

Briefing note

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Forging Inclusive Economic Growth in Zimbabwe

Insights from the Zimbabwe
Futures 2030 roundtable series



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About Zimbabwe Futures 2030

This briefing note is the result of a collaborative research process with the Zimbabwean private sector, government representatives, industry organizations and experts, drawing on best practice and senior-level insights to identify policy options for long-term economic revival and expansion in Zimbabwe, and pathways for inclusive development.

Central to the process were three roundtable meetings held in Harare and Bulawayo in the first half of 2019, complemented by additional interviews and research.

Participants at the *Zimbabwe Futures 2030* roundtable series discussed the necessary policies and business strategies to enable and support the effective implementation of the Mnangagwa administration's Transitional Stabilisation Programme and longer-term national development plans such as 'Vision 2030'. Summaries of the key findings of each roundtable are included as an annex to this briefing note.

This process was conducted by the Chatham House Africa Programme, the Zimbabwe Business Club and the Konrad-Adenauer-Stiftung (KAS); and in partnership with the Confederation of Zimbabwe Industries for a roundtable in Bulawayo. The project was supported by KAS and the Dulverton Trust.

Introduction

The government of Zimbabwe has emphasized its commitment to economic reform, rebalancing the economy and attracting international investment. Its Vision 2030 sets out its ‘core values’ and aspiration for Zimbabwe to achieve upper-middle-income status by 2030; in line with this, the Transitional Stabilisation Programme (TSP) lays out a detailed short-term policy reform agenda, including proposals to stabilize the economy, reform or privatize state-owned enterprises (SOEs), improve the business climate to attract international private-sector investment, and reduce corruption. It targets ‘immediate quick-wins’ in order to ‘lay a robust base for economic growth for the period 2021-2030’.¹ Central to this are macroeconomic stability, growth and institutional reforms.

The government’s approach to economic reform, entailing austerity and some market-oriented reform ambitions, is bold and in some areas contentious. Short-term crisis management has, understandably, been prioritized over long-term policy formation, as the economy is currently suffering acute cash, water and electricity shortages. But it is vital that the government does not lose sight of its long-term objectives. Converting ambition into real economic growth will require clear and consistent policy, and building trust between citizens, businesses and government.

The envisaged transition to a private-sector-led economy, whereby the role of the government will shift from that of ‘player’ to ‘referee’, represents a significant rupture in Zimbabwe’s long post-independence history of state intervention in, and management of, the economy.

The economic reform process is seeing more public-private partnerships and wider consultations between government and the private sector. Such engagement is positive, but the extent of the state’s role in driving economic change will likely remain a question in the reform agenda.

Moving from a planned to a market-driven economic model will face resistance, notably around the need to protect the poorest members of society through state subsidies and government-set prices for electricity and basic foodstuffs. Most Zimbabweans rely on small-scale agriculture and informal trade or mining, and their livelihoods are acutely vulnerable to rushed and/or ideologically driven policy. Restructuring Zimbabwe’s economy is necessary, but the process needs to be pursued carefully and will take time. It will also require finding an appropriate balance between state- and private-sector-driven economic change.

All the same, there are significant short-term opportunities for growth in the private-sector – with the goal of increasing formal employment and improving livelihoods, while also relieving pressure on state resources – if the state can act to reduce burdensome bureaucracy as well as opportunities for rent-seeking. This will be contingent on clear, consistent and coherent policy formation, including targeting abuse and corruption. In particular, the state will need to move away from large-scale, ‘prestige’ projects: these have historically been poorly managed, creating huge

¹ Government of the Republic of Zimbabwe (2018), *Transitional Stabilisation Programme: Reforms Agenda: October 2018 – December 2020*, Harare, <http://kubatana.net/wp-content/uploads/2018/10/Transitional-Stabilisation-Programme-Final.pdf> (accessed 6 Sept. 2019).

opportunities for corruption and significant vulnerabilities to changing environmental conditions, especially in the hydroelectric sector. Small-scale, flexible and green technologies, including micro generation, can help to bridge Zimbabwe's yawning infrastructure gap and help build resilience to the negative impact of a rapidly changing climate.

Despite the 2013 constitutional requirement that the state should involve citizens in policy formulation,² private-sector voices have often gone unheard. This may now be changing, however. A Presidential Advisory Council (PAC)³ was established in 2019, bringing together business leaders from diverse sectors to advise the government on economic policy; and the Tripartite Negotiating Forum between business, the civil service and government is also a critical platform for dialogue. The private sector appears willing to engage, and should serve as a reservoir of creativity.

This briefing note is a contribution to this process of engagement. It highlights the issues raised and policy suggestions presented during the *Zimbabwe Futures 2030* research project in 2019,⁴ which brought together representatives of Zimbabwe's private sector, government, industry and business organizations, experts and other stakeholders to identify priority areas and policy options to drive inclusive economic growth.

President Emmerson Mnangagwa came to office in 2017 following a military backed transition of power from former President Mugabe, and won a national election in August 2018, inaugurating what is now termed the 'New Dispensation'. Despite ongoing party political opposition and demonstrations challenging the legitimacy of the new government,⁵ the administration still has a window of opportunity for reform and, with the TSP, has laid out an ambitious blueprint for change. There is an urgency and a willingness from stakeholders to contribute to creating a better economic environment, now and with the 2030 planning horizon in mind.

The briefing note does not seek to offer a comprehensive policy programme or solve the political challenges facing Zimbabwe. Rather, it focuses on key concerns within the framework to 2030. It first sets out the economic context and offers solutions for the most important short-term macroeconomic challenges facing Zimbabwe, and then explores long-term policy options to support private-sector-driven development to 2030, including infrastructure for water, electricity and rail services. Agriculture, mining, and tourism value chains are identified as potential drivers of growth that require clear policy support. The importance of secure land rights and the creation of pathways to formality for Zimbabwe's predominantly informal workforce are also underscored. The paper does not go into detail on specific issues of beneficiation, or diverse manufacturing, as these were not discussed in detail during the research process. However, there is a clear need for greater research and discussion with private sectors, and government on developing beneficiation processes and value-addition activities.

² Government of the Republic of Zimbabwe (2013), *Constitution of Zimbabwe Amendment No. 20*, https://www.parl.zim.gov.zw/images/documents/Constitution-of-Zimbabwe-Amendment_No_20_-_14-05-2013.pdf (accessed 6 Sept. 2019).

³ Office of the President and Cabinet (2019), 'President Sets Up Advisory Council', 31 January 2019, <http://www.theopc.gov.zw/index.php/362-president-sets-up-advisory-council> (accessed 18 Sept. 2019).

⁴ An overview of the *Zimbabwe Futures 2030* process is given on p. 2 of this paper.

⁵ The opposition MDC contested the results of the 2018 elections, and have continued to deny President Mnangagwa's legitimacy. The MDC has so far refused to participate in the multiparty Political Actors Dialogue (POLAD), insisting on a neutrally mediated party-to-party dialogue with ZANU-PF. ZANU-PF in turn has pointed to the MDC and ZCTU's encouragement of national demonstrations, and has accused both organizations of fomenting chaos in the guise of democratic protest. The report of the 2018 Motlanthe commission of inquiry into post-election violence made recommendations for government, the security sector and civil society on pathways to de-escalation.

