



REPUBLIC OF ZIMBABWE

INDUSTRIAL DEVELOPMENT POLICY (2012–2016)

MINISTRY OF INDUSTRY AND COMMERCE





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2012 - 2016

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1.0 LIST OF ABBREVIATIONS AND ACRONYMS

CTC	Competition and Tariff Commission
CCZ	Consumer Council of Zimbabwe
COMESA	Common Market for Eastern and Southern Africa
CZI	Confederation of Zimbabwe Industries
GDP	Gross Domestic Product
IDP	Industrial Development Policy
IDCF	Industrial Development Capital Fund
IPP	Independent Power Plants
MoAMID	Ministry of Agriculture, Mechanization & Irrigation Development
MoEPD	Ministry of Energy & Power Development
MoF	Ministry of Finance
MoIC	Ministry of Industry and Commerce
MoHA	Ministry of Home Affairs
MoHCW	Ministry of Health & Child Welfare
MoHTE	Ministry of Higher & Tertiary Education
MoLGURD	Ministry of Local Government, Urban & Rural Development
MoLSS	Ministry of Labour & Social Services
MoRIIC	Ministry of Regional Integration & International Cooperation
MoSEP	Ministry of State Enterprises and Parastatals
MoSMED	Ministry of Small and Medium Enterprises and Cooperative Development
MoSTD	Ministry of Science & Technology Development
MoTCID	Ministry of Transport, Communications and Infrastructure Development
MoWRDM	Ministry of Water Resources Development & Management
MTP	Medium Term Plan
NRZ	National Railways of Zimbabwe

SADC	Southern Africa Development Community
SAZ	Standards Association of Zimbabwe
SDI	Spatial Development Initiative
SIRDC	Scientific Industrial Research Development Corporation
STERP	Short Term Emergency Recovery Programme
ZESA	Zimbabwe Electricity Supply Authority
ZIA	Zimbabwe Investment Authority
ZIMRA	Zimbabwe Revenue Authority
ZINWA	Zimbabwe National Water Authority
ZISCO	Zimbabwe Iron and Steel Company
ZNCC	Zimbabwe National Chamber of Commerce

PREFACE

As Head of State and Government, I join fellow Zimbabweans and, in particular, the business community in celebrating this production of an implementable blue print for the country's value-added economic growth and development as enshrined in the Industrial Development Policy (IDP) 2012–2016. The timing of its publication, not long after the launch of the Medium Term Plan (MTP) last year, marks a significant milestone in Zimbabwe's economic growth and revival path. The Industrial Development Policy is a product of wide and thoroughly extensive consultations with the relevant stakeholders.



**His Excellency, R. G. Mugabe,
President of the
Republic of Zimbabwe**

Our country's economy has historically been anchored on four pillars, namely, agriculture, mining, manufacturing and tourism. The industrial pillar not only adds value to products from the agricultural and mining sectors but, more importantly, contributes to the reduction of poverty since industrialisation is a critical driver of economic growth and development.

Industrialisation is the essence of development. Industrial production creates job opportunities at higher skill levels and facilitates more useful links across the agricultural, mining and service sectors, between rural and urban economies, and across consumer, intermediate and capital goods industries. As Government, we are launching this Industrial Development Policy 2012–2016 to address the challenges which weigh down our industrial sector in order to enhance its performance and give it the competitive edge it needs in the challenging global environment.

Value-addition or beneficiation is one of the cornerstones of this policy. Zimbabwe is abundantly endowed with natural resources, which include many industrial minerals and agricultural resources. However, the resources remain dormant if they are not fully exploited.

The challenge facing the country is to transform the economy from being raw resource-dependent to one that enjoys beneficiated products being knowledge-driven, dynamic and diversified.

This Zimbabwe Industrial Policy seeks to maximise revenue deliverables from the exploitation of our natural resources through the enhancement of investment in the sector. This will lead to increased capacity utilisation in local processing and value-addition, thus enabling greater integration of the country's enterprises into the relevant global value chains.

Zimbabwe's industrial development will also benefit from human capacity building, investment in health, education and training. In today's knowledge-based global economy, industrialisation is increasingly being driven by scientific research, technology and innovation. The ability to develop, acquire, upgrade and adapt technologies is a key element for competing effectively in the global market. Thus, there must be continuous flows of scientific discoveries, and the development and adaptation of technologies to ensure improvement in the competitive production of Zimbabwe's industrial goods in the regional and international markets.

Lastly, the Policy seeks the establishment of appropriate industry-related institutional and regulatory frameworks at the national level to support the financial mobilisation of resources as a key element of Zimbabwe's Industrial Development Policy Implementation Matrix. Such a policy framework is part of the conducive environment for domestic and foreign private sectors to play their part in the process of industrialisation.

I wish to urge all stakeholders, particularly Government, Business, Labour and Civil Society, to harness all their energies so as to make the Industrial Development Policy a success.



His Excellency, R. G. Mugabe,
PRESIDENT OF THE REPUBLIC OF ZIMBABWE

FOREWORD

The last decade has witnessed the engine for economic growth and development that is anchored in Zimbabwe's manufacturing sector declining in its contribution to GDP from averages of 20% in 2000 to below 10% by 2008. The main causes for this decline are well documented not only in the current policy framework but elsewhere in key Government Policy documents such as Short Term Emergency Recovery Programmes (STERP 1 and 2) and the Medium Term Plan (MTP) and include *inter alia* slump in commodities prices, ageing machinery, shortage of development finance and inefficiency of enablers. The decline was further compounded by the global financial meltdown of 2008 which wreaked havoc internationally in general but more profoundly in developing countries.



**Prof. Welshman Ncube (M.P.)
Minister of Industry
and Commerce**

The ruthless adverse impact that the near financial collapse had on the global economy not only called for concerted and resolute action but also proved a catalyst for fundamental paradigm shift that relies on current macro-economic orthodoxy. Zimbabwe was not spared by the adverse impact of these developments and in spite of the existence of a framework that sought to steer the manufacturing sector to value added growth, the policy was neither robust enough nor sufficiently dynamic to cope with both the changes and challenges then presenting themselves.

