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TRADE POLICY REVIEW

REPORT BY

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Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Zimbabwe is attached.

Contents

1 INTRODUCTION

1.1. The past two decades have seen Zimbabwe going through unstable socio-economic instability due to a number of internal and external factors, which have continued to affect Zimbabwe's economic recovery efforts and have impacted on both the formulation and application of the national trade policy. Chief among the factors include the continued imposition of illegal sanctions on Zimbabwe by some members of the international community following the historic Land Reform Programme implemented in year 2000.

1.2. The sanctions have affected access to finance for development and credit lines from the multilateral financial institutions. This has constrained the country's capacity to meaningfully invest in the productive sectors of the economy, power generation, food security, water and sanitation, healthcare and job creation.

1.3. Zimbabwe's recovery efforts have also been affected over the years by natural disasters as climate change takes its toll, including devastating floods such as the most recent Cyclone Idai and recurrent severe droughts which have affected the food security situation in the country.

1.4. Zimbabwe under the new government is currently undergoing socio-political and economic transformation and has set out a long-term strategic vision of transforming the country, "Towards a Prosperous and Empowered Upper Middle Income Society by 2030." Zimbabwe recognises the essential role of both domestic and foreign investment in advancing transfer of modern technology and know-how for developing and creating business linkages which stimulate sectoral wide productive capacities across enterprises and other economic activities, and in the process generating employment.

1.5. Accordingly, attracting and retaining investment has been placed at the core of the national developmental agenda, given its pivotal role to sustaining economic development and alleviating poverty. This will ensure successful attainment of Zimbabwe's vision and the UN Sustainable Development Goals by 2030.

1.6. Despite all the challenges, Zimbabwe is resolute to implement all the key reforms necessary and open up the country for business. The new National Investment Policy unveiled in August 2019 to facilitate investment into the various sectors of the economy signals Zimbabwe's commitment to investment promotion and investor protection.

2 ECONOMIC ENVIRONMENT

2.1. Zimbabwe's economy is estimated to have underperformed by as much as -6.5% in 2019, after registering nascent growth between 2015 and 2018. The country's growth was weighed down by severe exogenous shocks related to climate change that resulted in the El-Nino induced drought and Cyclone Idai which compromised agricultural activities and electricity generation with extended effects on other sectors, pushing the economy into a recession. The situation was exacerbated by foreign currency shortages and constrained spending being imposed by the ongoing fiscal reforms. In addition, the economy suffered from depressed demand for the country's exports emanating from the slowdown in the growth of the global economy.

Table 2.1 Key economic indicators, 2015-2019

	2015	2016	2017	2018	2019
GDP (USD bn) market prices	19,963.0	20,549.0	22,041.0	19,067.8	20,738.6
Real GDP growth (%)	1.8	0.8	4.7	3.4	-6.5
Headline inflation (%)	-2.4	-1.6	0.9	10.6	109.0[1]
Overall budget deficit/GDP (%)	-1.0	-6.9	-11.7	-5.3	-4.0
General Government debt/GDP (%)	54.1	58.4	68.5	76.1	43.4
Tax revenue/ GDP (%)	18.4	16.4	16.9	21.0	19.7

[1] Annual Average up to July 2019. Publication of Annual inflation statistics has been suspended since then.

	2015	2016	2017	2018	2019
Government capital Investment /Tax revenue (%)	11.0	27.0	30.0	51.1	39.9
External reserves (Months of Imports)	0.9	1.0	0.7	0.5	0.8
Central Bank credit to Government (% of previous year's tax revenue)	33.9	63.4	103.5	127.2	91.1

Source: Ministry of Finance & Economic Development and Zimbabwe National Statistics Agency

2.2. The country's headline inflation, which averaged -1.0% between 2015 and 2017, increased to 10.6% in 2018 and to 10.9% in July 2019, mainly on account of continued increases in the parallel market exchange rate premium, growth in reserve money and adverse inflation expectations. In response, the Authorities are implementing a tighter monetary policy stance in the form of a Reserve Money targeting framework.

2.3. While the country is in a debt overhang mainly due to continued accumulation of external payment arrears, Government is reengaging the international community with a view to come up with a strategy to clear the arrears and as such, Government debt is expected to decline to sustainable levels given that GDP will be growing, against limited external borrowing.

2.4. The country's reserve adequacy, in the form of months of imports, is low given the country's high import dependency on account of supply gaps of basic commodities in the economy as well as loss of export competitiveness of domestic products. Government is in the process of putting in place measures to build-up reserves as the trade balance improves.

3 VISION 2030 AGENDA

3.1. The ushering in of a new dispensation on 24 November 2017 marked the dawn of a new era of renewed hope for a better life for all Zimbabweans premised on a Vision for realisation of economic growth and development. The Government of Zimbabwe set out a long-term strategic vision to transform Zimbabwe towards an Upper-Middle-Income Society by 2030. The Zimbabwe Vision 2030 will be realised through five strategic pillars, namely; governance; macro-economic stability and financial re-engagement; inclusive growth; infrastructure and utilities development; and social development.

3.2. To achieve Vision 2030, Zimbabwe developed a short-term stabilisation strategy, the Transitional Stabilisation Programme (TSP), which has been under implementation from October 2018 to December 2020. The TSP's main thrust is macro-economic and fiscal stabilisation and laying a solid foundation for two successor five-year National Development Plans to run from 2021-2025 and 2026-2030.

3.3. The major objective of the TSP has, therefore, been to stabilise the macro-economy and the financial sector, attract foreign investment and lay the foundation for shared, strong and sustained growth in the medium- to long-term.

3.1 Progress in the Implementation of the TSP

3.4. Progress in the implementation of the Transitional Stabilisation Programme has been achieved in the following areas:

Fiscal Discipline

3.5. The Government managed to control expenditure with the monthly budget deficit declining from USD 242 million in November 2017 to a surplus of USD733 million in December 2018. Government is now spending within its means and within the budget. Government managed the unsustainable practice of issuing Treasury Bills to finance the deficit. Government has also managed to contain the public wage bill. This fiscal discipline has managed to curtail the budget deficit. The new trend of budget surpluses is projected to continue and resources there-from used to finance more public services such as healthcare facilities, schools, roads and related projects with a direct impact on the people's well-being.

Fighting Inflationary Pressures

3.6. Government has stopped deficit financing through overdrafts at the Central Bank and has reduced money supply growth. This policy thrust of tight fiscal and monetary policies will be maintained until the economy fully stabilises and inflation is firmly under control.

Currency Reforms

3.7. Government is tackling the currency problem which had become a thorny issue in destabilising the economy. Zimbabwe moved away from a multi-currency regime on 24 June 2019 to a single local currency system, where the Zimbabwean dollar is now the legal tender for most domestic transactions. It had become clear that the prolonged use of the US dollar had actually done more harm than good to the performance of the productive and the export sectors. It had become very difficult to export Zimbabwe products and services in the region and beyond as they were uncompetitive. At the same time, because of using foreign currency, the domestic market had become a highly lucrative destination of other countries' exports into the market, posing a serious challenge on Zimbabwe's terms of trade.

3.8. The economy was facing imminent and accelerating re-dollarisation hence the introduction of Statutory Instrument 142 of 2019 which was designed to address that untenable situation. The instrument abolished the multi-currency system and re-introduced the local Zimbabwe dollar. We are now able to manage this local unit of currency in the best interests of the economy unlike the monetary incapacitation we were faced with under the US-dollar dominated multi-currency system. We are glad to note that many companies in Zimbabwe have now started to gain competitive edge in the export markets by virtue of being able to produce in local currency.

Current Account Improvement

3.9. Following the introduction of the local currency, the country's Current Account has improved from minus USD 1.4 billion in 2018, to minus USD 323 million in 2019. With the local currency, competitiveness of industry has improved as a result, and in 2020, the current account is poised to further improve on the back of improved export performance and a shift of demand towards locally produced goods.

Foreign Exchange Liberalisation

3.10. Measures were adopted to improve on foreign currency generation by establishing an efficient and optimal mechanism for foreign currency allocation through the market-based Inter-Bank Market.

Fighting Corruption

3.11. Government has been fighting corruption which continues to be one of the major threats to efforts to stabilise the economy. Corruption had become a huge cost to business and therefore Government has declared war on any form of corruption, and arrests of alleged perpetrators is continuing through the Zimbabwe Anti-Corruption Corruption Commission (ZACC). The ZACC is now fully capacitated to be able to deliver on its mandate to fight corruption and has been given arresting powers. In addition, an Anti-Corruption Unit was established in the Office of the President and Cabinet to enhance the fight against corruption.