Context: A Deepening Economic Crisis and a Record of Reform Failure

Zimbabwe's current programme of economic reform is being pursued by the government of Emmerson Mnangagwa in the context of a deepening economic crisis that has placed huge pressure on ordinary citizens. Rolling power blackouts have crippled both industry and home life. Fuel is in short supply, and so is cash. The cost of living continues to increase, often on a weekly basis. And many Zimbabweans, especially in the cities, spend a large part of their daily lives in queues for essential goods and services. Persistent socio-economic pressures have led to human capital flight, with, by 2014, more than 3 million Zimbabweans estimated to have left the country since 2000⁶ – the population of Zimbabwe currently being around 15 million⁷ – notably depriving the economy of the highly skilled workers needed for industrial growth. Violence erupted in Harare in January 2019, sparked by a sharp rise in fuel prices, and again in August. Security forces have been deployed to quell protests in Harare and Bulawayo, and in smaller towns such as Marondera, in 2019.⁸

Serious environmental and climate pressures have exacerbated Zimbabwe's economic crisis, and have weakened citizens' resilience. The late and minimal rains during 2018/19 have led not just to poor harvests, but also to energy shortages as the country remains dependent on hydroelectric energy generation. The pressure on relief systems that this has caused has been further compounded by the destruction caused by Cyclone Idai in the east of the country in March 2019. As at July 2019, some 3.5 million Zimbabweans – equivalent to around a third of the rural population, were reported to be dangerously food-insecure; and it was projected that more than 5.5 million people would be food insecure by early 2020.⁹ Severe environmental pressures at the local level are evident in the repeated food crises affecting Zimbabwe, underscoring the need for investment in irrigation for agriculture and improved water management.

Despite this current context, Zimbabwe could conceivably be well positioned to 'leapfrog' into environmentally sustainable practices as it upgrades its agricultural and manufacturing capital, as well as its electricity generation. Moreover, the Institute for Security Studies (ISS) makes the case that, under what it terms a 'Great Zimbabwe' scenario, with improved quality of public services, an efficient and independent civil service, and commitment to better policy formulation and implementation, including on transparency, Zimbabwe could see per capita income accelerate compared with its current trajectory (see Figure 1).¹⁰ However, under its alternative, 'Things Fall Apart' scenario, the government of Zimbabwe 'fails to resolve the financial crisis, the quality of government accountability and delivery of basic services such as WASH [water, sanitation and

⁶ Mugwagwa, N. (2014), 'Zimbabwe: How Can the Diaspora Contribute to Development?', World Bank Blogs, 28 January 2014, <https://blogs.worldbank.org/voices/zimbabwe-how-can-diaspora-contribute-development> (accessed 26 Sept. 2019).

⁷ World Bank (2019), 'Macro Poverty Outlook – Zimbabwe', April 2019, <http://pubdocs.worldbank.org/en/750841492188177908/mpo-zwe.pdf> (accessed 26 Sept. 2019).

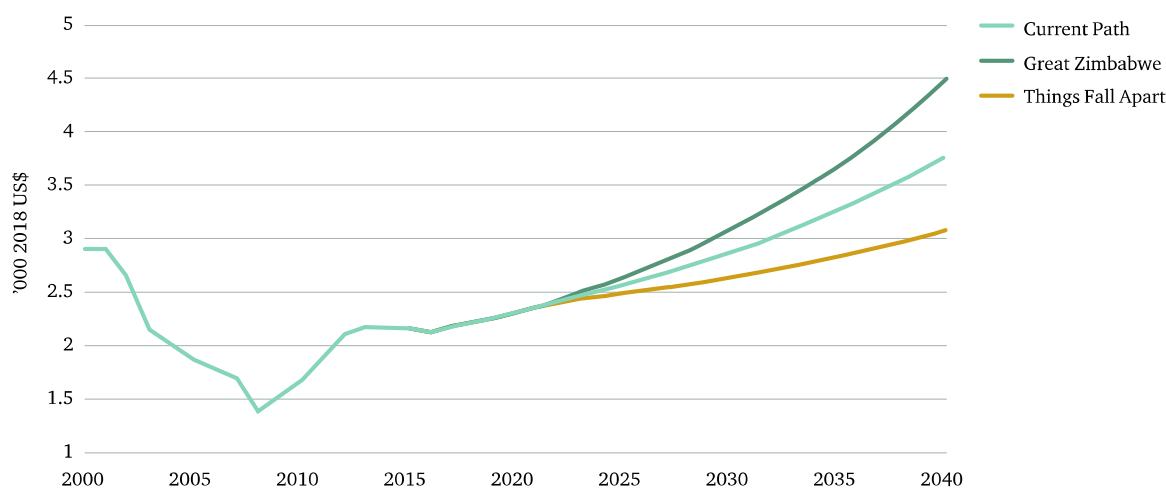
⁸ Amnesty International (2019), *Open for Business, Closed for Dissent: Crackdown in Zimbabwe during the National Stay-Away*, <https://www.amnesty.org/download/Documents/AFR4698242019ENGLISH.pdf> (accessed 26 Sept. 2019).

⁹ UN News (2019), 'Zimbabwe: Droughts leave millions food insecure, UN food agency scales up assistance', 19 July 2019, <https://news.un.org/en/story/2019/07/1042881> (accessed 26 Sept. 2019).

¹⁰ Welborn, L., Cilliers, J., and Kwasi, S. (2019), *Great Zimbabwe: Alternative Prospects to 2040*, Southern Africa Report 23, International Institute for Security Studies (ISS), <https://issafrica.s3.amazonaws.com/site/uploads/sar-23-2.pdf> (accessed 6 Sept. 2019).

hygiene] stagnates ... deepening concerns of insecurity both within and outside of the country [will] deter foreign investment' and result in significantly lower growth.

Figure 1: Zimbabwe GDP per head to 2040 under three projected scenarios, US\$



Source: Welborn, Cilliers and Kwasi (2019), *Great Zimbabwe: Alternative prospects to 2040*, using IMF data and International Futures Model version 7.36.

The stakes are high, and the long-term record of reform efforts in Zimbabwe does not inspire confidence. Reforms to encourage private sector growth have been attempted since the 1980s,¹¹ but have been undermined by inconsistent implementation of legislation and policy, deep-seated corruption, politically expedient and profligate state spending, overvalued exchange rates, and shortages of both foreign exchange and critical skills. Successive programmes laid out plans for fiscal consolidation, SOE reform and improving the environment for doing business, but each time failed to deliver. For example, the 2013 ZIMASSET plan was contingent on an unattainable 7 per cent growth rate. The 2015–16 'Lima process' of reform and reengagement with international financial institutions sought international finance as a stimulus, which did not materialize.¹²

The TSP and Vision 2030 must draw on the lessons of earlier, failed reform efforts, which have meant a legacy of low confidence in the ability of Zimbabwe's government to deliver effective change. International investors, governments and the international financial institutions are all important partners in supporting reform, but the ordinary Zimbabweans who ought to be the main beneficiaries of reform, and the critical audience for government communications, must also have the opportunity for input into policymaking.