Thus my Ministry in practical vein intended to address these changes and challenges drew up the current Industrial Development Policy (IDP) Framework 2012 - 2016 that replaces the one which expired in December 2010 to serve as a solid blue print for Zimbabwe's industrial growth and revival.

The Industrial Development Policy itself envisages transforming Zimbabwe from a producer of primary goods into a producer of

processed value-added goods for both the domestic and export market through the promotion of viable industrial and commercial sectors. The overall objectives of the policy is to restore the manufacturing sector's contribution to GDP of Zimbabwe from the current 15% to 30% and its contribution to exports from 26% to 50% by 2016.

Critical to the attainment of these objectives is the anchoring of fundamental principles in the document of issues related to enhanced value addition, access to affordable development finance, technology transfer and research and development among others, on prioritized sector basis under a cluster approach.

I am fully aware of the onerous implementation burden that is being placed upon my Ministry but at the same time I am also fully convinced and relieved that the cooperation my Ministry will receive in shared and collective responsibility in carrying out the allocated tasks both between Government and the private sector will make the journey to completion of this heavy task a thoroughly worthy and enjoyable one.

I thus invite Government, Business and Labour to join me on this arduous but critical and inescapable route to the country's rejuvenated health in our economic growth and development efforts.



Prof. Welshman Ncube (M.P.)

MINISTER OF INDUSTRY AND COMMERCE

1.0 THE VISION

To transform Zimbabwe from a producer of primary goods into a producer of processed value-added goods for both the domestic and export market.

1.1 MISSION STATEMENT

To create a vibrant, self-sustaining and competitive economy through promotion of viable industrial and commercial sectors as well as domestic and international trade.

1.2 OBJECTIVES

- 1.2.1 The overall objective is to restore the manufacturing sector's contribution to GDP of Zimbabwe from the current 15% to 30% and its contribution to exports from 26% to 50% by 2015 consistent with the Medium Term Plan. An average real GDP growth of 7% is targeted under this Policy Framework of 2012-2016.
- 1.2.3 To create additional employment in the manufacturing sector on an incremental basis and reduce unemployment levels by 2016.
- 1.2.4 Increase capacity utilization from the current levels of around 57% to 80% by the end of the planning period.
- 1.2.5 To re-equip and replace obsolete machinery and new technologies for import substitution and enhanced value addition.
- 1.2.7 To increase the manufactured exports to the SADC and COMESA regions and the rest of the world.
- 1.2.8 To promote utilisation of available local raw materials in the production of goods.

1.3 STRATEGIES

- 1.3.1 In view of the aforementioned objectives listed in 1.2 above, the strategies to be pursued in fulfillment of these objectives are as follows:
- 1.3.2 **Industrial Financing:** Government will establish a dedicated financial mechanism through the re-modeling or restructuring of existing institutions primarily dedicated to financing medium and long term recapitalization of industry.
- 1.3.3 **Lines of Credit:** Government will identify additional lines of credit of a medium to long term nature and make them available to industry on priority basis. The target is to finance the procurement of raw materials, packaging materials, production consumables, laboratory chemicals, spare parts, repairs and maintenance of plant and equipment and other working capital costs.
- 1.3.4 **Distressed Strategic Companies:** As a short term measure, the Government will initiate revival packages for Distressed Companies with a clear-cut exit policy on the basis of a revolving fund.
- 1.3.5 **Review of Import Tariffs:** The Government will review the import tariffs structure on the customs duty and VAT on industrial raw materials and packaging to level the playing field for locally produced goods.
- 1.3.6 Strengthening of existing institutions such as SIRDC to coordinate the crucial role of modernizing industry's plant and equipment and to improve on its systems and quality of products in line with international best practice.
- 1.3.7 **Trade Policy:** A key strategic component of the IDP is the trade policy which will be advanced by a separate policy document to support the trading environment to maximize attractiveness of Zimbabwean products in the region and globally.

- 1.3.8 The Trade Policy will nurture private sector competitiveness and support the productive sectors of the economy to create wealth, employment and enhancing social welfare.
- 1.3.9 **Spatial Development Initiatives:** Government will put in place a short term investment strategy (SDIs) to unlock latent economic potential in a specific geographical area. The programme is in line with the SADC Members States' economic vision which aims at transforming the respective members states' economics from operating as individual, fragmented markets into single, integrated, vibrant and globally competitive market, characterized by free movement of goods, services, capital as well as labour.
- 1.3.10 The Government will encourage the setting up of Partnerships' and financing options for the development of infrastructure and liaise closely with Apex organizations/Chambers of Commerce and Industry/ Trade Bodies in order to set up and sustain a Market Intelligence network which will provide a continuous feedback on the status of the industry and proposals on the types and levels of interventions required.
- 1.3.11 The Government will improve the investment climate and the business environment through various intervention measures that will include a well-coordinated brand management of the Government, the State and the Country.
- 1.3.12 The Government will promote/help/facilitate specialized skill development institutions at strategic locations for the manufacturing industry and services sector through public-private partnerships. These initiatives will be further strengthened by collaboration of institutions' such as ZIMDEF and SDF.

1.4 ASSUMPTIONS

1.4.1 Key to the successful implementation of these strategies is the fulfillment of underlying assumptions which are covered under the implementation matrix but for ease of reference important to restate:

1.4.1.1 Continued commitment to a stable and supportive political and macroeconomic environment,

1.4.1.2 Creating capacity for financing industrial sector transformation,

1.4.1.3 Development and upgrading of key supportive infrastructure,

1.4.1.4 Strengthening the institutional framework for the implementation of the Industrial Policy,

1.4.1.5 Promotion and institutionalization of a public-private partnership approach,

1.4.1.6 Deepening and widening of industrial base,

1.4.1.7 Creating and strengthening national capacity for innovation, and effective application of science and technology in industry,