Ease of Doing Business Reforms

3.12. Zimbabwe's policy thrust is to open up and facilitate investment-led economic recovery. Government is taking drastic measures to reform the investment climate and business operating environment to ensure that indeed Zimbabwe is Open for Business.

Indigenisation Policy

3.13. Among the major reforms implemented is the review of the indigenisation policy which has been controversial over the past years. Investors can now come and do business in Zimbabwe in any sector or sub-sector with up to 100% foreign ownership. Shareholding is actually an outcome of negotiations between interested parties. This means that all foreign investors are free to choose their investment partners regardless of nationality and can have 100 % foreign shareholding in their companies.

Safety of Investments

3.14. Government has adopted a policy of non-discrimination between foreign and domestic investors. The new National Investment Policy adopted in August 2019, provides that all investors are treated equally in the establishment, expansion, operation, and protection of their investments. The Constitution of Zimbabwe also protects and guarantees property rights as well as investment protection. The safety of investments in Zimbabwe is guaranteed, and investors are free to approach the courts for any dispute resolution, free from government influence.

Repatriation of Dividends

3.15. Zimbabwe continues to face an acute foreign currency shortage. However, foreign investors are allowed to remit shareholder dividends through the financial system in Zimbabwe.

Zimbabwe Investment Development Agency (ZIDA)

3.16. Government is intensifying efforts to address the ease of doing business in Zimbabwe by addressing regulatory bottlenecks and streamlining bureaucratic processes that have been impeding on investment and doing business. The One Stop Investment Services Centre was established as a precursor to the Zimbabwe Investment Development Agency (ZIDA). The ZIDA Bill was approved by Parliament in December 2019 following extensive stakeholder consultations. ZIDA is expected to be fully functional in 2020. ZIDA will review and remove all cumbersome administrative procedures that have hampered the ease of doing business in Zimbabwe over the years.

Special Economic Zones (SEZs)

3.17. Special Economic Zones are now incorporated into the ZIDA Act, and are an important tool for industrialisation strategy to accelerate Foreign Direct Investment. A number of areas have already been identified and designated as SEZs around the country. Investment proposals are being considered from investors who want to invest in the country, and such investments can apply for special economic zones status. All Special Economic Zones have attractive incentives that include tax holidays and duty exemption on imports of capital equipment and inputs. In addition, a new Companies Act to govern the operations of companies and private business corporations has replaced the 1951 Companies Act, and streamlined company registration. The new Act will immensely reduce the time it takes to register a company and get an investment license

3.2 Economic Outlook

3.18. In terms of the economic outlook**,** 2020 will be the year of higher productivity, economic growth, job creation and satisfying the needs of the people. The fiscal policy objective in 2020 is directed at managing spending within the Budget, through non-inflationary financing and complemented by a tight monetary policy.

3.19. Government is determined to ensure zero tolerance on expenditures outside the Budget. Government is aiming for a low budget deficit of around 1.5% of GDP in 2020, such that little additional lending will be necessary. Infrastructure development including social sectors investments will also be prioritised.

3.20. Zimbabwe’s economic recovery prospects are bright, with projected GDP growth of 3% in 2020 premised on the following:

- increased use of irrigation to sustain agricultural activities;

- better planning for agriculture production;
- improved electricity supply through imports and other alternative sources of energy e. g solar;
- improved macro-economic environment;
- fiscal incentives to various sectors of the economy;
- improving investments by both public and private sector.

3.21. Re-engagement and Arrears Clearance Program - The continuous accumulation of arrears remains a major setback on Zimbabwe's development agenda, hence, Zimbabwe is pursuing re-engagement program with the international development partners for arrears clearance and debt relief. As a signal to its commitment to the re-engagement process, Government resumed quarterly token payments to Multilateral Development Banks in April 2019.

3.22. As part of the roadmap to arrears clearance, Government signed a Staff Monitored Program (SMP) with the International Monetary Fund (IMF) covering the period May 15, 2019 to March 15, 2020 with quarterly performance reviews. The SMP seeks to assist Zimbabwe implement key reforms as outlined in the Transitional Stabilisation Programme (TSP) and build a track record of implementing sound economic policies as it seeks to normalise relations with the international community.

3.23. Successful implementation of the SMP, in conjunction with reforms in the TSP is key in the mobilization of critical support from Development Partners for a comprehensive arrears clearance and debt relief program.

4 OVERVIEW OF TRADE POLICY AND TRADE PERFORMANCE

4.1 Trade Policy Regime

4.1. The unstable macroeconomic environment that Zimbabwe continues to experience since 2000 has resulted in Zimbabwe adopting an inward-looking trade policy. The tariff regime and import management measures that evolved over the years have been influenced by Government's need to respond to national developmental needs under a very difficult operating environment.

4.2 Trade Performance

4.2. Zimbabwe's National Trade Policy (2012-2016) framework targeted to facilitate increase in export earnings by at least 10% annually from USD4.3 billion in 2011 to USD7 billion in 2016. The projections were premised on the remarkable rebound in exports that was experienced after the dollarisation of the economy in 2009. However, this was not achieved as exports remained subdued.

4.3. The exports declined by 20% from USD 3.6 billion in 2011 to USD 2.7 billion in 2015. In 2016, on the back of a resurgence in international mineral prices, exports recorded a 5% growth and this trend was expected to continue in the medium term. The import bill reduced cumulatively by 33% from USD 8.9 billion in 2011 to USD 6 billion in 2015. In 2016 alone, imports declined by 13% to USD 5.2 billion due to shortage of foreign currency and import control measures effected through Statutory Instrument 64 of 2016. This resulted in significant improvement in the balance of trade whose deficit reduced to USD 2.4 billion in 2016 from USD 3.6 billion in 2012. The trade deficit continued to exert pressure on the tight liquidity situation, the country's foreign exchange reserves and the balance of payments position.

4.4. During the period 2016-2018 total exports of goods (excluding services) grew by 21.2% from USD 3.3 billion in 2016 to USD 4 billion in 2018. The trade deficit worsened from USD 1.9 billion in 2016 to USD 2.2 billion in 2018. Zimbabwe's total imports of goods from the rest of the world increased by 26% from USD 4.96 billion in 2017 to USD 6.26 billion 2018.

4.5. Major export products during the period 2009-2018 consisted of minerals (gold, nickel, ferro-chromium and industrial diamonds), sugar, tobacco and black tea. Zimbabwe's exports have continued to be dominated by primary commodities (which expose the country to commodity price fluctuations) as opposed to value-added manufactured products and services. On the other hand, imports have largely been made up of consumer goods as opposed to capital equipment and/or inputs in the productive sector. Primary exports predominate value-added manufactured exports while imports are concentrated on manufactured consumer goods and fuels.

4.6. The share of manufactured exports decreased from a high of 27.8% in 2011 to a low of 8.7% in 2016. This was largely a result of challenges related to antiquated equipment, shortage of affordable capital, low aggregate demand, liquidity constraints, high costs of utilities, and unfair competition from imports. This trend was, however, reversed in 2017 to 15.8% and to an estimate of 15.3% in 2018. The rebound in manufacturing sector export in 2017 was on the back of increased ferro-chrome and pure manufactures exports.

4.7. Ferro-chrome exports increased by 191.7% in 2017 following increased production triggered by increase in chrome as several firms which had stopped production resumed operations in 2017 in response to higher prices. The 55.3% increase in pure manufactures for 2017 was mainly on account of increase in exports of beverages, textiles, clothing, apparel and jewellery as well as wood manufactures.

4.8. In 2018, South Africa remained the largest market for Zimbabwean products, absorbing 51,47% of total exports, followed by the United Arab Emirates (UAE) (18.08%), Mozambique (14,86%), Zambia (9.71%), Belgium (1.73%) and China (1,04%), among others. On the other hand, major source markets in the same year (2018), were South Africa (39.29%), Singapore (21.72%), China (5.7%), U.K (4.31%) and Japan (3.51%).

5 MONETARY AND EXCHANGE RATE POLICIES

5.1. For the period February 2009 to February 2019, Zimbabwe operated a multi- currency regime with the US dollar as the principal currency and unit of account.

5.2. The RBZ introduced the bond notes in October 2016 which were backed by an Afreximbank loan of USD200 million as an export incentive to help ease the foreign currency shortages, as well as to deal with the physical cash shortage of US dollars in the economy.