¹¹ A small domestic market pre-independence, followed by years of international isolation, meant a long history of little competition and a manufacturing sector dominated by a very few firms.

¹² For more detail on the Lima Process, see Chitiyo, K., Vines, A. and Vandome, C. (2016), *The Domestic and External Implications of Zimbabwe's Economic Reform and Re-engagement Agenda*, Chatham House Research Paper, <https://www.chathamhouse.org/sites/default/files/publications/research/2016-09-08-zimbabwe-economic-reform-re-engagement-chitiyo-vines-vandome-final.pdf> (accessed 6 Sept. 2019).

Stabilizing the Macroeconomy

The short-term priority for Zimbabwe's government and private sector is achieving a stable currency and prudent fiscal management, both of which are absolute prerequisites for long-term growth. The government has taken steps to reduce the deficit, notably continuing to cut the wage bill to free up funds for social programmes and capital investment. The fiscal deficit peaked at 9.9 per cent of GDP in 2017, having been under 3 per cent annually from 2008 to 2015,¹³ driven by the rapid increase in government subsidies supporting small-scale farmers, and government grain procurement at above-market prices. This increased spending took place at a time of falling revenues due to low prices for Zimbabwe's major commodities and a diminishing consumer tax base. In 2018, however, the government reported a narrowing of its deficit, and preliminary data for the first quarter of 2019 indicated revenues around 30 per cent above forecast, in part due to the implementation, from October 2018, of a controversial 2 per cent tax on electronic financial transfers.

The introduction, in February 2019, of a new currency,¹⁴ is an essential step in stabilizing the economy, but an immediate effect has been high inflation that has outstripped salaries, especially for civil servants, and further deepened the cost-of-living crisis. The initial reaction from elements of the private sector was tentatively supportive of the de-pegging of RTGS and Bond from the US dollar and the establishment an interbank foreign exchange market.¹⁵ The move created a mechanism for businesses to trade currency, decriminalized trading activity that was already happening on the parallel market, and may allow Zimbabwean-manufactured goods to become more competitive in regional markets.

Zimbabwe debt and currency challenges

The government deficit rose considerably between 2015 and 2018, financed through significant government borrowing, including an overdraft and issuance of bonds and treasury bills. A shortage of US dollars – the national currency since the collapse of the Zimbabwe dollar in 2009 – resulted in the circulation of alternative bond-backed notes issued in 2016 and the use of Real Time Gross Settlement (RTGS) electronic balances as currency.¹⁶ In 2009 2 million electronic transactions accounted for a value of \$6.87 billion. By 2018, this had risen to a value of \$151.75 billion in 1.96 billion transactions. Bars offer pre-pay drinks cards, and street vendors take payments via mobile.

¹³ IMF (2019), 'Staff-Monitored Program: Press Release and Staff Report', IMF Country Report 19/144, May 2019, <https://www.imf.org/en/Publications/CR/Issues/2019/05/31/Zimbabwe-Staff-Monitored-Program-Press-Release-and-Staff-Report-46952> (accessed 6 Sept. 2019).

¹⁴ Reserve Bank of Zimbabwe (2019), *Monetary Policy Statement: Establishment of an Inter-bank Foreign Exchange Market to Restore Competitiveness*, 20 February 2019, <https://www.rbz.co.zw/documents/mps/mpsfeb2019.pdf> (accessed 6 Sept. 2019).

¹⁵ 'Zimbabwe Futures 2030: Policy Priorities for Economic Expansion', Roundtable, Harare, 28 February 2019.

¹⁶ RTGS systems are used worldwide as interbank settlement systems. In Zimbabwe the term has been used to describe electronic bank balances, initially pegged to the US dollar. RTGS money rose from under RTGS 1 billion in 2016 to a peak of over RTGS 9 billion in December 2018, although the level has subsequently declined.

This had a number of negative effects.¹⁷ While officially equal to one US dollar, RTGS and Bond cash had a fraction of the US dollar spending power. People became accustomed to paying a different price in dollars, RTGS, or bond coins and notes.¹⁸ Inconsistent statements from government officials regarding the value of RTGS contributed to growing uncertainty and a widening informal exchange rate.¹⁹ With limited access to forex, businesses that rely on imported inputs have been unable to pay for their imports. Exporters in mining and agriculture have struggled to get the correct value of local currency for their product. Regional and international businesses have complained about their inability to re-patriate profits and dividends.

Furthermore, government debt crowded out private sector investment, as banks lent available credit to government rather than businesses. Many private companies also bought government debt, which limited funds available for capital investment and contributed to wider uncertainty of how to value RTGS on their balance sheets, given the split between official and informal values.

However, significant uncertainty remains over the creation of a fully liberalized exchange rate, and inflation continues to rise. In June 2019 the government banned foreign currency transactions, although exemptions were soon made.²⁰ The foreign currency black market is likely to remain a major force in the national economy. The establishment of a market-driven foreign currency trading system under the supervision of an independent currency board is a priority for the private sector.²¹ The system should not allow the government to crowd out the private sector in foreign currency markets. There have been calls for structural reform of the Reserve Bank of Zimbabwe, including the appointment of an independent chairperson and board of directors, to improve the checks and balances in its governance mechanisms.²²

¹⁷ Reserve Bank of Zimbabwe (2019), *Monetary Policy Statement*, 20 February 2019, <https://www.rbz.co.zw/documents/mps/mpsfeb2019.pdf> (accessed 6 Sept. 2019).

¹⁸ It was widely claimed that Zimbabwe had both one of the highest and one of the lowest fuel prices in the world, depending on what currency was being used for the transition.

¹⁹ In 2018 Minister of Finance Mthuli Ncube acknowledged that the rate was not equal for consumers. The Governor of the Reserve Bank of Zimbabwe, John Mangudya, reaffirmed that the two currencies – RTGS and US dollar – were still of equal value.

²⁰ Banya, N. (2019), 'Update 2-Zimbabwe c.bank eases forex rules for some in bid to improve dollar flows', *Reuters*, 24 July 2019, <https://www.reuters.com/article/zimbabwe-economy/update-2-zimbabwe-c-bank-eases-forex-rules-for-some-in-bid-to-improve-dollar-flows-idUSL8N24P5S2> (accessed 26 Sept. 2019).

²¹ *NewsDay* (2019), 'Zim urged to adopt currency board', 4 March 2019, <https://www.newsday.co.zw/2019/03/zim-urged-to-adopt-currency-board/> (accessed 6 Sept. 2019).

²² *Zimbabwe Futures 2030* roundtable series.