1.4.1.8 Building the necessary human resource development for industrial transformation, and employment,

1.4.1.9 Promotion of occupational safety in industrial development,

1.4.1.10 Promotion of environmentally sustainable industrialization, and

1.4.1.11 Promotion of gender balance and gender sensitive industrial transformation.

2.0 RATIONALE FOR NEW INDUSTRIAL DEVELOPMENT POLICY

- 2.1.1 The Government of Zimbabwe launched the Short Term Emergency Recovery Programme (STERP 1) in February 2009 which was followed by the Three (3) Year Macro-Economic Policy and Budget Framework 2010-2012 (STERP II) in December 2009 and the Medium Term Plan (MTP) 2011–2015, in July 2011. The key objective of the STERP 1, STERP II and MTP is to resuscitate manufacturing activity and increase capacity utilisation levels from the low levels of approximately 5% in 2008 to around 80% by 2012. The manufacturing sector at its peak, contributed 23% to GDP. That level has gone down to about 12%. The manufacturing sector is diversified and well integrated with the rest of the Zimbabwean economy, exhibiting, particularly, strong linkages with agriculture, mining, construction and commerce. Zimbabwe's manufacturing sector is well known for the diversity of its products.
- 2.1.2 The sector is an important contributor to the country's domestic supplies and export activities, with markets in America, Europe, Africa and the Far East. The sectors' exports are a reflection of the agricultural and mining foundations of the national economy and the extent to which manufacturing beneficiates products from the extractive and agricultural sectors. The principal manufactured exports include Ferro-alloys, clothing, metal products, chemicals, plastics and cotton- lint.
- 2.1.3 The economy has been facing severe challenges, with the annual real GDP growth suffering declines averaging 5.9% since 2004. Cumulatively, output declined by more than 40% during that period. The deepening economic crisis is reflected in sectoral performance, which followed the same trend. Since 2006, virtually all sectors recorded declines in output with agriculture, manufacturing and

mining estimated to have declined by 7.3%, 73.3%, and 53.3% respectively in 2008. Currently, average capacity utilisation in most industries is between 30% and 60%. Hence, while some progress has been realised across some sub-sectors, during this policy framework period Government will continue instituting measures to further raise capacity utilisation to above 90% by 2016.

2.1.4 Since 2006, unemployment and poverty levels increased sharply. Ironically Zimbabwe's economic decline occurred at a time when most African countries were achieving reasonable annual growth rates averaging 4.8% and mainly driven by sound and sustained macro-economic policies which contained annual inflation at low levels averaging 10%.

2.2 Evaluation of the 2004-2010 Industrial Development Policy

2.2.1 It will be noted that post the crafting of the IDP 2004-2010, the manufacturing sector's contribution to GDP continued to decline in spite of implementation of appropriate interventions such as assistance to distressed and closed companies, Import Substitution and Value Addition, development of integrated industrial clusters and the creation of subsector task forces that were developing detailed action plans for each subsector.

2.2.2 This downward trend was further compounded by the drying up of lines of credit owing to a number of macro-economic reasons, but also due to the impact of sanctions. Industry itself was operating at low capacity utilisation across the board which reached record lows of 5% on average in 2008. Furthermore, the country suffered an exodus of qualified and technical personnel who were emigrating to greener pastures in neighbouring countries. Raw material shortages owing to low agricultural productivity and foreign currency shortages also played their part in contributing to the manufacturing sector's woes. The situation was made

worse by the poor performance of and delivery by, utilities such as telecommunications, water, electricity and rail transport. The sum total of these woes has been the informalization of the economy.

2.3 Integration with other National Economic Policies

2.3.1 Although on the surface it might appear that there are similarities in the situation currently faced by the manufacturing industries in Zimbabwe and those that existed both at independence, post ESAP and IDP 2004-2010, the policy document being revised and reviewed, given the evaluation outlined above, cannot therefore simply be extrapolated from current and past performance.

2.3.2 It now needs to be integrated with other National Economic Policies such as STERP I AND STERP II, the Medium -Term Plan, the Indigenization and Economic Empowerment Policy and more critically the current political, social and economic dynamics.

2.3.3 The Government recognizes the role that industry plays in making contributions to the quick turnaround of the economy subject to the availability of resources to re-equip and retool industrial machinery and the provision of working capital for the procurement of raw materials and other inputs in the short to medium term. The Government has incorporated industrial development and trade policy strategies in STERP II and the Medium Term Plan.

2.3.4 It will, therefore, take strategic note of the need to develop and implement a National Trade Policy.

2.3.5 There will be a focus on exports promotion as an integral part of the Industrial Development Policy.

2.3.5 Above all the current policy is being crafted on the basis of key and fundamental principles that will inform and direct the implementation of this vital economic growth and development vehicle.

3.0 FUNDAMENTAL PRINCIPLES OF THE NEW INDUSTRIAL DEVELOPMENT POLICY 2012–2016

3.1 The Process

3.1.1 This Industrial Development Policy Framework has been drawn up through a process which has involved key and relevant stakeholders in both the initial consultative process and the development of practical policy interventions to be pursued.

3.1.2 The consultative process was intended to provide for a full buy-in of the final document.

3.2 Industrial Financing

3.2.1 The absence of an institutional funding mechanism that is well resourced and specifically targeted to the manufacturing sector was the biggest drawback of the IDP 2004-2010. This new IDP can, therefore, only succeed on a principle of an institutional framework that will not only provide the turnaround plan, but will harness and provide the required resources for the successful implementation of the IDP 2012-2016.

3.2.2 To that end, Government will either re-model existing mandated institutions such as the Industrial Development Corporation (IDC) or establish a new financial institution solely to provide medium and long-term funding to the productive sectors of the economy. It is essential that the IDP be an active component of the manufacturing sector with the necessary high level support from government.

3.2.3 All the funds that the Government will source both domestically and externally will be centralized and not fragmented to ensure visible impact, monitoring and evaluation.

3.3 Policy Certainty

- 3.3.1 Entrepreneurs perform effectively when they are operating in an environment which is predictable and stable. It is, therefore, critical that the IDP be implemented in an atmosphere which exudes a positive image and confidence that the government is keen to realise the vision of an industrialized economy.
- 3.3.2 The Principle of Policy Certainty which avoids sudden changes to investment regimes will greatly contribute towards the successful implementation of the new IDP. This principle will embody the existing legal instruments which protect the value and ownership rights of the investors as well as on the principle of local ownership of the means of production as per the existing Indigenization laws.
- 3.3.3 It is imperative for technical partners in the manufacturing sector to be aware of the legislation on property rights, indigenization and empowerment and to make adjustments accordingly.