5.3. With regards to foreign currency retention, manufacturing enterprises currently retain 80% of their export proceeds in foreign currency for thirty (30) days, while 20% of the receipts are surrendered to the RBZ. Specifically, the foreign currency surrender regime requires exporters to utilise their retained export receipts in Nostro FCAs within 30 days from the date of receipt, or all unutilised balances are sold by the Reserve Bank of Zimbabwe on the interbank market. Large-scale tobacco growers (with more than 2 hectares of land) are allowed 180 days to use their foreign currency proceeds.

5.4. In February 2018, the Reserve Bank of Zimbabwe introduced a policy that required banks to ring-fence foreign currency for foreign exchange earners that included international organizations, diaspora remittances, free funds, export retention proceeds and loan proceeds. The Bank subsequently directed all authorised dealers to operationalise the ring-fencing policy on Nostro foreign currency accounts by separating foreign currency accounts (FCAs) by October 2018 into two categories, namely Nostro FCAs and RTGS FCAs. This policy measure was meant to eliminate the dilution effect of RTGS balances on Nostro foreign currency accounts. The separation of accounts resulted in exporters and other earners of foreign currency being able to readily access foreign currency in order to meet their foreign currency needs.

5.5. On 24 June 2019, the Government abolished the multi-currency system and re-introduced Zimbabwe dollar as sole legal tender (Statutory Instrument 142 of 2019). RTGS dollars, Bond notes, and Bond coins were converted at par into (new) Zimbabwe dollars.

5.6. The Reserve Bank also guaranteed the exchange rate, at par, of foreign currency "legacy debts" (debts incurred by private companies in foreign currencies at an expected 1:1 exchange rate between RTGS dollar and US dollar). This applied to pending application for foreign currency for purposes of settling obligations incurred before the introduction of the exchange rate in February 2019. Banks were directed to submit application to exchange control for verification and to ascertain the correct amount of the legacy debt.

5.7. Since 24 June 2019, foreign currencies are not allowed for most of the local transactions, but there are exceptions. First, certain taxes continue to be payable in foreign currency. Second, transactions in foreign currencies from Nostro FCAs continue to be permitted. Third, the payment of international airlines services in foreign currency is permitted. All other domestic transactions are settled in local currency.

5.1 Interest Rate Regime

5.8. While the Reserve Bank of Zimbabwe lost its monetary policy autonomy after 2009, the bank managed through moral suasion to influence interest rates. The bank negotiated with banks to bring down interest rates from as high as 35% per annum in 2009 to 6% to 12% by 2018, in order to stimulate economic activity. The economy, however, continued to experience liquidity shortages as the country mainly depended on its ability to generate foreign currency through exports, remittances and foreign investment.

5.2 Monetary Policy Regime

5.9. The Reserve Bank of Zimbabwe put in place measures to establish confidence in the new domestic currency and achieve low and stable inflation. The Bank adopted a monetary targeting framework that aimed at reducing money supply growth to 8-10% by end-2019.

5.10. The RBZ increased the overnight interest rate for banks from 50% to 70% with effect from September 2019 to discourage borrowing for speculative reasons such as buying foreign currency. In addition, a 5% reserve requirement for banks was introduced in 2018 as a way of mopping-up excess liquidity in the economy.

5.3 Promotion of Mobile Money Use

5.11. Most domestic transactions (53.5% of the values and 0.29% of the transactions volumes in 2018) were done on the RTGS system. The value of Mobile Financial Services (MFS) transactions for the year 2018 stood at USD 44 billion, an increase of 144.95% from the USD 18 billion recorded in 2017. MFS transactions also increased by 121.32% to USD 1,670 million in 2018 from the USD 754.7 million recorded in 2017. Mobile banking access devices (mobile banking agents) and channels (active subscribers) grew by 31% from 2015 to 2018 whilst card access devices (Point of Sale) and channels (active cards) grew by 511% and 101%, respectively, from 2015 to 2018.

5.12. Mobile money continued to deepen financial inclusion, with the number of registered subscribers to mobile financial services increasing to 10.9 million in 2018 from 9.5 million in 2017 representing a 19% increase. Mobile transactions values retained their proportion of above 80% in terms of volumes whilst gaining market share as consumers migrated from mere person to person payments to person to business payments where values are higher.

5.4 Exchange Rate Developments

5.13. The interbank foreign exchange market introduced in February 2019 was to address price distortions in the foreign exchange market, improve export competitiveness and strengthen demand for domestic forms of payment and preserve forex for external payments. At end of February 2019 at the time of floating, the RTGS dollar started being traded at RTGS$ 2.50 per US dollar and depreciated to about RTGS$8.84 per US dollar by mid-July 2019 and to about RTGS$16.00 per US dollar by December 2019.

5.5 Balance of Payments

Current and Capital Account Liberalization

5.14. The current account has been fully liberalised since 2009 while the capital account has been partially liberalised. For example, external loans below USD 20 million require registration by an Authorised dealer while those above USD 20 million are subject to exchange control approval. Dividends and disinvestment proceeds are however freely remittal.

6 SECTORAL PERFORMANCE

6.1 Agriculture

6.1. Agriculture remains a major driver of growth, and is projected to expand by 5% in 2020, on the back of increased public/private sector investment in the sector. Government is also embracing Climate Smart Agriculture (CSA) which harmonises agriculture development with environment protection and reduction in vulnerabilities to climate change. In line with this thrust, emphasis will be on better planning, shared financing burden between government and private players, productivity which also relies on irrigation and marketing systems which guarantee farmer viability. Irrigation development is receiving top priority in order to guarantee food security in the country. Government will, therefore, target enough irrigable hectarage for support to guarantee grain production of around 1.8 million tonnes, enough for human and livestock consumption. For this purpose, capable farmers with irrigation facilities will be identified with a view of contracting and supporting them to produce required grains specifically for food security.

6.2. The 200 hectares per district irrigation programme will be supported, taking advantage of Smart Agriculture, which also promotes solar irrigation systems. The private sector is also invited to contribute in irrigation and other related infrastructure development initiatives for agriculture. This includes investments in de-siltation of rivers and dams to restore the water system.

6.3. Financing commercial agriculture, including Command Agriculture, is moving from being Government-led to bank-led, with Government providing guarantees to banks. In the same vein, resolution of the bankable 99 Year Leases will gradually remove the necessity of the Government guarantees. Ultimately, direct financing support by Government will be targeted at vulnerable households as a social protection activity. Similarly, the 2020 Budget provision for this subsidy takes cognisance of rising prices for inputs.

6.2 Mining

6.4. Zimbabwe's mining sector recorded exceptionally strong performance in the first eight months of 2019. However, ongoing shortage of foreign currency, working capital and rising production input costs threaten the growth of the sector.

6.5. The mining sector is designated to drive short to medium-term economic growth for Zimbabwe. The mining sector in Zimbabwe is projected to develop and grow to a USD 12 billion industry by 2023 in contribution to the attainment of the Zimbabwe Vision 2030 goals.

6.6. Growth in output was across minerals with diamonds jumping by 22% to 2,2 million carats, lithium skipped 45% to 49 360 tonnes, granite rose 46%, coal grew 4% to 2,4 million tonnes while platinum group metals (PGMs) surged 1%. As for gold, as at September 2018, that is 9 months period, deliveries to Fidelity Printers and Refiners were 28,2 tonnes, a 54% increase compared to 18,2 tonnes recorded in the same period last year.

6.7. Mining generates over 60 per cent of Zimbabwe's export earnings. It is estimated the sector accounts for between 12 per cent and 16 per cent of the GDP. Government wants mining to anchor economic growth and transformation towards its Vision 2030 of making Zimbabwe a middle-income country.

6.8. Working capital and foreign currency constraints, increases in production input costs from the domestic market and the high cost of electricity, threatened strong performance of the sector to the end of 2018. Government is working on amending Mines and Minerals Amendment Bill, the development of the Minerals Development Policy and specific mineral strategies on gold, platinum and lithium and was part of the process to review the ease of doing business. In addition, mining fiscal regime was reviewed by the finance ministry.

6.9. Investment agreements in platinum, gold and chrome, which have been concluded, are expected to boost output in the sector. Furthermore, capacitation programme being managed by Fidelity Printers and Refiners, Ministry of Mines and Mining Development and other development partners will support small scale miners with appropriate skills, equipment and modern technologies in mineral recoveries from ores.