Creating a Market Economy: Changing the Relationship Between State and Private Sector

The government of Zimbabwe has committed to establishing a market economy. An open market system requires a governing authority to perform the functions that are essential to allow markets to operate, and deliver public goods.²³ In the assessment of the World Bank, currently there is ‘limited oversight of many public institutions and parastatals’.²⁴

At present, the public sector accounts for roughly half of Zimbabwe’s GDP,²⁵ and the formal economy predominantly comprises state actors. Government entities, agencies and individuals all have direct interests in commercial agriculture and mining, and indirect links to the private sector through controlling licences and tenders. The government will continue to play an important role in the Zimbabwean economy, but it must work for the economy, not against it. It cannot be both player and referee.

Government over-representation in the economy has led to corruption and abuse. The TSP states: ‘Prior to the New Dispensation, corruption had spread unchecked, negatively affecting the social and moral fabric of the Nation, as rent seeking behaviours raised the cost of doing business, and posed hardships for the unconnected majority who constitute the generality of the public’.²⁶ There has, over many years, been a growing divide between a small number of very rich and the large number of very poor in Zimbabwe. Privileged and politically connected actors have beneficial access to external economic resources, such as foreign exchange markets, and thus have had no incentive to push for change. This has contributed to a collapse in trust and confidence in the state.

Weak corporate governance was also a major factor in the non-performing loans that undermined the economic gains of the period from 2009–13.²⁷ The corporate lending that took place after dollarization was often not well managed, or was subject to insufficient scrutiny. The Zimbabwe Asset Management Company was established in 2014 to buy bad debt and resolve a non-performing loan (NPL) crisis that was suffocating the private sector. Within four years it had absorbed some \$1 billion in NPLs.²⁸

The new government has taken positive steps to improve the business environment and increase confidence, including in politically sensitive areas. The Zimbabwe Anti-Corruption Commission has

²³ Such as maintaining peace and stability; upholding the rule of law; protecting public health; providing for public education; and facilitating transport and communication services.

²⁴ World Bank (2017), *Zimbabwe Economic Update: The State in the Economy*, Issue 2, <http://documents.worldbank.org/curated/en/333081497536246610/pdf/116309-WP-PUBLIC-on-6-21-6-am-dc-time-15-6-2017-15-24-30-ZimbabweEconomicUpdate.pdf> (accessed 6 Sept. 2019).

²⁵ Ibid.

²⁶ Government of the Republic of Zimbabwe (2019), *Transitional Stabilisation Programme: Reforms Agenda*.

²⁷ Chitiyo, K., Vines, A. and Vandome, C. (2016), *The Domestic and External Implications of Zimbabwe’s Economic Reform and Re-engagement Agenda*.

²⁸ Kazunga, O. (2018), ‘Zamco mops up \$1 billion Non-Performing Loans’, *Zimbabwe Chronicle*, 22 June 2018, <https://www.chronicle.co.zw/zamco-mops-up-1-billion-non-performing-loans/> (accessed 6 Sept. 2019).

been empowered; audits of SOEs have been undertaken and are publicly available; there have been ministry performance appraisals; and parliamentary portfolio committees now serve as bipartisan forums for scrutiny of government and the economy. Consolidating government agencies on trade and investment through a new Zimbabwe Investment and Development Agency (ZIDA) is intended to streamline investment procedures.²⁹

Reform or privatization of SOEs is critical to establishing a new role for the state in the economy, and has been a key element of successive reform processes. The contribution to GDP of all SOEs and parastatals fell from 17 per cent in 2012 to 13.4 per cent in 2014, and the number of people employed by them has fallen sharply.³⁰ They nonetheless receive more in transfers from the state than they pay back in dividends.³¹ The publication of findings from SOE audits has been positively received, and a report into SOEs by the country's auditor-general, Mildred Chiri, has led to the arrest of high-ranking officials, including former tourism minister Priscah Mupfumira.³²

In many cases, there has been significant capital depreciation of, or value extraction from, Zimbabwe's SOEs. Good accounting practices and accurate valuation will be a critical first step towards successful privatization. Several examples have been raised as possible case studies of best practice in privatization, including Kenya's Safaricom, as well as the experiences of countries in Central and Eastern Europe. Firm commitments must now be made to attract international investment to Zimbabwe, and efforts made to build trust between government and potential investors. But the government must also make sure that a broad range of ordinary citizens understand the privatization process and are able to purchase shares; it must also include local ownership targets in regulatory oversight.

²⁹ The Zimbabwe Investment Development Agency Bill was officially gazetted on 5 April 2019. See Parliament of Zimbabwe (2019), 'Bill Digest: Zimbabwe Investment Development Agency Bill, H.B.2, 2019', <https://www.parlzim.gov.zw/component/k2/bill-digest-zimbabwe-investment-development-agency-bill-h-b-2-2019> (accessed 7 Oct. 2019).

³⁰ Government of Zimbabwe and the World Bank (2017), *Zimbabwe Public Expenditure Review 2017: Volume 3: State Enterprises and Parastatals*, <http://documents.worldbank.org/curated/en/344681497630463948/pdf/116350-WP-v3-PUBLIC-JUNE21-6am-ZIMPER-Volume-3.pdf> (accessed 6 Sept. 2019).

³¹ *Ibid.*

³² Ndebele, L. (2019), 'Tourism minister is first victim of Mnangagwa's corruption clampdown', *TimesLive*, 25 July 2019, <https://www.timeslive.co.za/news/africa/2019-07-25-tourism-minister-is-first-victim-of-mnangagwas-corruption-clampdown/> (accessed 26 Sept. 2019).

Underpinning Economic Growth to 2030: Water, Energy and Rail Infrastructure

Looking beyond the immediate imperative to stabilize the economy and ensure provision of essential goods and services, there are three key areas of Zimbabwe's basic infrastructure that the government will need to address to ensure sustainable economic growth. These are water, electricity generation and transport (particularly rail). All these sectors are currently in crisis.

Water

Across Zimbabwe, few critical reservoirs are at more than 50 per cent capacity; Kariba Dam is down to 30 per cent capacity.³³ The Zambezi river is at its lowest level in 50 years. Many boreholes are no longer pumping because the water table is too low. Water rationing was introduced in Harare and Bulawayo in July 2019, restricting residents' access to municipal tap water just once a week. This has exacerbated an already severe public health challenge, with one Harare council official admitting: 'The situation is bad, period!'³⁴ Estimates for the additional level of investment required are as high as US \$365 million per year for water, and US \$336 million for sanitation.³⁵

As well as having a severe effect on households, the shortage of water has had a negative economic impact across all sectors, particularly tourism, mining and agriculture (particularly agricultural products with multi-year production cycles, such as sugar cane or coffee). A lack of investment in dam and irrigation infrastructure has meant lower output of irrigated crops.