3.4 Plant, Equipment and Skills Audit

- 3.4.1 A critical imperative for the recovery of the manufacturing sector is the refurbishment, modernization and upgrading of plant, machinery and equipment, as well as the development and retention of necessary skills to replace those lost through brain drain.
- 3.4.2 The new IDP will address the issue of the situation on the ground with regards to assessing the status, technology and availability of capital equipment in industry and match the audit to the IDP and MTP targets as envisaged for the period 2012-2016. It will also take stock of the skills available in industry as a basis for evaluating the feasibility of the stated targets vis-à-vis

the available manpower and concurrently in order to identify the manpower training needs for the tenure of the plan. The principle will enable the IDP for 2012-2016 to be implemented while at the same time the local industry will be upgrading its skills, technology and machinery to match the competition.

3.4.3 In order to encourage industry to re-equip and re-tool, Government will remove duty on all capital equipment with a component of value addition.

3.4.4 With regard to skills retention, Government will provide incentives such as student grants to Universities and colleges in order for them to produce the necessary skills needed by industry.

3.5 Import Substitution

3.5.1 Whilst the principle of Import Substitution is sometimes viewed in a retrogressive manner in that it is seen as being counter to the central tenets of global liberalisation, the situation in Zimbabwe demands that we rely on it to offer temporary protection for our industry to counter the surge in the disruptive imports of cheap and “dumped” goods which can easily be produced locally.

3.6 Value Addition

3.6.1 Whilst in Zimbabwe it might appear that the industrial value chain is complete; in sectors such as cotton, iron and steel and sugar, the level of transformation beyond primary processing still needs to be enhanced. For example, in the cotton sector, the complete chain will require investment into the establishment of de-linters and de-hullers to further process the cotton by-products into special papers, inks, emulsifiers and paint undercoats.

3.6.2 In the same vein, more advanced level of transformation beyond primary processing is also required in the iron and steel and sugar sectors. For example, in the steel industry, where NewZIM Steel is being comprehensively revived there will be need to advance production from simple long products to ultimately special steels. In the sugar industry, ethanol can be further beneficiated into pharmaceutical products and industrial chemicals.

3.7 Tariff Regime

3.7.1 The principle of Import Substitution in 3.5 above will have to be applied in conjunction with an alignment of our tariff regime which will be primarily an instrument of industrialization with revenue aspects being secondary. The proposed tariff policy will aim at simplifying the tariff headings, rationalizing the tariffs to eliminate all anti-export distortions and contradictions and ensure that industry gets the necessary protection as per World Trade Organisation (WTO) rules.

3.7.2 The adjustments sought, will in the majority of cases, require a raise in tariff levels. Whilst this upward revision might seem to be inconsistent with our obligations under the WTO, ACP-EU, SADC and COMESA treaties, there are nonetheless allowable remedies that the Government intends to invoke. It is therefore proposed that Zimbabwe's industry be offered temporary protection through tariffs during a Three-Year period of the IDP's implementation.

3.8 Technology Transfer & Research and Development

3.8.1 This principle is a key success factor for a competitive and vibrant industry for attaining the set export targets of the IDP

and MTP, which envisage exports to grow by 50% over the plan period. The current stocks of capital equipment are not able to meet the export target as studies have revealed that there is need in some sectors such as the tyre industry for an overhaul of capital equipment to match the global technology and developments and improvements.

- 3.8.2 In addition, it is also proposed that industry invests in Research and Development on new processes and products which will result in competitive and cost effective products. It is therefore proposed that Technology Transfer be incorporated into the IDP document as a central element not only to ensure growth and development, but more critically to attain global competitiveness of our goods and services and also facilitate private sector participation to enhance commercialization of research and development from the academia, through increased public-private partnerships for research, development and innovation.
- 3.8.3 Greater financial support for innovation and technology is necessary in order to contribute to the national target of increasing and sustaining Research and Development (R&D) expenditure to 2% of GDP.
- 3.8.4 Technology transfer and Research & Development shall be pursued in a manner that ensures efficient resource utilization and environmental sustainability. This will be done through encouraging industrial establishments to use technologies that minimize industrial emissions, the discharge of solid waste, and improve waste water management and introduce and strengthen cleaner production techniques and work practices in industrial processes by industrial operators including plastic waste management.

3.9 The Cluster Initiative

- 3.9.1 Whilst the cluster concept was briefly dealt with in the previous Industrial Development Policy document, this new IDP will include and prioritise it as one of the key strategies to drive the 2012-2016 IDP. The motive for adopting such a strategy is, based on the proven benefits accruing in terms of attainment of economies of scale, enhanced value addition, global competitiveness and development of comparative advantages.
- 3.9.2 The concept itself which is intended to capitalize on proximity to production, procurement and marketing synergies is facilitated through agglomeration of interlinked production activities comprising industries, their suppliers, critical supporting business activities, requisite infrastructure, institutions and the associated policy framework.
- 3.9.3 The principle seeks to identify sectors with synergies and promote them to operate through a combination of either a specific geographic or product area, for instance in terms of product area, the clothing and textile industry can establish factories in cotton growing areas such as Gokwe and the engineering and steel firms can establish operations in the Midlands and Bulawayo Provinces and in terms of geographic area those companies in the cutting, polishing and value addition of diamonds can set up in Manicaland Province.
- 3.9.4 There is empirical evidence which proves that where this principle was adopted and implemented, there have been substantial benefits derived in terms of economic growth and development e.g. in Pakistan, Malaysia and Republic of Korea. Examples in Zimbabwe where this strategy could be adopted and implemented are in the clothing and textiles, chemicals and pharmaceuticals and agro-processing industries.

3.10 National Economic Development Model

3.10.1 The IDP is also being crafted on the fundamental principle of a democratic development state as incalculated in the MTP which envisages inter-alia private sector participation in all the key sectors of the agriculture, mining, manufacturing and the services sector; establishment of strong backward and forward linkages between the afore-mentioned sectors, with the cross cutting infrastructural sectors, including ICT and modern high technology playing a catalytic role, completion of a legal framework on PPPs; rehabilitation, maintenance and expansion of key infrastructure, particularly energy, transport and water and care for the vulnerable groups such as women, children and orphans.