6.10. Minerals Marketing Corporation of Zimbabwe will be supported through a credit guarantee scheme to provide funding and support to non-gold sector. Other interventions on improving production and transparency in the mining sector include the following: Enforcement of the "use it or lose it" principle to prevent speculative hoarding of claims across all minerals; Finalising the amendments to Mines and Minerals Act; Operationalising the automated mining cadastre information system and Rolling out of gold service centres in all major production centres. Accordingly, Government will capacitate the sector in the areas of planning, exploration, data capture and automation, among others.

6.11. In addition, with the increased call for transparency and accountability in the sector, discussions are underway with various stakeholders on joining the Extractive Industry Transparency Initiative (EITI), which will be pursued in 2020. Mineral exports remain the major sources of foreign currency, especially gold. However, mineral leakages have been on the rise, depriving the country of foreign currency earnings. Government is reviewing and tightening the Gold Trade Act and capacitating the Gold Mobilisation Unit.

6.3 Manufacturing Sector

6.12. Zimbabwe has a diversified manufacturing sector, with an important agro-industry (based on sugar, oilseeds; grains and cereals; dairy; beverages and horticulture); industries in clothing and textiles; leather and leather products; pharmaceuticals, fertilizers, cement and chemicals; rubber and related articles; soaps and detergents; iron or steel; motor vehicle assembly, furniture and timber; plastics, printing and packaging.

6.13. The sector is very important to the economy as it provides employment to many people and has potential to grow significantly. Currently, depressed levels of capacity utilization indicate that the sector has potential to contribute much more in terms of GDP, employment and export growth.

6.14. During the period under review, capacity utilisation reached a peak of 57.2% in 2011. In 2018, it was 48.2% and projected at 30% in 2019. At peak, between 1980 and 1990, the manufacturing sector contributed 25% to the country's Gross Domestic Product. Currently, this contribution is 10.6%. In 2018, the sector accounted for 92 000 workers out of a total formal workforce of 863 300 thus giving a proportion of 11.2%. The sector's exports were USD 226 million in 2018 while its import requirements amounted to over USD 1 billion.

6.3.1 Analysis of Manufacturing Sector Performance

6.15. The spike in the manufacturing sector growth rate and capacity utilization post dollarisation was due to growth in GDP and increased production in other sectors, mining, agriculture, and tourism. This was also due to inflows of funding from development cooperation partners that led to surge in aggregate demand. Monetary stability following dollarisation in 2009 was also a contributing factor that led to higher confidence and enabled businesses to invest.

6.16. The fall in the sector's growth witnessed from 2012 to 2014 was a result of the foreign currency liquidity crunch as firms could not access funding for raw materials and capital goods. This was due to lack of access to credit lines, sanctions and low domestic savings. Recovery in 2016 and maintenance of Capacity Utilization from 2016-2018 in the 45-50% range is due largely, to the impact of the Import Management programme by way of SI 64 of 2016 and later, SI 122 of 2017.

6.17. Sectors that registered positive performance are wood and furniture, foodstuffs and non-metallic mineral products (fertilizers, cement etc). This can be attributed to impact of SI 64 of 2016, and other policy interventions. Poor performance was noted in the metals and metallic products and transport and transport equipment sub-sectors. This can be attributed to low demand for domestic products and the limited impact of policy interventions. Domestic production capacity is also limited for these sectors which require significant investment.

6.18. Beginning September 2018, the manufacturing sector capacity utilisation and output experienced a sharp decline. This can be attributed to the downscaling of the import management programme through the promulgation of SI 237A of 2018. The sector has also been affected by the 2018/19 drought and power shortages that have arisen in large part, due to the drought. Low aggregate demand as a result of low disposable incomes and a generally tough macro-economic environment have contributed to increasingly depressed industrial activity.

6.4 Industrial Policy Since 2011

6.19. The Industrial Development Policy (2012-16) could not yield sustained growth for the industrial sector. This was due to several challenges which include, high utility costs, an inadequate rail transport system, reliance on antiquated plant and equipment and overreliance on imported inputs in production. In addition, a high appetite for imported products restricted industry from attaining significant growth.

6.20. The Zimbabwe National Industrial Development Policy (ZNIDP) 2019-2023, launched as the successor to the IDP (2012-16) seeks to overcome some of the structural factors that inhibited the realization of envisaged benefits under the previous industrial policy framework. To this end, the ZNIDP prioritises areas such as infrastructure development, value chain development, renewable energy. It advocates for an industrial development path anchored on innovation, investment and export growth. The ZNIDP further recognises the need for domestic industry to embrace the fourth industrial revolution and latest technologies in manufacturing.

6.21. The ZNIDP targets for the manufacturing sector to achieve a minimum annual growth rate of 2% throughout the period of the policy. This is against growth rates in recent years of 1.3% (2018) and 1% (2017).

6.5 Measures Introduced Since 2011 to Assist Industry

6.22. In 2011, Zimbabwe launched the Distressed and Marginalized Areas Fund (DiMAF) in 2011 which assisted in financing distressed companies most affected by the economic challenges through concessionary loans.

6.23. In 2016, Statutory Instrument 6 of 2016 provided for rebates of customs duties for companies on importation of industrial, mining, agricultural and energy equipment. The statutory instruments placed several goods on the Import Management programme. In addition, the following Statutory Instruments (SIs) were put in place to manage imports of selected products into Zimbabwe - S.I. 126 of 2014, S.I. 18 of 2016, S.I. 19 of 2016, S.I. 20 of 2016 and S.I. 64 of 2016, all of which were consolidated in 2017 into S.I. 122 of 2017.

6.24. Government financially capacitated the Industrial Development Corporation of Zimbabwe (IDCZ) to act as a Development Financial Institution starting in 2019, to provide funding for industry for retooling and working capital support.

7 SERVICES SECTOR

7.1 Insurance

7.1. Government is reviewing the current regulatory insurance framework with a view of consolidating all insurance, medical aid schemes, legal aid societies and pension funds including the National Social Security Authority under a single regulator – Insurance and Pensions Commission (IPEC).

7.2. The obtaining macro-economic environment, has resulted in revaluation gains on assets supporting liabilities to shareholders and not the policyholders and pension scheme members. In order to restore confidence in the pension and insurance business, IPEC will provide guidelines on industry wide conversion process to retain some value in their policies and pension accumulations.

7.3. Following the review of the minimum prescribed asset thresholds for the insurance and pensions industry in the 2019 National Budget Statement, most industry players are not compliant with the revised minimum prescribed asset thresholds as at 30 September 2019.

7.2 Zimbabwe Stock Exchange

7.4. Foreign investors' participation at the Zimbabwe Stock Exchange remained subdued mainly due to challenges faced in repatriation of profits and capital in terms of acquiring for the requisite foreign currency. In order to stimulate investment diversity and drive financial inclusion in small enterprises and retail customers, the amendment to Collective Investment Schemes will pave way for investments in real estate investments trust schemes, property fund, commodity fund, exchange traded funds, private equity fund and venture capital funds, among others. The venture capital funds will utilise the existing Alternative Trading Platform (ATP) or exchange to list shares of companies financed by venture capital funds.

7.3 Banking Services

7.5. Zimbabwe's banking sector at end September 2019 consisted of 18 banking institutions (excluding the Post Office), down from 24 in 2010; and 205 microfinance institutions, up from 114 in 2010, and 213 in 2005.

7.6. The RBZ is responsible for the regulation and supervision of banking institutions under the Banking Act [Chapter 24:20], Building Societies under Building Societies Act [Chapter 24:02] and Microfinance Institutions under the Microfinance Act [Chapter 24:29]. Foreign-owned banks may operate in Zimbabwe as locally incorporated subsidiaries of their foreign parent institutions and are subject to the same supervisory requirements as domestic banks. There are no foreign representative offices in Zimbabwe. Foreign branches are not allowed to operate in Zimbabwe.

7.7. In July 2014, the RBZ came up with three segments, namely Tier I, Tier II and Tier III for banking institutions' compliance with minimum capital requirements. Tier I segment comprises of large indigenous commercial banks and all foreign banks. These will conduct their core banking activities, and in addition, be eligible to offer other activities such as mortgage lending, leasing and hire purchase that have longer term maturities as well as other sophisticated products. In September 2019, the Reserve Bank increased the minimum capital for Tier I banks, effective January 2020.

7.8. The Tier II segment comprises of commercial banks, merchant banks, building societies, development banks, finance houses and discount houses that will only conduct their core banking activities. The Tier III segment comprises of deposit-taking microfinance institutions.

