportunities. Zimbabwe's share of manufacturing in Gross Domestic Product is comparable with the Sub-Saharan average. The manufacturing industry is closely linked to agriculture with an excess of 60% of manufacturing value added either related to agro-industry or to the provision of inputs to the agricultural sector.

Textiles

The textile industry has gone through a down period and requires investment in new technology which will enable it to compete with imports into the Southern African region from the Far East. There are opportunities for investment on a joint venture basis into textile design which will enable the industry to attract customers from a wider market base. Within the industry there is under utilized capacity, which could be developed with external partners into more, specialized manufacture through an improved marketing strategy.

Food

Opportunities for investment are available within the various sub-sectors of the food manufacturing industry. The processing of meat products for both local and export markets is encouraged. They are also investment opportunities to further develop the dairy processing industry through modern packaging and design.

Timber

some of the opportunities for investment in manufacturing are within the sub-sectors such as the timber industry which comprises timber producer; saw millers, timber processors, material manufacturers and timber traders.

Threats

Competition from nearby companies in South Africa.

Key players

- Trans Zambezi Industries
- Delta Corporation
- Zimbabwe Iron and Steel Corporation (ZISCO).

INFRASTRUCTURE

The government is actively pursuing the rehabilitation and expansion of all infrastructure and massive opportunities exist in dam and road construction, provision of urban housing on land provided by the State, and construction of energy and communication networks



Opportunities

Development of Toll roads, building and upgrading of airports, construction of dams and bridges, building of power generators & transmission facilities, construction and upgrading of telecommunication facilities.

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

Weaknesses

Unskilled labor
Weather (raining and dry season)

Conclusion:

Despite the recent civil and social unrest that sparked Zimbabwe, the country has a wide range of natural resources make up of agriculture and mining the main pillars of the economy. In 2008 agriculture and industry accounted for about 18% and 22% of gross domestic product (GDP), respectively. Zimbabwe has an important percentage of the world's known reserves of metallurgical-grade chromites. Other commercial mineral deposits include coal, platinum, asbestos, copper, nickel, gold, and iron ore. In order to develop these mineral deposits, Zimbabwe relies on foreign investment.

Appendix

Doing business report

| Doing business | Rank 2010 | Rank 2009 | change |
|-----------------------------------|-----------|-----------|--------|
| Doing Business | 159 | 160 | +1 |
| Starting a Business | 145 | 144 | -1 |
| Dealing with Construction Permits | 178 | 176 | -2 |
| Employing Workers | 142 | 144 | +2 |
| Registering Property | 84 | 87 | +3 |
| Getting Credit | 113 | 109 | -4 |
| Protecting Investors | 119 | 114 | -5 |
| Paying Taxes | 131 | 158 | +27 |
| Trading Across Borders | 167 | 165 | -2 |
| Enforcing Contracts | 78 | 74 | -4 |
| Closing a Business | 156 | 156 | 0 |

Strength and weaknesses of Zimbabwe

Strength

- Zimbabwe boasts considerable farm, tourist and mineral potential — platinum (world's second largest producer), palladium. Gold and nickel.
- Its industrial fabric is diversified.
- Quality transport and financial infrastructure along with a well-trained labour force could facilitate efforts to revive the economy.

Weaknesses

- The country's economy and finances are still in a disastrous state and overcoming the crisis effects will take some time.
- The economic crisis, which has further heightened political and social tensions, has moreover exacerbated the deteriorating food and health situation in the country, with a majority of the population dependent on international aid for subsistence.
- The AIDS infection rate is among the highest in Africa and the world with a 25-per cent prevalence rate in the adult population.