3.11 Linkage with other Regional Industrial Integration Thrust

3.11.1 In addition to being based on fundamental principles, the policy is to the extent possible also being linked to regional integration efforts under SADC, COMESA and the EAC, which are briefly detailed in paragraph 3.11.2 below.

3.11.2 Within the Regional Economic Communities (RECs), there is so far no completed policy documents. At the individual country level, only South Africa and Zimbabwe have fully developed Industrial Policy documents. Under SADC, work has since commenced on drawing up a Regional Industrial Development Policy. So far what is available is the SADC Regional Industrial Development Strategy (RIDS) which has been drawn up to guide the development of an industrial policy, and has prioritized nine (9) sectors. COMESA has started by drawing up sector specific strategies on prioritized sectors, such as cotton, textiles and garments, leather, livestock, agro-food processing, metal and non-metal, including chemicals. Others are petrol chemicals, service industry and pharmaceutical.

- 3.11.3 Zimbabwe has already benefited under the leather sector, where a demand and supply survey has been conducted leading up to the drawing of a national sector specific strategy throughout the whole value-chain and has been costed to approximately USD60 million. It is intended to replicate the process to other prioritized sectors of the policy.
- 3.11.4 Within the EAC, work is also on-going in the region with an endeavour to come up with a regional industrial development policy and strategy that seeks to improve the competitiveness of the industrial sector so as to enhance the expansion of trade in industrial goods within the Community and the export of industrial goods from the member States in order to achieve the structural transformation of the economy that would foster the overall socio-economic development in the member States.
- 3.12 At the regional level issues of prioritized sectors through the entire value chain have been sufficiently incorporated in the current policy document. At the national level, Zimbabwe consistent with South Africa's Industrial Policy Action Plan (IPAP) has emphasized the critical role that Development Finance Institutions (DFIs) like IDC(SA) have to play in financing for selected real sector activities at affordable interest rates as opposed to financing the entire economy where funds could easily be channeled into unsustainable debt driven consumption and speculative investment activities.
- 3.13 Government will therefore place immense pressure on IDCCZ to play a disproportionate role in financing investment in the real economy sectors. To play the vital role, Government will also strive to provide the institution with a source of concessional credit which it can pass on to lower the cost of capital for real sector activities.

4.0 PRIORITIZED SECTORS

- 4.1.1 The Government has identified four (4) priority sectors as the pillars and engine for this IDP 2012–2016, namely Agri-business (Food and beverages, Clothing and Textiles, Leather & Footwear and Wood and Furniture), Fertilizer and Chemicals Industry, Pharmaceuticals, Metals & Electricals. These are sectors which can be developed without the need for massive amounts of capital resources, but which can be partly re-capitalized from the country's own resources, including the remainder of the Special Drawing Rights (SDRs) and local lines of credit being offered by local financial institutions.
- 4.1.2 In view of the fact that resources for the provision of supporting infrastructure and other requirements for the implementation of this Industrial Development Policy, there is need to prioritize the development of the sectors for the realization of maximum output . The aforementioned priority sectors, therefore, need to be trimmed and sequenced in priority of implementation. The qualifying criteria for prioritization include the sector's contribution to Gross Domestic Product (GDP); employment creation and retention; export earnings and potential for value addition as well as forward and backward linkages with other sectors of the economy.
- 4.1.3 The sector should also have a quick turnaround period where policy initiatives can be felt in both levels of the industry; potential to grow its capacity utilisation levels to an internationally competitive level and capacity to fulfill objectives of the Medium Term Plan and hence contribute to the manufacturing sector's growth objectives.
- 4.1.4 The prioritization of these sectors does not mean that the Government is neglecting all other important sectors and

concentrating on only these four. Other sectors that the Government has identified as equally important and would also get support include the Motor Industry; Paper and Packaging; Rubber and Tyre; Jewelry; Construction; Tourism Services and Mining Products Industries.

4.1.5 Government has also identified new projects with growth potential such as the Avocado processing, manufacture of batteries from Lithium, Coal Bed methane for industrial gas and fertilizer production and mango processing.

4.1.6 While Government will source short term financing in order to facilitate the above mentioned prioritized sectors, the private sector is also urged to contribute meaningfully to its operations through sourcing additional resources on its own. Government will also source funding for research and development, technology transfer and skills development in these sectors.

4.2 Agri–Business Subsector

4.2.1 With regard to the above prioritized sectors, the Government has prioritized the Agro-Business subsector (consisting of food, beverages and tobacco; clothing and textiles; leather and leather products; wood and furniture) given their importance in the agricultural sector in Zimbabwe. The agro- industries, for example, dominate the manufacturing sector of the country in terms of both output and employment accounting for approximately 60% of manufacturing value added and about 30% to employment.

4.2.2 **Food and Beverages:** The food sub sector is very broad consisting of cane, oil seed, grain, vegetable, meat production and processing. This sector has operations which run from small, medium to large scale. This industry has a high potential for growth and has its back bone in the Agricultural sector which

provides 60% of its raw material requirements. Besides playing a major role in the value addition of agricultural produce, food processing companies directly contribute to the survival of other industries such as those in the agro-based raw material supply (seed, chemicals, fertilizers, equipment and spares, e.t.c) printing and packaging, milling, energy and retail sectors, thereby contributing to the nation's Gross Domestic Product (GDP) in a significant way. Government will also put in place innovative and technically advanced methods of increasing productivity in the whole agriculture value chain.

4.2.3 The beverage industry is divided into two categories namely alcoholic and non-alcoholic beverages. The non carbonated drinks market is highly competitive. Oranges, grapefruits, lemons, naartjies and nectarines are some of the citrus fruits grown in Zimbabwe. Out of the total production, 50% of these fruits are exported as fresh fruit while the other 50% is consumed by the local market. However, a large portion goes to waste either through failure to get to the markets or simply due to oversupply. Various fruits that include oranges and mangoes that abound in areas such as Murehwa, Mutoko and Mvurwi are not being value added. The Government will put in place measures and incentives that will encourage enhanced value addition of these products.

4.2.4 The policy will address the issue of finished products that are currently all zero rated for customs duty purposes, under either the SADC or COMESA trade regimes or through SI 119 of 2009, whilst raw material inputs into their production have duties levied on them. The current scenario where 80% of food retail shelf space is taken up by imports with only 20% filled by local products has resulted in local companies closing their manufacturing operations preferring to take advantage of the

absence of duties and/or outsourcing their operations to South African companies.