7.9. The RBZ is in the process of operationalizing the Movable Property Security Interests Act [Chapter 14:35]. The Act of July 2017 establishes a Collateral Registry and the registration of security interests in movable assets, except for marine vessels and aircraft. It also provides for administration of the registry by the RBZ. The process of procuring a suitable system commenced during the second quarter of 2019. The Collateral Registry Regulations to operationalize the Movable Property and Security Interests Act have been drafted and circulated to stakeholders for comments. The Regulations will be finalised in line with operational specifications of the deployed Collateral Registry system.

7.4 Tourism

7.10. The National Tourism Policy was developed and launched in 2014 and currently under review. The sector developed the National Tourism Masterplan (NTMP) in 2016 and crafted a National Tourism Sector Strategy (NTSS) in 2018 to promote tourism growth.

7.11. The tourism sector has experienced a mixed performance since 2011, although it's worth noting that there has been a general growth trajectory in both arrivals and receipts since the year 2012 until 2018. Whilst the tourism sector has experienced an average growth rate in arrivals of 6% over the past 5 years, growing from a USD 200 million sector in 2009 to a USD 1.3 billion in 2018, there is consensus that the negative perceptions that followed Zimbabwe's economic challenges since the year 2000, have negatively affected tourism and restricted Zimbabwe from experiencing exponential growth in the tourism sector.

7.12. In 2019, however, the operating environment continues to impede the growth of the tourism sector against a backdrop of cash shortages, rising prices, low disposable incomes, as well as fuel and electricity shortages. The persistent shortages of fuel also continue to impact negatively on the sector as both local and foreign tourists find it difficult to be assured of reaching destinations across the country.

7.13. The current power outages have also resulted in increased operating costs, which are ultimately are passed on to customers, making the destination expensive and less competitive. Nevertheless, the sector contributes over 7% to GDP, with 2.6 million tourists generating revenues of nearly USD 1.4 billion. Whilst growth in the tourism sector has been modest, the country remains largely an add-on destination packaged with Botswana (55.3%), South Africa (50.3%) and Namibia (21.7%). In addition, 30.4% of the visitors on holiday/leisure package do not spend a night in Zimbabwe while 58.9% of those who stay spend just 2 to 3 nights in the country. Meanwhile, international tourists into Zimbabwe on average spend more (USD 1,250) than their regional counter parts (USD 250).

7.14. To improve accuracy of data captured, Zimbabwe has made strides in the setting up of the Tourism Satellite Account (TSA). The Tourism sector has scored major milestones both locally and internationally.

7.15. To enhance the destination marketing and image transformation efforts, the Zimbabwe Tourism Authority also launched the Harare International Carnival in 2013, with the vision of growing it into a viable economic enterprise for the nation through employment and wealth creation, foreign revenue generation, industry expansion, tourism infrastructure development and social goodwill thereby improving the livelihoods of the people. The Carnival was hosted for 4 editions i.e., 2013, 2014 2016 and 2017, before being suspended in 2018.

7.16. For the purposes of promoting tourism development, Victoria Falls was declared as a Tourism Special Economic Zone and the planning process is now at an advanced stage. Developers in the SEZ enjoys an array of investment incentives from which they benefit from. Some of the incentives include but not limited to corporate tax, employees' tax, residents tax and customs duty on raw materials tax.

7.17. Zimbabwe has less diversified tourism product base and is underinvested in terms of:

- accommodation - ranging from low cost to luxury (lodges, hotels, etc);
- activity based facilities (such as amusement parks, entertainment facilities, even shopping malls, etc);
- integrated Resorts, Golf Estates and Casinos, Recreation Facilities, Restaurants;
- multi-purpose Convention and/ or exhibition facilities;
- tourism transport

7.18. Conferencing facilities, just as in accommodation has a huge gap compared to demand. In fact, Zimbabwe does not have modern and proper or multi-purpose convention and/or exhibition centres. The deficit of facilities has seen many big conferences or conventions being done in marques and a case in point is the 2013 UNWTO General Assembly which was held in a marque due to lack of appropriate facilities. These and many others are vast investment opportunities waiting to be explored.

7.19. The new-look Victoria Falls International Airport has begun to bear fruits with the resort destination gaining confidence in the aviation industry.

7.20. Tourism Revolving Fund, which caters for registered operators, has been set-up since March 2017, to help upgrade brownfield (existing) tourism development products. The Fund started with USD 15 million, funded by the RBZ.

7.21. Five countries in the regional grouping, namely. Angola, Botswana, Namibia, Zambia and Zimbabwe agreed to have a common Visa, the KAZA UNIVISA in 2012.

7.22. The ultimate goal of the KAZA UNIVISA is to establish a common visa for these five, Kavango Zambezi (KAZA) Trans-Frontier Conservation Area (TFCA) partner, countries. It is projected that eventually the common visa would spread to the entire SADC region and accessible at all ports of entries.

7.23. To promote inflows of tourists into the country in September 2016, the Government of Zimbabwe relaxed visa requirements for selected countries through re-classifications, which should increase socio-economic benefits from the SADC and other source markets.

7.24. The E-Visa was also introduced in 2018 for ease of travel following concerns about the length of time visitors were spending queuing at ports to gain authorization to enter.

7.25. The country is looking forward to the opening up of new areas for tourism development such as Kanyemba, Tugwi Mukosi, Mt Hampden (New City), Binga, Mazowe and Masuwe in Victoria Falls. The country intends to unlock more investment sites in National Parks and Forest areas. Provide incentives on re-opening of closed hotels and tourism facilities e.g. in Kariba, Nyanga, Beitbridge, Chivero, Mazvikadei, Bulawayo and Harare. Engagement of Local Authorities to mainstream tourism planning and unlock more land for tourism investments.

7.26. Enforce the 'Use it or lose it policy' for tourism sites and concessions. Development of new tourism products. Grant duty rebates and other incentives for the sector for the next 5 years. Investment in MICE (Meetings, Incentives, Conferences and Exhibitions and Events) infrastructure e.g. convention centres and exhibition parks. Diversified Product Development Grow special interest market segments such as sports tourism, religious tourism, educational tourism, volunteer tourism etc.

7.5 Energy Related Services

7.27. Zimbabwe has been facing power shortages due to limited electricity generation capacity at Kariba Hydro Power station due to low water levels attributed to drought, and also limited output at Hwange Thermal Power Station. Plans to add more than 2200 MW of generation capacity which will make uninterrupted power supply within the next 3-5 years are under way. The Batoka Gorge Hydro Power Project and the Hwange 7 & 8 Thermal Expansion Power Project are being rolled out. Opportunities for investment in the energy sector are available including other renewable energy sources such as wind and solar.

8 INVESTMENT ENVIRONMENT AND POLICY

8.1. Zimbabwe has abundant investment opportunities in state enterprises and parastatals, including in key enabler entities providing infrastructure and utility services, ranging from power, transport, ICT, mining, agriculture and financial services.

8.2. The pursuit of natural resource-seeking investments, had over the years, resulted in very little developmental impact on the economy, as most of them were merely focused on the extraction and exporting of non - beneficiated and non-value added commodities.

8.3. Anchoring the facilitation of investment into the country is the Zimbabwe Investment and Development Agency (ZIDA), which draws its mandate to administer investment in the country from a landmark piece of legislation, and guided by the over-arching new National Investment Policy. The Zimbabwe Investment and Development Agency Act provides a clear, comprehensive and binding legal and regulatory framework for the conduct of investment activities, by both domestic and foreign investors in the country.

8.4. The ZIDA Act establishing the country’s investment promotion and facilitation body, the Zimbabwe Investment and Development Agency, repealed and amalgamated the Acts governing the Zimbabwe Investment Authority, the Zimbabwe Special Economic Zones (SEZ) Authority, and the Joint Venture Unit. The latter operated previously as a Department under the Ministry of Finance and Economic Development. The consolidation of the above pieces of legislation allowed for the introduction of a more facilitative and investor friendly One Stop Investment Services Centre for investment promotion and facilitation.

8.5. Under the SEZs, Zimbabwe has so far designated 6 public special economic zones, 8 private special economic zones and licensed 3 investors in 3 different public zones.

8.6. Special Economic Zones offer a cocktail of incentives to value-adding industries situated in those zones. The Granting of National Project Status is offered to investors establishing significant projects in the country. Rebates of Duty are granted to facilitate duty-free importation of capital equipment for use in manufacturing, mining, agriculture and energy.

8.7. Zimbabwe’s new National Investment Policy unveiled in 2019, seeks to increase the share of private sector investment to upwards of 25 per cent of GDP by 2030, restore and sustain investor confidence through guarantees over investment protection, policy consistency, and transparency throughout the entire investment management cycle.