Power generation

Successive droughts have exposed the fragility of Zimbabwe's electricity sector and the risk of dependence on a few large-scale centres of generation. The low level of Kariba Dam and other hydro plants, and the increasingly faulty machinery at Kariba and at the Hwange Colliery thermal power plant have cut Zimbabwe's energy output to less than a third of its 1,800 MW capacity: output in August 2019 was below 600 MW.³⁶ The Kariba South Extension, completed in 2018, has added another 350 MW in generating capacity to the grid, but this is the first investment in power generation made in Zimbabwe in the last 30 years. Zambia and Zimbabwe recently agreed to jointly develop the Batoka Gorge hydropower project on the Zambezi, 54 km downstream from Victoria Falls, with eventual generating capacity of some 1,600 MW, but construction is expected to take more than a decade.³⁷

³³ Guvamombe, I. (2019), 'Kariba falls from glory to ghost', *The Herald*, 17 August 2019, <https://www.herald.co.zw/kariba-falls-from-glory-to-ghost/> (accessed 6 Sept. 2019).

³⁴ Mbugua, S. (2019), 'Two million in Zimbabwe's capital have no water as city turns off taps', *Climate Home News*, 15 July 2019, <https://www.climatechangenews.com/2019/07/15/two-million-zimbabwes-capital-no-water-city-turns-off-taps/> (accessed 6 Sept. 2019).

³⁵ AMCOW (2011), *Water Supply and Sanitation in Zimbabwe Turning Finance into Services for 2015 and Beyond*, AMCOW Country Status Overview, <https://www.wsp.org/sites/wsp/files/publications/CSO-Zimbabwe.pdf> (accessed 6 Sept. 2019).

³⁶ ZESA (2019), <http://www.zesa.co.zw/> (accessed 6 Sept. 2019).

³⁷ This project, which includes General Electric and Power China and is funded by the AfDB, is a major Zimbabwe government initiative to develop an alternative major hydropower station. See *Global Construction Review* (2018), 'Zambia and Zimbabwe agree in principle to \$4.5bn

Electric power is a key input into mining, agri-processing, industry and transport, and as such is arguably the most important driver of economic growth. Load shedding and energy rationing are now the norm. Power shortages have hit productivity, and many companies have been forced to lay off workers. Businesses have shown considerable ingenuity and resilience in order to keep going; revised production methods, for example, have included factories running short shifts overnight when electricity is available. But such solutions are not sustainable. Many small businesses that have become reliant on generators have subsequently suffered because of the fuel crisis. The government expects capacity utilization in the manufacturing sector to decline to 34 per cent in 2019, compared with 48 per cent in the previous year,³⁸ and restaurants, hotels, museums and tourism sites are not able to generate the power needed to operate.

It has been suggested that building and using small-scale power systems based on renewables – including hydro, solar and wind,³⁹ which could increase capacity in a way that also mitigates the risk of dependence on a few traditional power stations. Small-scale solar units are already being installed for homes and businesses to maintain electricity. Government subsidies and tax incentives to promote small renewable energy schemes and solar power systems in off-grid areas would benefit more people more quickly than large projects that may take years to come online. In Nepal, for instance, there has been successful investment in ‘run-of-the-river’ micro-hydropower plants, which generate electricity from river water flow rather than from large dams and reservoirs.⁴⁰

Domestic investors have called for changes to the licensing regime, and for the liberalization of the transmission and sale of electricity. Controlled power prices make the industry unattractive for investors. The price charged for electricity by Zimbabwe Electricity Supply Authority (ZESA) is not only one of the lowest in the region, and well below the regional average; it also falls short of the cost of production – when it is collected at all. ZESA is owed more than \$1.2 billion in unpaid bills, and it owes suppliers US\$500 million.⁴¹ It is reported that, over the past five years, the Zimbabwe Energy Regulatory Authority (ZERA) has granted licences to over 50 independent power producers, but those projects remain stalled due to low tariffs.⁴² A more realistic tariff would incentivize independent producers to invest and supply the national grid at competitive rates.

Reliance on foreign loans to finance power production and energy imports to make up the domestic shortfall has exacerbated Zimbabwe’s debt situation. Unpaid ZESA debts to Eskom in South Africa led Eskom to cut its 2019 weekly power supply to Zimbabwe from 450 MW to 50 MW. Eskom

Batoka Gorge hydro scheme’, 20 July 2018, <http://www.globalconstructionreview.com/news/zambia-and-zimbabwe-agree-principle-45bn-batoka-go/> (accessed 6 Sept. 2019). Hill, M. and Naidoo, P. (2019), ‘GE, PowerChina Set to Build \$4 Billion Zambia-Zimbabwe Plant’, Bloomberg, 20 June 2019, <https://www.bloomberg.com/news/articles/2019-06-20/ge-wins-bid-to-build-4-billion-zambia-zimbabwe-hydropower-dam> (accessed 6 Sept. 2019).

³⁸ Business Report (2019), ‘Zimbabwe industry capacity utilization to decline amid challenges’, 16 July 2019, <https://www.iol.co.za/business-report/international/zimbabwe-industry-capacity-utilization-to-decline-amid-challenges-29310832> (accessed 6 Sept. 2019).

³⁹ Makonese, T. (2019), ‘Quick-fix solutions to Zimbabwe’s huge electricity crisis’, The Conversation, 1 July 2019, <https://theconversation.com/quick-fix-solutions-to-zimbabwes-huge-electricity-crisis-118209> (accessed 6 Sept. 2019).

⁴⁰ Ibid.

⁴¹ Bhoroma, V. (2019), ‘Achieving self-sufficiency in Zim power generation’, *Zimbabwe Independent*, 24 May 2019, <https://www.theindependent.co.zw/2019/05/24/achieving-self-sufficiency-in-zim-power-generation/> (accessed 19 Sept. 2019).

⁴² Mswazie, W. (2019), ‘Zera licenses 51 IPPs’, The Herald, 15 May 2019, <https://www.herald.co.zw/zera-licenses-51-ipp/> (accessed 19 Sept. 2019).

agreed to resume weekly transmission of 400 MW in August 2019, after ZESA paid US \$10 million of its US \$23 million arrears, bringing some relief to consumers in Zimbabwe.⁴³

Rail infrastructure

Zimbabwe is landlocked, meaning that imports and exports have to be transported through second countries, and further capacity is necessary to support emerging economic activity, bulk exports in agriculture and new mining areas. Zimbabwe has built no new railway in the four decades since independence;⁴⁴ and the existing railway has not been maintained.

The TSP highlights the need for more infrastructure, but little thought appears to have been given as to how the private sector might be persuaded to start shifting bulk by rail rather than by road. New approaches could include setting a legal minimum percentage requirement for certain bulk goods to be moved by rail, or financing through joint ventures. Inviting private rail and road operators to build and maintain the rail infrastructure and roads by structuring public-private partnership concessions could encourage investment on infrastructure development.

⁴³ Ndlovu, R. (2019), 'South Africa's Eskom begins 400mw power supply to Zimbabwe', Bloomberg News via fin24, 9 August 2019, <https://www.fin24.com/Economy/eskom-begins-400mw-power-supply-to-zimbabwe-20190809> (accessed 6 Sept. 2019).

⁴⁴ *Zimbabwe Futures 2030* roundtable series.