4.2.5 Government will put in place tariff structures that promote the recovery of the local food processing industry through levying customs duties on all imported non basic food stuffs and exempt local food manufacturers from paying duties for raw materials and packaging irrespective of the country of origin.

4.2.6 Given the submissions made by the industry, and the acknowledgement of the resources required by the sector in the both STERP I and STERP II, the Agro-processing sector requires a minimum resource envelope of about USD110 million in the short to medium term for recapitalization and working capital purposes.

4.3 Clothing & Textiles

4.3.1 The clothing industry is one of the sectors that the Government has focused on as one of the vehicles for the development of manufacturing due to its quick turnaround from investment to production. The sector is highly adaptable and can operate from the level of SMEs to bigger corporates and can also employ more people at various skill levels. Furthermore, the sector has other attractive features such as the low level of capital commitment required, low energy user, huge scope for value addition, huge scope for backward and forward integration and fast adaptation to consumer demands.

4.3.2 This sector still boasts of much diversity which includes cotton, polyester, acrylic, and other non- made fibre production bases installed in the country. The products range from various yarns, shoe laces, twines, cords, school uniforms, socks and hosiery, sanitary pads, cotton wool, under- garments, clothing,

outer garments, blankets and carpets to name but a few. This sector has the potential to fully utilize input from the cotton farming sector and export the intermediary produce from the various stages of production from ginning, spinning, weaving of textile produce to the processing of fabric for the clothing manufacturing sector.

- 4.3.3 Zimbabwe has preferential access on clothing to most parts of the world on a “single transformation” basis. This means that manufacturing of the garment must occur in Zimbabwe, but the fabric can originate from anywhere. This principle applies to COMESA, EU and the US (for members of AGOA, of which we are not). However, there is a restrictive Rule of Origin in SADC which maintains a “double transformation” rule on clothing i.e. In order to participate in preferential access, clothing must not only be manufactured within Zimbabwe, but it must also be manufactured from fabric which was manufactured within SADC, to enjoy duty free access.
- 4.3.4 The current policy seeks to relax this rule under SADC through request for waivers and derogation in the fulfillment of our commitment under the protocol.
- 4.3.5 Lack of adequate control of incoming goods at border posts is allowing a lot of imports to be brought in without paying duties. This deprives the Government of the much needed revenue and also renders locally manufactured goods uncompetitive. Government will tighten the borders and close the loopholes on smuggling. The new policy will also review duties on a number of these products and duty free allowance that individuals can bring into the country.
- 4.3.6 During the currency of this policy it is intended to enforce quality standards for incoming as well as pre and post shipment

inspection in accordance with WTO provisions. Checks will also be conducted on the authenticity of certificates of origin and clothing and blankets in transit to ensure that they do not end up being offloaded in Zimbabwe.

4.3.7 The sector needs a minimum of approximately USD50 million for recapitalization and working capital.

4.4 Leather and Footwear

4.4.1 **Leather:** The Leather sector represents an enhanced value addition wherein the first stage of the value chain includes hides producers, collectors and merchants. They in turn sell raw hides to tanners who process them into wet blue or finished leather. Finished leather is then used to make footwear and other leather goods. The leather sector at its peak in 2001 employed 7 840 workers. Currently, the sector employs approximately 1 962. The International Trade Centre (ITC) is executing a Programme for Building African Capacity for Trade (PACT II) in partnership with COMESA in the leather sector. The programme component has a three pronged approach:

- Develop a sustainable supply chain sourcing between COMESA producers and major international leather industries;
- Increase intra-regional trade flows;
- Diversify products to the new high profitability market segment of 'ethical fashion' the achievement of which will lead to increased supply and exports from the sector and contribute to employment generation.

4.4.2 The IDP intends to replicate the outcome of current efforts under Programme for building African Capacity for Trade (PACT II) in relation to the cluster concept to other sectors of the economy.

The country is already working on developing the Zimbabwe Leather Sector Strategy which will be aligned to the COMESA Regional Leather Sector Strategy.

- 4.4.3 **Tanners:** At their peak tanners used to soak 691 000 raw hides to wet blue stage. Currently they are soaking around 130 000 raw hides. There used to be 15 tanneries in the country, however most some of them have gone under and only 5 are functional.
- 4.4.4 **Footwear:** At peak in 1999, footwear manufacturers produced and sold 17 million pairs of footwear while in 2009 and 2010 only 1.9 million and 2.4 million pairs were produced respectively.
- 4.4.5 There is room for enhanced value-addition in this sub-sector of Leather and Footware and Government is committed to support the sector regain its yesteryear glory. The Government will recapitalize the industry's projects by providing resources to those companies under the Critical Projects Programme.
- 4.4.6 The leather and footwear industry requires at least US\$15 million for retooling, recapitalisation and working capital.

4.5 **Wood & Timber**

- 4.5.1 The sector contributes 4% of total value of agro-industrial products and employs about 25000 employees. The furniture industry is expanding rapidly (especially the home industries). Zimbabwe has a wide variety of both exotic and indigenous hardwoods and softwoods. There is potential to establish a niche in the global market. The country produces high quality timber products which meets ISO Quality Standards. There is room for value-addition to enable exports to the COMESA and SADC regions. Government is committed to support reforestation and value addition of timber. The Government will recapitalize the industry's projects by providing resources to those companies under the Critical Projects Programme.

4.5.2 Given the submissions made by the industry, and the acknowledgement of the resources required by the sector in the both STERP I and STERP II, the wood and timber sector requires a minimum resource envelope of about USD70 million in the short to medium term for recapitalization and working capital purposes.

4.6 Fertilizer and Chemicals Industry

4.6.1 The fertilizer and chemical industry has a strong impact on the manufacturing sector's performance and the Zimbabwean economy in general, by virtue of it being one of the key drivers of the agricultural sector, which in turn is the main source of the country's industrial sector inputs. Currently about 32% of fertilizer and chemicals supplies is produced locally, while about 68% are imports. Zimbabwe has a well developed fertilizer industry whose ownership structure is cross linked.