8.1 Measures to improve the Investment Environment

8.1.1 Ease of Doing Business Initiative

8.8. – the Government has put in place, new institutional systems, streamlined procedures, legal and regulatory amendments to enhance the country's image and attractiveness as an investment destination of choice. The measures have borne fruit as evidenced by Zimbabwe moving 15 places from being ranked number 155 in 2018, to being ranked 140 in 2019, out of 190 countries on the World Bank Ease of Doing Business index.

8.1.2 Amendment of Indigenisation Legislation

8.9. – In 2018, the Government amended Indigenisation laws through the Finance Act, 2018 (No. 1 of 2018). The previous requirement that businesses have 51% local shareholding was scraped with foreigners being allowed to hold as much shareholding as desired in all sectors except for diamond and platinum mining. The 2018 Finance Amendment Bill further amended indigenisation laws to remove the requirement of 51% shareholding by Zimbabweans in the diamond and platinum mining sectors.

8.1.3 One Stop Investment Services Centre

8.10. - Zimbabwe Investment and Development Agency (ZIDA) has been established to operate as an effective one stop investment centre incorporating under one roof, with the regulatory Agencies and Ministries that deal directly with investors.

9 ADMINISTRATION OF STANDARDS AND QUALITY

9.1. In 2015, the Government established a Standards and Quality Assurance Department in the Ministry of Industry and Commerce. The core functions of the department are to monitor products imported into the country and exported for compliance with quality, safety, health and environmental standards in line with World Trade Organization (WTO) agreements. Overall, the objective is to protect consumers, animals and the environment from harmful and substandard products that may be imported into the country as well as those locally produced for consumption and export. Another objective is to assist exporters to understand the need to know in advance standards that are required in the export market and obtain the requisite certification before shipment of the goods. This is necessary to avoid rejection of exports at the point of entry. The department also negotiates regional standards as well as domesticates them.

9.2. Zimbabwe is currently developing the National Quality Policy which will promote the development and sustenance of quality infrastructure in the country. Zimbabwe is also finalising the Compulsory Specifications Bill that seeks to outlaw importation and distribution of sub-standard products. This will also make adherence to currently voluntary standards that are pertinent to human health and the environment, compulsory

9.3. Zimbabwe also implements the Consignment Based Conformity Assessment Programme (CBCA) which involves pre-export verification of about 12,5% of the goods in the tariff handbook. The CBCA is conducted under the auspices of Statutory Instrument 132 of 2015. Of the goods under the CBCA programme only goods accompanied by a conformity assessment certificate may be imported into the country. To date compliance rates in excess of 90% are being recorded.

10 CONSUMER PROTECTION

10.1. In order to improve consumer welfare and industrial competitiveness, Zimbabwe established the National Competitiveness Commission (NCC) in 2017. Furthermore, Zimbabwe enacted the Consumer Protection Bill in November 2019. The Bill seeks to empower and protect the consumer from being short changed by suppliers of goods and services.

11 INSTITUTIONAL AND STRUCTURAL REFORMS

11.1 Trade Facilitation Initiatives

11.1. ZIMRA has a mission to promote economic development through efficient revenue generation and trade facilitation and has thus put in place client-centric strategies for the convenience of the transacting public.

11.2. In this regard, more inland stations and border posts have been opened nationwide since the establishment of the organization in 2001, these included Mlambapeli (border with Botswana), Gwanda Customs House, Bindura, Chinhoyi and Rutenga. Operational hours at some ports of entry/exit have also been extended, with the busiest border post, Beitbridge operating 24 hours for the convenience of the public, and the operating hours at Chirundu, Victoria Falls, Plumtree and Forbes Border posts also being extended for the convenience of clients.

11.3. As trade facilitation initiatives, measures which have been implemented include risk management, pre-clearance facility, use of scanners, post-importation audits and verifications, introduction of dog detector unit, e-payment platforms, automation of customs processes (including e-Temporary Import Permits for motor vehicles), Authorised Economic Operator program, and electronic licensing of clearing agents/brokers. A One Stop Border Post at Chirundu with Zambia, which was officially opened on the 5th December 2005 by the Heads of State of the two countries.

11.4. The Authority is using ASYCUDA World which is internet based and allows our registered traders and clearing brokers to lodge bills of entry on line from anywhere which was initially implemented in 2009 at selected ports and in 2011 to all ports. The system was upgraded in May 2018. Border patrols, electronic cargo tracking system, client awareness programmes, use of close circuit television systems and cargo monitoring have been put in place in order to fight underhand dealings and smuggling of goods.

11.2 Public Procurement

11.5. The Public Procurement and Disposal of Public Assets Act [Cap 22:23] came into force on 1 January 2018, replacing the 1999 Procurement Act. The new Act covers all publicly owned companies in which the state has a controlling interest at central and sub-central level If one of its provisions conflicts with an obligation of Zimbabwe under or arising out of any convention, treaty or agreement between Zimbabwe and one or more foreign States or governments; or one or more international financial organizations; the requirements of the convention, treaty or agreement shall prevail (section 3 of the Act).

11.3 State Enterprises and Parastatals Reform

11.6. Efforts are currently underway to reform State Owned Enterprises (SOEs) which have been under-performing for decades and draining the fiscus. A reform framework for 43 state enterprises and parastatals, aimed at making them fully accountable and economically viable is now in place. Some of the SOEs will be partially privatised through the engagement of strategic partners and/or listing on the Zimbabwe Stock Exchange, while others will be merged, fully privatised and/or liquidated. In 2019, we enacted the State Public Entities Corporate Governance Act which is intended to strengthen the management and governance of State Owned Enterprises so that they contribute to economic growth and development. State-owned enterprises in the past contributed over 40% to GDP and this has gone down to less than 10%.

12 TRADE POLICIES AND PRACTICES

12.1. The Zimbabwe National Trade Policy Vision and Export Strategy towards the National Vision 2030 Agenda envisages a transformed, dynamic and internationally-competitive economy, driven by robust domestic and international trade.

12.2. The trade policies and export strategies are articulated in the National Trade Policy (2019--2023) and the National Export Strategy (2019-2013), which are anchored on the Zimbabwe National Industrial Development Policy (2019-2023) whose main thrust is advancing Zimbabwe's export-led industrialisation agenda.

12.3. The National Trade Policy (2019-2023) seeks to reform and open up Zimbabwe for free and fair trade in line with the multilateral trading system. Thrust will also be put on export development and promotion; diversification of export products and export markets; and market access at negotiations at bilateral, regional and multilateral levels. The strategic goal is to facilitate the growth of national exports of goods and services by at least 10% annually from USD 4.5 billion in 2018 to USD 7 billion in 2023, and USD 14 billion by 2030. These are the 7/14 Export Targets Towards Vision 2030.

12.4. Essentially, the National Trade Policy (2019-2023) responds to key issues that affect the competitiveness of Zimbabwe businesses at international, national and individual enterprise levels.

12.5. This National Trade Policy identifies and proposes solutions to the associated challenges at the border, behind the border and beyond the border in the export markets. The policy outlines measures to be used to tackle these problems at every stage of production and distribution of goods and services for export.

12.1 Export-Led Production and Industrialisation

12.6. The main thrust of Government policy is to nurture a culture of producing for export which is essential for firms to attain international competitiveness and benefit from economies of scale. Government, through ZimTrade (the national trade development and promotion organisation) will nurture a culture of exporting in local enterprises through training and capacity building, export awareness and recognition of consistent exporters in the economy.

12.7. In line with the emergence of regional and global value chains Government has identified and prioritised the following sectors; tourism, horticulture, leather and leather products, food and beverages, textiles and clothing, wood and furniture, arts and crafts, as well as mineral beneficiation and trade in services.

12.8. As part of the export-led industrialisation and trade policy, Special Economic Zones are intended to address slow growth in FDI, disinvestment, decline in export growth and export earnings, and job losses. Government has already identified areas for SEZ development and incentives are being offered to attract local and foreign investment into the SEZs. Public Private Partnerships (PPPs) will be adopted to support the development of necessary infrastructure in the zones.

12.9. Government recognises the importance of promoting the establishment of export-oriented value chains and clusters around large exporting firms and coordination of linkages between SMEs and large firms as a strategy for promoting trade and transfer of expertise. The establishment of such clusters will be spearheaded through promoting supply contracts and other sub-contracting activities, using state procurement and promoting joint ventures with a view to encouraging SMEs to enter into the export business.