Supporting Growth Along the Value Chain of Zimbabwe's Multi-land-use Economy

The two overarching priorities for facilitating growth to 2030 are enforcing land and property rights, and creating pathways to formality across sectors and value chains. Zimbabwe has a complex structure of land ownership and use, including commercial, smallholding and subsistence farmers, hunters and communities, on land that can be state, private or communal. The private sector requires a workable land management system that will allow it to attract investment and grow, built on respect for and enforcement of property rights to ensure security in land ownership, leaseholding and economic usage. Land in Zimbabwe remains a contentious issue in the wake of the Fast Track Land Reform programme of the early 2000s, but the issues are much broader than expropriation of commercial farmers. There is a need for clarity over usage rights between farmers and miners on state-owned land being used under tenure. The lack of enforcement of land rights is also putting pressure on environmental resources – with informal tobacco farming creeping on to the fringes of national parks, for instance.

Long-term economic planning for job creation and growth also needs to reflect the reality that most Zimbabweans subsist in the informal sector. Some 94.5 per cent of Zimbabwe's employed population aged 15 years and above were considered to be working in the informal economy at the time of the 2014 labour force survey.⁴⁵ There is a need to better understand the make-up and role of the current informal economy, and to design policies that can bring the benefits of formalization – including higher wages, and improved health and safety practices and protections – without unduly stifling enterprise: the informal sector has provided an important safety net in a fragile economic context; and informal businesses are frequently wary of government intervention.

Agriculture

Agricultural activities provide direct employment and income for 60–70 per cent of the population of Zimbabwe, but agriculture, forestry and fishing contributed only 12 percent to Zimbabwe's GDP in 2018.⁴⁶ There are considerable variations in scale and efficiency within the sector. Commercial agriculture is a major driver of other economic activity, providing around 60 per cent of raw material inputs for manufacturing, and a producer of cash crops – chiefly tobacco – for export.⁴⁷ Small-scale farming is a primary source of subsistence for much of the population, and is a key factor in livelihood resilience and poverty levels. There is a considerable challenge for policymakers in addressing the priorities and needs of producers at all scales.

⁴⁵ Zimbabwe National Statistics Agency (2015), '2014 Labour Force Survey', March 2015, Harare, http://www.zimstat.co.zw/sites/default/files/img/publications/Employment/Labour_Force_Report_2014.pdf (accessed 6 Sept. 2019).

⁴⁶ World Bank (2019), 'World Bank Data: Zimbabwe Agriculture, forestry, and fishing, value added (% of GDP)', <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=ZW&view=chart> (accessed 1 Oct. 2019).

⁴⁷ Chitiyo, K., Vines, A. and Vandome, C. (2016), *The Domestic and External Implications of Zimbabwe's Economic Reform and Re-engagement Agenda*.

In order to be competitive, Zimbabwe needs to develop economies of scale that can in part be achieved through high-tech estate farming. Agribusinesses need to be encouraged in ways that can foster managerial skills and develop sophisticated supply chains, as well as support production of cash crops that have long payment horizons. For instance, tree crops like coffee or oranges require significant investment but are not revenue producing for at least four years, and thus are beyond the reach of most smallholders. Care will need to be taken that agribusiness does not expand at the expense of all those who also have a right to the land, and that it provides jobs and training for those who may potentially be displaced. Labour-intensive agriculture could also be encouraged,⁴⁸ although water intensity involved in production should be considered when identifying potential new crops, and policy structures need to enable the development of irrigation infrastructure. Horticulture exports have doubled in 2018–19, albeit from a small base. Significant opportunities exist for expanding production of fruit and salad products, including to provide a winter buffer for food retailers and restaurants in South Africa. Commercial farms in Zimbabwe also have an important role to play as ‘nodes’ of economic activity, connected into local supply chains and drawing inputs from the surrounding area through outsourcing and supporting a local market for agricultural services.

Adopting new technologies will also be an important step for Zimbabwe’s agricultural sector. Improved communication systems will enable farmers to share information, including on ‘climate-smart’ agricultural practices, have better access to weather forecasts, and make better advanced planning choices, as well as promote access to agricultural futures markets. Technologies such as blockchain may also help smallholders with no land tenure to build a credit history in order to access capital.⁴⁹ However, the roll-out of new technologies needs to be supported by training and promotion, including through traditional channels such as radio, to ensure that small-scale farmers are aware of these services. New technologies will also be used for mapping and categorization of land, and boundary definition. Critically, such developments must be supported by the establishment and empowerment of a land tribunal as well as effective local dispute resolution mechanisms.

A revived agricultural sector is key to reversing the trend of deindustrialization in Zimbabwe, and not only in terms of supply of raw materials for processing. Agriculture is an important purchaser of manufactured products at every level. Large commercial farms provide a small market for more mechanized farming products, but there is also a significant market for basic mechanization and simple capital. But margins can be narrow, and so selling at high volume is in most cases crucial.⁵⁰ The Confederation of Zimbabwe Industries and the Ministry of Industry and Commerce have identified 18 value chains that link resource sectors – i.e. agriculture and mining – to manufacturing. For agriculture, this includes cash crop production such as tobacco or cotton,

⁴⁸ Avocado production was suggested as one example during the *Zimbabwe Futures 2030* roundtables.

⁴⁹ Fresh Plaza (2019), ‘Zimbabwe: Blockchain to release farmers from financial burdens’, 26 June 2019, <https://www.freshplaza.com/article/9120797/zimbabwe-blockchain-to-release-farmers-from-financial-burdens/> (accessed 6 Sept. 2019).

⁵⁰ For example, Zimplot’s Mealie Brand business unit, which is the largest manufacturer and distributor of animal-drawn ploughs, harrows, rippers and planters in Zimbabwe, had a revenue of \$12.5 million in 2018 with local sales of 43,490 units. By comparison, the group’s Farmec business unit generated revenue of \$17.7m for tractor sales of 166 units. (See annual report: <https://africanfinancials.com/document/zw-zimw-2018-ar-00/> (accessed 6 Sept. 2019)).; Mealie Brand’s 48 per cent drop in exports also highlights the pressure that exporters face: the drop could be due to high input costs, or the high value of the US dollar. This reliance on high volume to make up for narrow margins is also prevalent at the retail end of the agricultural value chain. NatFood’s pre-tax profit in 2018 was US\$19 million, on revenue of US\$298 million, a margin of only 6 per cent. Seven of its 13 subsidiaries were dormant. (See annual report: <http://www.nationalfoods.co.zw/Reports/AnnualFinancialReports/NF%20Annual%20Report%202018.pdf> (accessed 6 Sept. 2019)).

manufacture and assembly of machinery, and leather goods.⁵¹ To take one example, in 2000 Zimbabwe was producing 17 million pairs of shoes, but economic crisis and rising competition subsequently meant that by 2011 output had fallen to only around 1 million pairs. With almost two-thirds of hides now exported raw, the number of tanneries fell from nine to just four by 2013.⁵² If the government creates the necessary enabling environment, agriculture could be a key example of a sector where it is possible to reverse decline and create jobs across the value chain.