4.6.2 Government will support fertilizer production through newer technologies such as coal gasification and coal bed methane gas. With regard to coal-bed methane a favourable legislative and regulatory framework will be created to promote exploitation of the resource. A number of investors have expressed interest to venture into coal-bed methane, which will transform the face of the manufacturing sector through production of industrial gas and fertilizer which will easily generate approximately USD1billion to USD2billion per annum.

4.6.3 Government will also prioritize support for the local industry by ensuring that local fertilizer is ordered on state sponsored schemes and imports made as supplements when local capacity is constrained.

4.6.4 To encourage local manufacture of fertilizers, fertilizer raw materials will be placed on zero tariffs with respect to customs duty while finished fertilizer imports will attract customs duty.

- 4.6.5 Farmers will be protected through adequate enforcement of fertilizer regulations and registration of all products. Only those companies with capacity to offer appropriate technical and extension services will be permitted to trade in fertilizers.
- 4.6.6 The sector requires a minimum resource envelope of about USD110 million in the short to medium term for recapitalization and working capital purposes.

4.7 Pharmaceuticals

- 4.7.1 The pharmaceutical sector is second to South Africa (size and development) in the SADC region and produces more than 65% of Essential Drugs List of Zimbabwe and about 15% of Special Essential Drugs List of Zimbabwe. The overall importance of the contribution of the pharmaceutical industry in Zimbabwe is grossly distorted by the prevailing economic situation characterized by a lack of lines of credit, competition from imported drugs, drug donations, reduced government spending on drugs, prolonged registration times (24 months) and power shortages. The lack of credit lines has greatly reduced the industry's ability to participate meaningfully on the export market.
- 4.7.2 The sector has a highly trained labour pool and produces high quality drugs which are competitive on the export market. It also boasts of modern production methods. There are great investment opportunities in the production of medicinal, veterinary and skin products. Research and Development in the sector will also enhance the utilization of locally available resources.
- 4.7.3 The Government will through this policy address the issue of Non Tariff Barriers (NTBs), such as using certain designated

entry points in the exports of drugs, and will advocate for their abolition regionally as they contribute to the cost of doing business.

- 4.7.4 The sector through its submissions to Government requires a minimum resource envelope of about USD60 million in the short to medium term for recapitalization and working capital purposes.

4.8 Metals & Electricals

- 4.8.1 The metals sector provides strong backward and forward linkages to sectors such as mining, construction, agriculture, machinery, and transport. The sector has not been performing well particularly since early 2009 due to stoppage of production at ZISCO which is now NewZim Steel. NewZim Steel is the driver of the sector as 80% of the companies in the sector rely on raw materials from NewZim Steel.

- 4.8.2 However, with the revival of NewZim Steel, which is expected to be fully operational by end of 2013, the sector will be one of the main drivers of this Industrial Development Policy. NewZim Steel is expected to produce about 500 000 Metric tonnes of steel within 12 months and thereafter achieve full capacity of 1.2 million metric tonnes within 27 months. There is also a long-term plan for Greenfield expansion of capacity to 2.5 million tonnes per annum, realizing revenues of USD1 billion to USD2 billion.

- 4.8.3 The revival of NewZim Steel will also result in the investment in a power plant with 600MW capacity; upgrading of the rail infrastructure and rolling stock subject to mutually agreed terms with the National Railways of Zimbabwe (NRZ).

- 4.8.4 The Government supports the revival of New Zim Steel as this will cause the revival of the entire sector due to its forward and backward linkages. This will also create opportunities and support for downstream cluster of value added product units.
- 4.8.5 In the electricals sector, particularly to support the energy sector, the Government will promote the production of Generators, Transformers, Circuit Breakers, e.t.c within the country. This is over and above the fact that the country is one of the five countries in Africa that manufacturers refrigerators. The others being South Africa, Swaziland, Egypt and Tunisia. Zimbabwe already has an excess capacity of 250% in the refrigeration industry.
- 4.8.6 Not including NewZim Steel, the Metals & Electricals sector through its submissions to Government requires a minimum resource envelope of about USD70 million in the short to medium term for recapitalization and working capital purposes.

4.9 National Project Status requirements

- 4.9.1 This Status is granted to Government funded projects with a national impact. The projects are deemed national through the massive size of capital (both financial and plant and equipment) that would be needed for that type of investment and exempted from duty payments and other tax payments requirements. Currently this incentive is restricted to Government Departments which the current policy will extend to also cover the private sector.

5.0 OTHER NECESSARY CONDITIONS FOR ZIMBABWE'S INDUSTRIALIZATION

For successful implementation of this policy, there will be a critical need for close cooperation within and between other relevant Government departments in the following key areas.

5.1 Infrastructure and Utilities

5.1.1 The success of this IDP hinges upon addressing other issues that affect the industry, such as infrastructure and utilities. Industrialization requires that the country pursues measures that ensure a strong and reliable supply base, particularly on electricity, coal, fuel and ICT.

5.1.2 The Government will also look into other energy sources to supplement the power supply by ZESA. Projects such as Coal-Bed-Methane, Solar and Wind energy are critical to supplement local energy requirements.

5.2 Electricity

5.2.1 With regard to energy, the Ministry of Energy and Power development will be encouraged to prioritize energy supplies through ZESA to economic sectors, and ensure adherence to its published load-shedding schedules to enable industry to coordinate production schedules with energy availability. Private players will at the same time be encouraged to invest in electricity generation.

5.2.2 In the medium to long-term, it is critical that the country upgrade its electricity generation and transmission capacity base on the following critical imperators: completion of the rehabilitation of Hwange Power Station, the expansion and increase of capacity

at Kariba Power Station, the rehabilitation of the transmission and distribution infrastructure in the country, Investing in Greenfield projects, such as the Batoka Hydro Power Station, Gokwe North Thermal Power Station, and the Lupane Gas Project. There is also the need to expand on private power generation.

5.3 Water

5.3.1 Government through the Ministry of Water resources will ensure that there is rehabilitation of water and sewerage plants, supply of quality clean water, water distribution and enhancement of billing and collection system in industry including replacement of non-functional meters and installation for all new connections.

5.4 Roads Network

5.4.1 For ease transportation of raw materials and products for industry, the Ministry of Transport Infrastructure and Communications will ensure the improving, enhancing and extending of existing road network.