12.10. To support the transformation of informal businesses into formal SMEs Government recognises the need to continuously improve the environment for private sector in particular SMEs development as the basis for export-led development. Initiatives to improve access to finance, technology for SMEs and export marketing training programmes will be pursued while existing structures and platforms for effective public-private-sector dialogue will be strengthened. Programmes directed at strengthening capacity of intermediary organisations to render effective services to private sector will be strengthened.

12.2 Trade Development Strategies

12.11. To support manufactured export growth, Government will pursue effective and comprehensive trade development strategies to buttress export-led production and industrialisation. This will be achieved through export diversification and provision of trade finance, trade incentives and export credit guarantee insurance.

12.12. In 2016, Zimbabwe acceded to and became a full member of the African Trade Insurance Agency (ATI), a COMESA institution which provides export credit insurance, political risk insurance and investment guarantees. Zimbabwe's membership is expected to go a long way in facilitating Zimbabwe's trade with the rest of the world and attract the much-needed FDI to drive the country's industrialisation agenda and infrastructure development. Government will continue to encourage enterprises to continuously engage with the ATI and derive maximum benefits from their insurance products and services.

12.3 Competition Policy

12.13. The Competition and Tariff Commission is responsible for the promotion and maintenance of fair and unfettered competition in all sectors of the economy. This is achieved through regulation of mergers and acquisitions, prevention and control of restrictive practices, prohibition of abuse of monopoly situations.

12.14. Zimbabwe recognises the importance of effective implementation of competition law in achieving inclusive economic growth. Therefore, the country engaged in legislative reform which gave birth to the revision of the Competition Act. The amendments seek to ensure effective deterrence of antitrust violations hence the Act will provide for appropriate sanctions for procedural and substantive competition violations. The Commission, for infringements including cartelisation and abuse of dominance, will henceforth levy punitive administrative penalties based on turnovers of offenders.

12.15. In its quest to create an enabling environment for fair competition, the Commission also developed a Competition Assessment Toolkit in order to have a mechanism to review the harmonisation of Policies Laws, Government and Business Actions in relation to their effect on competition and subsequently on industrialisation. This Competition Assessment Toolkit provides a sieving mechanism to ensure that there is sufficient coherence with competition rules and principles thereby building a competition culture in the country.

12.16. The Commission has started engaging on advocacy campaigns with policy makers to ensure harmonisation of laws as well as elimination of laws or regulations, which have an effect of promoting anti-competitive behaviours.

12.4 Imports and Tariff Regime

12.17. Zimbabwe's imports are governed by the Open General Import License (OGIL) where imports are exempted from licenses. Certain products, however, require import licenses which are administered by the Ministry of Industry and Commerce, through the Control of Goods Act. Zimbabwe requires permits for selected agricultural imports and these are granted by the Ministry of Agriculture, Mechanisation and Irrigation Development. Some animal products require a separate permit under the Animal Health (Import) Regulations to comply with Sanitary and Phytosanitary regulations. The purpose of licensing is for Sanitary and Phytosanitary requirements and statistical purposes.

12.18. Government will implement a tariff policy aimed at enabling the importation of raw materials and capital goods to stimulate production and export of value-added goods. The tariff policy will also be one of the measures that will be utilized to encourage investment in prioritised sectors, strengthen value chains, and enhance local industry competitiveness.

12.19. The Zimbabwe tariff structure consists of 9 bands namely; 0%, 5%, 10%, 15%, 20%, 25%, 40% and 60%. The tariff regime also consists of specific duty and combination rates of duty on products such as clothing, footwear and travel bags.

12.20. The country's successive tariff rationalisation over the years has produced a cascading tariff structure categorized into raw materials and capital goods with low duties, intermediate goods with moderate duties and final goods with relatively high duty rates. The adopted tariff structure takes into consideration the value addition processes obtaining in the economy. The categories and tariff bands are as reflected in the following table:

Table 12.1 Tariff structure by product category

Category	Tariff Bands
Raw materials	0-5%
Capital goods	0-5%
Intermediate goods	5-25%
Finished goods	<40%
Sensitive goods	>40%

Source: ZIMRA

12.21. In addition to the 40% customs duty, clothing, and some travel goods attract specific charges as measured by weight in kilogrammes and in respect of footwear per number of pairs.

12.22. The above duty structure applies to commercial importations, whereas, private importations by individuals are subject to flat rates of duty at 40% for other goods and 55% for electrical goods like Television sets and Radios.

12.23. The tariff regime that has evolved over the past decade is a reflection of the Government's response to address national needs under difficult environmental circumstances.

12.5 Export Taxes

12.24. Government will, as a temporary measure, introduce export taxes on primary commodities where value-addition options are readily available in order to promote exports of value-added goods.

12.6 Rules of Origin

12.25. Government will participate in the rules of origin development and review process being undertaken in the region to make them simple and industry friendly. Capacity building workshops will be conducted to train customs, investment, industry, and trade officials, together with the private sector, on the rules of origin applicable in existing trade agreements and certification mechanisms.

12.7 Standards and Quality

12.26. Government policy seeks to implement internationally accepted quality standards and accreditation programs to develop local standards based on internationally accepted standards. This will be done by developing a national policy on standards and quality assurance which would ensure adherence to the World Trade Organisation Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) agreements, among other international standards agreements. Government will put in place legislation which will make it mandatory for companies to comply with specified national and international standards on both imports and exports.

12.8 Trade Promotion

12.27. The Trade Balance for Zimbabwe has been negative over a long period of time. This reflects the country continues to import more than it exports it is therefore critical to ensure the country comes up with ways that can reduce the negative trade balance.

12.28. Key trade promotion institutions that include ZimTrade, Zimbabwe International Trade Fair (ZITF) Company and Zimbabwe Tourism Authority (ZTA) will be adequately resourced and capacitated to effectively deliver on their mandates. Efforts will be made to ensure increased participation at regional and international trade fairs, buyer and seller trade missions, deployment of Trade Promotion Officers (TPOs) in strategic and potential markets, increased publicity campaigns and expanding the scope of the country's premier international trade promotion events such as the

Zimbabwe International Trade Fair (ZITF), Zimbabwe Agricultural Show (ZAS) and the Sanganayi / Hlanganani World Tourism Expo. Awareness campaigns on the trade agreements signed by the country will also be utilised.

12.9 Brand Zimbabwe Promotion

12.29. Government will enhance the 'Nation Branding Project' to jointly promote the national brand from the tourism, investment and trade perspectives – the 'Visit-Invest-Trade' concept. The main objectives of the project are to transform and manage a positive country image locally, regionally and internationally; improve the country's attractiveness to tourists, investors, trading partners and local consumers; and create a National Brand to identify quality products produced in Zimbabwe for the exports markets.

12.10 Ease of Doing Business Reforms

12.30. In the 2020 World Bank Ease of doing business survey Zimbabwe ranked 140 with a doing business score of 54.5 (Ease of Doing Business Report October 2019). This is attributed to the Ease of doing business reforms being spearheaded by the Office of the President and Cabinet. The National Trade Policy interventions will be targeted on indicators that directly affect the Trading across Borders index ranking.

12.11 Intellectual Property Rights (IPRs)

12.31. Government is strengthening intellectual property rights through capacitating the respective institutions mandated to protect patent innovative products including trademarks and copyrights. This gives exclusive rights, commercialize the invention enabling SME to obtain higher returns on their investments.

13 MULTILATERAL TRADE AND REGIONAL AGREEMENTS

13.1 World Trade Organisation (WTO)

13.1. Zimbabwe has commitments at the WTO in the agricultural, industrial and services sectors. The simple average of bound duties in agriculture is 25%, and 14% in industrial goods. In the services sector, Zimbabwe has scheduled commitments in telecommunications, financial services and tourism.

13.2. Zimbabwe is committed in its implementation of the Uruguay Round Agreements. In order to increase transparency in the trade regime, Zimbabwe has to a greater extent responded to notification obligations. Trade policy formulation is undertaken in consultation with various stakeholders both from the public and private sector. In addition, the enquiry points for sanitary and phytosanitary measures (SPS), technical barriers to trade (TBT) and Trade in Services have been operational since 1995.

13.3. Zimbabwe actively participated at the 9th Ministerial Conference that resulted in the adoption of the Trade Facilitation Agreement (TFA) in 2011. The country has established a national trade facilitation committee (NTFC) in line with the (TFA). Zimbabwe continues to actively participate in the Doha Development Round negotiations including the post –Bali issues

13.2 Trade Remedies

13.4. Zimbabwe has in place national legislation on dumping and subsidisation enacted in 2002 as Statutory Instrument 266, Competition (Anti-dumping and Countervailing Duty) (Investigation) Regulations, 2002), which is meant to counter unfair trade practices resulting from dumping and subsidisation. These regulations have been notified to the WTO. It also has in place the national legislation on Safeguards namely the Competition (Safeguards) (Investigation) Regulations, 2006, Statutory Instrument No. 217 of 22 September 2006, which is meant to counter surges in imports that cause or threaten to cause serious injury to the local industry. These regulations have been notified to the WTO and are administered by the Competition and Tariff Commission.