Productive agriculture in Zimbabwe reflects the legacy of land reform programmes, including phases of post-independence resettlement after 1980, and the Fast Track Land Reform programme of 2000. All agricultural land in Zimbabwe is held by the government in trust and leased to farmers. Establishing security of tenure will be critical to the revival of the sector: uncertainty leads to short-termism, with farmers being reluctant to undertake large capital investment projects, such as installing long-term irrigation systems.⁵³

Tenure is also critical to unlocking finance, in particular for mid-sized and large operations. Improving access to finance was identified as a priority by the Zimbabwe Land Commission in the first phase of its National Agricultural Land Audit, conducted in late 2018. The land audit recommended an integrated Land Information Management System to address shortcomings related to fraudulent land allocations, illegal leasing and the underutilization of potentially productive land.⁵⁴

Guaranteeing secure tenure does not have to mean a move to an entirely freehold system. The Rukuni Commission on land in 1994 recommended a multi-form tenure system.⁵⁵ It can provide for communal usage and protect access rights, as well as protecting leaseholder arrangements for larger properties that require collateral. Representatives of the domestic private sector have also suggested the establishment of a market mechanism on land holding to allow the development of economies of scale and improve efficiency through large-scale, high-tech and highly mechanized farming.

Mining

The government has announced its ambition for Zimbabwe to have a US \$12 billion mining industry by 2023, a more than fourfold increase from 2017. In August 2019 the cabinet discussed a paper submitted by the mining minister, Winston Chitando, setting out the roadmap to achieving this target.⁵⁶

⁵¹ African Development Bank (2018), *Building a New Zimbabwe: Targeted policies for Growth and Job Creation*, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Zimbabwe_Economic_Report_-_Building_a_new_Zimbabwe_Targeted_policies_for_growth_and_job_creation.pdf (accessed 6 Sept. 2019).

⁵² Ibid.

⁵³ *Zimbabwe Futures 2030* roundtable series.

⁵⁴ Chikwati, E. (2019), 'Zimbabwe: Second Land Audit On Cards', allAfrica, 21 May 2019, <https://allafrica.com/stories/201905210110.html> (accessed 6 Sept. 2019).

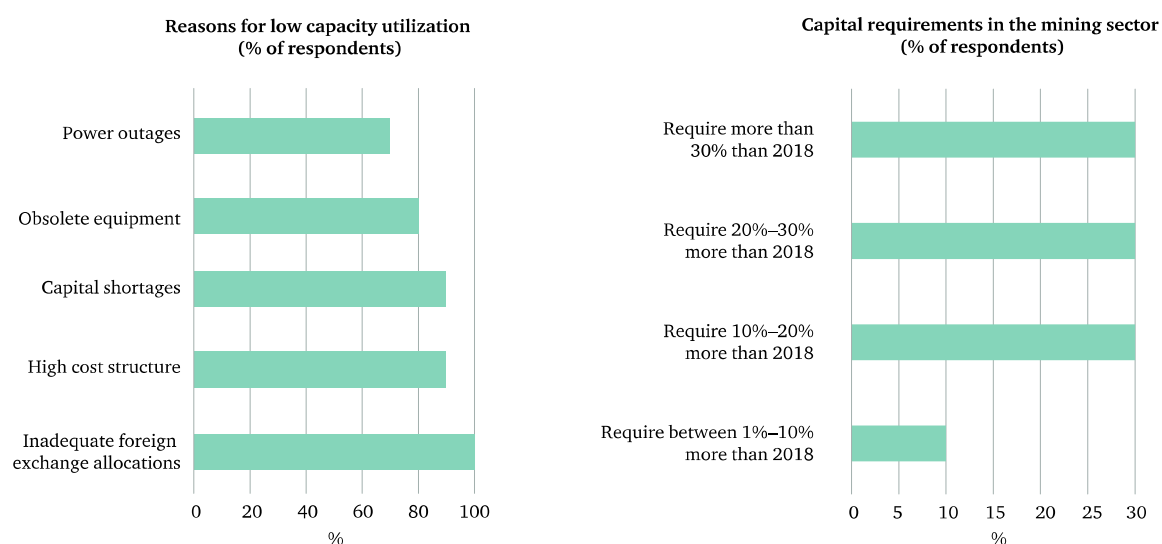
⁵⁵ See Scoones, I. (2018), 'Zimbabwe urgently needs a new land administration system', *The Conversation*, 14 January 2019, <https://theconversation.com/zimbabwe-urgently-needs-a-new-land-administration-system-89387> (accessed 6 Sept. 2019).

⁵⁶ Economic News Network (2019), 'Zimbabwe Mines Minister Presents Details of \$12 Billion Mining Plan', 22 August 2019, <https://enn.news/economy/zimbabwe-mines-minister-presents-details-of-12-billion-mining-plan/> (accessed 26 Sept. 2019).

If this ambition is to be realized, the government’s primary objective must clearly be to attract investment into the sector. Zimbabwe’s Chamber of Mines estimated that in 2018 the industry required \$777 million for maintenance and increasing operations.⁵⁷ Like other sectors, mining has long suffered as a result of chronic power and infrastructure deficits; it has also been impeded by policies that have acted as disincentives to international investment, such as indigenization and foreign currency restrictions. In 2019, however, Minister of Finance Mthuli Ncube announced investment 'megadeals' worth some US \$8 billion into the mining sector.⁵⁸

The Fraser Institute’s most recent *Annual Survey of Mining Companies*, conducted in August–November 2018, placed Zimbabwe in the bottom 10 jurisdictions for investment attractiveness, on the basis of policy uncertainty, the legal system and uncertainty on land dispute resolution.⁵⁹ Although it will take time for the government to build a track record and establish confidence among investors, there are some steps that can be taken in the short term to improve investor sentiment. For example, it should reduce the time it takes to execute Bilateral Investment Protection Agreements (BIPAs), and licensing arrangements should allow companies to invest in exploration without fear of expropriation by the state. Meanwhile, the prevailing uncertainty means that there is no incentive for companies to submit reports on geological surveys to government, and thus there is no holistic geological picture of the whole country.

Figure 2: Zimbabwe mining sector survey responses: causes of underutilization, and capital requirements



Source: Chamber of Mines of Zimbabwe (2018), *State of the Mining Industry 2018 Report: Prospects for 2019*, using 2018 survey data.

⁵⁷ Chamber of Mines of Zimbabwe (2018), *State of the Mining Industry 2018 Report: Prospects for 2019*, <http://chamberofminesofzimbabwe.com/wp-content/uploads/2019/05/2018-State-of-the-mining-industry-2018-report-prospects.pdf> (accessed 6 Sept. 2019).

⁵⁸ Sibanda, M. (2019), 'How Zimbabwe's New Fiscal Regime Impacts On Mining Sector', *African Mining Brief*, 20 August 2019, <https://africanminingbrief.com/how-zimbabwes-new-fiscal-regime-impacts-on-mining-sector/> (accessed 26 Sept. 2019).

⁵⁹ Stedman, A. and Green, K. P. (2018), *Fraser Institute Annual Survey of Mining Companies 2018*, <https://www.fraserinstitute.org/sites/default/files/annual-survey-of-mining-companies-2018.pdf> (accessed 6 Sept. 2019).