5.5 Rail Network

5.5.1 The Ministry of Transport Infrastructure and Communications will ensure through the National Railways of Zimbabwe (NRZ) the revamping and rehabilitation of the national rail network which is essential for bulk and cheap movement of cargo.

5.6 Air Transport

5.6.1 The Ministry of Transport Infrastructure and Communications will also support the open skies policy, but this will be done in a prudent manner, especially ensuring that our own airline

has capacity in terms of size and fleet of aircrafts needed to withstand competition and be competitive.

5.7 Information, Communication & Technology (ICT)

5.7.1 The Industrial Development Policy will seek the promotion of ICT for economic growth and industrialization as the world is now ICT based. ICT provides many advantages to business operations through reduced transaction costs; increased productivity and efficiency; new trade opportunities locally and globally; access to knowledge; increased communication and better communication. The Government of Zimbabwe is geared to see business embrace ICT and e-technology to produce higher value chain products through the National ICT Policy Framework and the Strategic Plan spearheaded by the Ministry of ICTs.

5.8 Employment & Labour Legislation

5.8.1 The law which governs employment of workers in Zimbabwe is mainly contained in the Labour Relations Act (Chap. 28:01). The Labour Act needs to be changed to reflect the prevailing economic environment.

5.8.2 Government will expedite the review of both labour laws and the related institutional arrangements, with a view to bringing flexibility to the labour market and ensuring that wage and salary payments are inflation linked and also based on productivity. Employers in turn should create employment conditions that recognize and respect the contribution of labour as well as provide rewards commensurate with performance and productivity.

5.8.3 Government will reform the employment regulations when they inhibit change and adapt wages to the new economic patterns.

5.9 Ease of Doing Business

5.9.1 According to the World Bank's 'Ease of Doing Business Report 2011' Zimbabwe is ranked 157 out of 183 countries. The Government is committed to ensuring that doing business in Zimbabwe is as less cumbersome as possible through various initiatives the latest being the establishment of the One Stop Shop by the Zimbabwe Investment Authority which will result in time taken to set-up a business in the country being reduced from 48 days to 5 days.

5.10 Small and Medium Enterprises Support

5.10.1 The Government will priorities the promotion and support to Small Micro Medium Enterprise (SMEs) which are viewed as an important engine for employment creation and economic growth. Given the sector's high labour to capital ratio there will be need to use the sector as strategy for quick turnaround of the economy at a relatively cheaper cost than that of conventional larger industries.

5.10.2 The Government intends to develop and strengthen existing parastatals like the Small Enterprises Development Corporation (SEDCO) to be able to offer more support to SMES.

5.10.3 Other strategies to be adopted by Government during this period include Infrastructural support; Technology upgrades; Quality Control and Improvement; Research and development, Market access and Financing facilities.

5.10.4 Cluster development including the provision of capacity building for skills training of employees and setting up of common facilities e.g. testing laboratories, common use machinery e.g. lathes, grinders, industrial saws etc.

- 5.10.5 Promotion of Cluster Associations that will adopt an integrated approach to other stakeholders such as the Government and financial institutions.

5.11 Industrialization & Rural Development

- 5.11.1 Government will create necessary conditions to bring about improvements in agricultural productivity, rural markets, and rural public services. Efforts will be directed toward promoting market-mediated rural development along with sound macroeconomic management, for rapid poverty alleviation and economic growth.

5.12 Institutional Capacity Building

- 5.12.1 Institutions such as the Competition and Tariff Commission, Consumer Council of Zimbabwe (CCZ) and Standards Association of Zimbabwe (SAZ) are currently incapacitated structurally to represent consumers' interests and to enforce quality compliance. These institutions, especially SAZ will be capacitated to regulate and enforce standards on both locally produced and imported products, especially on products that poses danger to public health such as drugs and foodstuffs.

5.13 Indigenization & Empowerment

- 5.13.1 The Industrial Development Policy fully supports the Indigenization and Economic Empowerment Act (Chapter 14:33) and believes that the Indigenization and Empowerment law should provide an ideology of hard working, productivity, fairness, accountability and transparency.
- 5.13.2 The Industrial Development Policy will support a Model which is premised on the participation of a broad spectrum of the population, through the supply and distribution chain

of the whole country's economic cake to control downstream industries through the supplying of raw materials, services and other inputs.

- 5.13.3 The supply of raw materials and other critical inputs immediately empowers Zimbabweans by smoothening the ownership of the means of production and mainstreaming previously disadvantaged indigenous people into active participation in economy building.

5.14 Gender in Industrial Development

- 5.14.1 The Industrial Development Policy 2012–2016 will encourage training of stakeholders in gender analysis, gender planning, and realistic application of gender strategies and measures in industrial operations and establish gender focal points in industry and industrial support institutions to ensure that gender is addressed in employment policies and practices, and technology and skills development.

6.0 SUCCESSFUL IMPLEMENTATION OF THE POLICY

- 6.1 In order to fulfill the overall objective of restoring the manufacturing sector's contribution to GDP from the current 15% to 30% and its contribution to exports from 26% to 50% by 2016 consistent with the Medium Term Plan, a closer cooperation between government, business and labour is imperative.
- 6.2 The Industrial Development Policy is founded on the principle of inclusivity involving tripartite participation in decision making, goal setting and corresponding tripartite acceptance of responsibility for the successful implementation of the strategy.
- 6.3 In this light, Government will create an enabling environment and make appropriate policy interventions.
- 6.4 The private sector will identify, recommend and implement strategic action plans on a sub-sector by sub-sector basis (cluster initiatives) and create employment conditions that recognize and respect the contribution of labour as well as provide rewards commensurate with performance.
- 6.5 Labour will support the industrialization process by committing itself to the principle of increased productivity and international competitiveness. Wage rate increases which are tied to corresponding increases in productivity will duly ensure price stabilization.
- 6.6 The Ministry of Industry and Commerce will continuously engage with the relevant Government Ministries/departments in coming up with appropriate interventions to enhance and sustain 'Enabler' delivery which is a condition for the successful implementation of this policy.
- 6.7 In terms of the implementation matrix, these are detailed in the Industrial Development Policy Implementation Matrix, which is presented as a separate document.



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