13.3 Regional Trade

13.5. Zimbabwe is Party to a number of bilateral and regional trading arrangements. At the bilateral level, Zimbabwe entered into Bilateral Trade Agreements (BTAs) encompassing both Preferential Trade Agreements (PTAs) and Most Favoured Nations (MFN) agreements with over forty countries across the globe. These agreements are aimed at broadening the scope for market access and facilitating trade on the basis of reciprocity.

13.6. The Government of Zimbabwe has been reviewing the existing Bilateral Trade Agreements with a view to assess their relevance and to accommodate developments at the national, regional and multilateral trading systems. Some of the agreements have proved to be deficient in respect of areas such as rules of origin and other trade support mechanisms to facilitate trade and foster economic co-operation.

13.7. A deliberate strategy has also been adopted by Government to enter into Memoranda of Understanding on Economic, Trade and Investment Cooperation with key partner countries as general frameworks to promote and facilitate enhanced economic cooperation, bilateral trade and cross border investments.

13.8. Zimbabwe is a member of the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) Free Trade Protocols in support of the regional integration agenda. The Free Trade Area (FTA) Protocols provide for duty-free quota-free trade in goods for COMESA and SADC member states, provided such goods meet set criteria on the rules of origin. The low levels of competitiveness faced by local industry resulted in Government in some instances adopting measures inconsistent with original national commitments at regional level.

13.4 Southern African Development Community

13.9. Zimbabwe is participating in the SADC free trade area under the Protocol on Trade. The country has liberalised 84% of the tariff hand book with the remaining 16% being classified as sensitive subject to liberalisation at a later stage. Zimbabwe's trade is mostly concentrated in the SADC region with South Africa constituting the largest share of both imports and exports for the country.

13.10. The region has adopted a comprehensive Trade Facilitation programme aimed at easing flow of goods and services within the region. The programme draws from the WTO Trade Facilitation Agreement and aims to help member states implement the provisions of the Agreement.

13.11. Zimbabwe has also received support from the European Union to effectively implement the SADC Protocol on Trade mainly in capacitating the area of quality infrastructure of the country. The support is under the Trade Related Facility meant to assist local industry to increase exports by meeting international standards.

13.12. The SADC region also adopted its Protocol on Trade in Services and concluded phase 1 negotiations on six priority services sectors of Communication, Construction, Energy Related, Financial, Tourism and Transport sectors. Schedules of specific commitments for the six sectors were adopted and preparations for implementation are underway..

13.5 COMESA Free Trade Area

13.13. Zimbabwe is a founder member of the COMESA Free Trade Area (FTA) established in October 2000.

13.5.1 Zimbabwe's Trade Performance in COMESA

13.14. In 2018, Zimbabwe's exports to the COMESA region increased from USD 84 million in 2017 to USD 92 million in 2018, representing a 10% increase in exports to the region.

13.15. Zimbabwe's imports from COMESA also increased between 2017 and 2018 by 56%, from USD 309 million in 2017 to USD 480 million in 2018, in value terms.

Table 13.1 Zimbabwe's Trade with COMESA, value in USD (millions)

Flow	2010	2011	2012	2013	2014	2015	2016	2017	2018
Exports	253.8	136.8	108.3	129.7	105.7	96.0	87.3	83.6	92.0
Re-Exports	13.2	13.9	12.6	5.7	8.2	5.4	2.5	2.4	5.9
Total Exports	267.0	150.7	120.9	135.4	113.9	101.4	89.8	86.0	97.9
Imports	271.2	462.1	641.2	416.4	340.6	435.8	364.1	308.6	480.0
Trade Balance	-4.2	-311.3	-520.2	-281.1	-226.7	-334.4	-274.3	-222.6	-382.1

Source: COMSTAT Database

13.16. Zimbabwe's major exports destinations in the region in 2018 were Zambia, Kenya, Malawi and Congo DR Zimbabwe's top export products to Zambia in 2018 were fish, electric storage batteries, tea, deep-freezers, articles for the conveyance/packing of goods, electric generating sets, microwave oven, tobacco, wood, orange juice, fibreboard of wood, waters, cartons, boxes & cases and cane sugar all worth USD 32 million. The main export product to Kenya was Cane sugar valued at USD 23 million. Export products to Malawi were electric generating sets, seeds fruit & spores, fish, electric storage batteries, cartons, boxes & cases, microwave oven, margarine and fertilizers all valued at USD 5 million.

13.17. Zimbabwe's exported products to COMESA in 2018 were led by Cane sugar (22%) followed by Fish (5%), articles for the conveyance/packing of goods (4%), Electric generating sets (4%) Electric storage batteries (3%), other black tea (3%) and Deep-freezers, household-type (3%).

13.18. In 2018, Zimbabwe's top imports from COMESA were from Mauritius with a value of USD 198 million, Zambia USD 178 million, Malawi USD 33 million, Eswatini USD 30 million, Egypt USD 22 million and Kenya USD 17 million. Top Import products from Mauritius were soya bean oil, broken rice, fertilizers, flours & meals of oil-seeds, insecticides and medicaments. Products imported from Zambia were petroleum oils, Oilcakes, waters, tobacco and flours & meals of oil-seeds.

13.19. In 2018, Zimbabwe's top import products from the COMESA region were Petroleum oils (9.5%), Oilcake (4.9%), Mixtures of odoriferous substances (4.7%), Soya bean oil (4.3%) followed by Ammonia phosphate and Tobacco accounting for 4.1% and 4%, respectively.

13.6 COMESA-EAC-SADC Tripartite Free Trade Area

13.20. Zimbabwe is also participating in the COMESA-EAC-SADC Tripartite negotiations which are aimed at harmonizing trade regimes, free movement of business persons, joint implementation of regional infrastructure projects and programmes, and legal and institutional arrangements for regional cooperation within the three Regional Economic Communities (RECs). Zimbabwe is among the 23 Member/Partner States that have signed the Tripartite Free Trade Area (TFTA) Agreement. The Agreement will enter into force upon ratification by 14 Member/Partner States. Currently, 7 countries have ratified the Agreement. Zimbabwe is in the process of ratifying the Agreement.

13.7 African Continental Free Trade Area (AfCFTA)

13.21. Zimbabwe is a State Party to the African Continental Free Trade Area (AfCFTA) which will bring together 55 Member States of the African Union covering a market of more than 1.2 billion people. The Agreement entered into force on 30 May 2019 and Zimbabwe was the 24th country to deposit its instrument of ratification. As at 5 December 2019, 29 countries had ratified the Agreement.

13.22. The Agreement Establishing the Continental Free Trade Area (AfCFTA) aims at creating a single Market for Goods, Services, facilitated by movement of Persons in order to deepen the economic integration of the African Continent and in accordance with the Pan African Vision of "An integrated, prosperous and peaceful Africa" enshrined in Agenda 2063.

13.23. The operational phase of the Agreement was launched on 7 July 2019 and trading will commence on 1 July 2019.

13.24. Zimbabwe's positions in the AfCFTA are based on positions and provisions in the RECs that the country is Party to, in order to ensure harmonisation of the country's positions at regional and continental level.

13.8 Interim Economic Partnership Agreement with the European Union

13.25. Zimbabwe has been implementing the Interim Economic Partnership Agreement (iEPA) with the European Union (EU) since May 2012. The Agreement provides for duty- free quota - free market access for its exports into the EU market. Zimbabwe will gradually liberalise 80% of its imports from the EU within 10 years (2013-2022). The ESA – EU iEPA was concluded as a package including provisions on Trade in goods and Market Access, Fisheries and Economic Development Cooperation.

13.26. Zimbabwe together with other ESA Signatory states are now engaged in negotiations with the European Union on the deepening of the iEPA. The negotiations are being conducted in the spirit of Article 53 of the iEPA which provides for the continuation of negotiations with a view to concluding a full and comprehensive EPA. The areas to be covered by the full EPA go beyond trade in goods and will include Services and Investment, and Trade-Related Areas such as Sustainable Development, Competition, Customs and Trade Facilitation as well as further improvement in Trade in Goods and Rules of Origin.