Zimbabwe's 2018 *State of the Mining Industry* survey report assessed the mining industry's policy priorities as being: establishing a more competitive business environment; simplifying and streamlining royalties, taxes and the rules around value-addition, and benchmarking these to other regional players; and improved title management, including avoiding overlapping titles.⁶⁰ The survey also points to currency, and financial and physical capital shortages as the biggest impediments to expansion. 60 percent of mines require more a more than 20% increase in capital than they received in 2018 (see Figure 2).

To complement parliament's ongoing review of new mining legislation, a special committee, involving representatives of industry and civil society, should be formed to identify international best practice – drawing on the mining acts of countries such as Australia and Canada, for example – and make recommendations to government.

The ongoing review of the Mining Act and mining practice is key. As part of this, government should ensure a clear ownership structure for mining assets to guarantee security of tenure and encourage exploration. It should also set out clear valuation and compensation mechanisms for those using land absorbed into expanded mining activities, and streamline taxes and royalties.

The government needs to clearly communicate its vision for how the mining industry can contribute to national development, in particular how society can have a just share of the benefits extractive resources. Currently, mining contributes little to government revenue relative to the scale of the industry.⁶¹ The approach to benefit transfer taken by the Zimbabwean government has previously focused on ownership. The indigenization policy acted as a primary mechanism by which Zimbabwe could benefit from its businesses, including in the mining sector, by promoting local ownership. Furthermore, the government sought to extract benefit through state ownership of mining assets, through the Zimbabwe Mining Development Corporation (ZMDC). But Zimbabwe's state-run mines have failed to deliver benefits to its citizens. As part of the current reform process, the indigenization requirement has been dropped, and ZMDC has been listed as one of the enterprises in line for privatization, sale of assets or entering into joint ventures.⁶²

The government must now ensure that a transparent and fair tax and royalty regime means that the state gets a fair return from the mining industry over the long term, and allows citizens to feel the value that this creates. Zimbabwe is in a position where it needs to offer generous conditions in order to attract and retain foreign investors.⁶³

Civil society actors have welcomed the government's stated commitment – including in the 2019 national budget statement – to joining the Extractive Industries Transparency Initiative (EITI).

⁶⁰ Chamber of Mines of Zimbabwe (2018), *State of the Mining Industry 2018 Report*.

⁶¹ Hubert, D. (2016), *Government Revenues from Mining: A Case Study of Caledonia's Blanket Mine*, Publish What You Pay Zimbabwe, http://www.res4dev.com/wp-content/uploads/2017/06/Blanket_Mine_Zimbabwe_Report.pdf#targetText=The%20Government%20of%20Zimbabwe%20does,companies%20provide%20to%20their%20investors.&targetText=Gold%20is%20now%20Zimbabwe's%20leading,nearly%2014%25%20of%20industrial%20production (accessed 6 Sept. 2019).

⁶² Njini, F., Marawanyika, G. and Squazzin, A. (2019), 'Zimbabwe to Scrap Platinum and Diamond Mine Ownership Rules', Bloomberg, 6 March 2019, <https://www.bloomberg.com/news/articles/2019-03-06/zimbabwe-to-scrap-local-mine-ownership-rule-to-boost-investment> (accessed 26 Sept. 2019).

⁶³ However, a 'race to the bottom' cutting of taxes and royalties to attract investors may be counterproductive. The industry is currently experiencing pressure from rising tax regimes and resource nationalism elsewhere on the continent that have occurred because tax frameworks were initially set too low, in order to attract investment, and then rose considerably after production started.

Adherence to best-practice initiatives such as the EITI can provide important third-party reassurance for companies interested in investing in Zimbabwe. Earlier attempts under the Mugabe administration to create a national equivalent, the Zimbabwe Mineral Revenue Transparency Initiative (ZMRTI), were unsuccessful, and there is limited appetite from partners within the Mining Industry Association of Southern Africa, chaired by Zimbabwe, to adopt a specific regional initiative. If Zimbabwe does join the EITI, this will be an important signal of the government's real commitment to reform.

As part of its commitment to promoting greater transparency, the government should publish revenue payments disaggregated by company and source; and mining contracts and project-specific fiscal terms should be disclosed.⁶⁴

Informal mining makes a significant contribution to the sector's output, as well as to foreign currency generation, however the reality of smuggling means that not all revenues are received by government. There are regional examples of best practice for creating pathways to formal status, including through certification schemes. New technologies are providing platforms for this; one such example is TRACR, which uses blockchain to develop a provenance guarantee in the diamond supply chain.⁶⁵ Linking small-scale miners to big companies can facilitate skills transfers and bring improved health and safety. It is estimated that 80 per cent of artisanal mining in Zimbabwe takes place on land that is owned by mining companies, so both parties have an incentive to work together. There needs to be a more joined-up approach involving artisanal, small-scale and large-scale mining, including linking into beneficiation processes. For example, there could be scope to link chrome into steel production, as well as lithium into battery production. Informal and artisanal mining requires financial support to provide access to geologists, equipment, and training. These could be donor-supported activities under accelerated re-engagement.

Tourism

Tourism is a strategically important sector for Zimbabwe. It is less vulnerable to global exchange rate fluctuations than other export sectors. And wildlife tourism, in particular, can create jobs and support wealth creation in rural areas. Tourism arrival numbers also serve as a barometer of international sentiment towards the country.

Zimbabwe's tourism sector – albeit dominated by Victoria Falls as the principal focus of tourism activity and by far the greatest generator of tourism revenue – has proved relatively resilient in recent years, showing signs of renewed growth following a prolonged period of severely reduced tourist inflows from the early 2000s owing to the political situation and economic collapse. There were some 2.4 million tourist arrivals in 2017, up from 1.7 million in 2014.

This resilience is now being tested, however. The tourism sector has suffered operational challenges because of ongoing fuel, power and water shortages. Hotels and restaurants have been unable to operate without electricity or fuel for their generators. Furthermore, a lack of disposable income

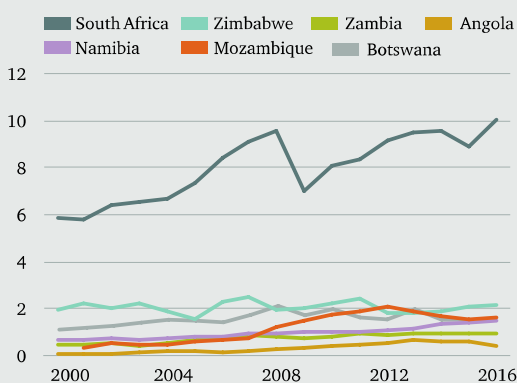
⁶⁴ Hubert (2016), *Government Revenues from Mining: A Case Study of Caledonia's Blanket Mine*.

⁶⁵ TRACR (2019), <https://www.tracr.com/> (accessed 6 Sept. 2019).

and the rising cost of living has caused a decline in domestic tourism. Bureaucracy can also be burdensome, and there are quick wins to be made by simplifying regulation and streamlining the number of licences needed by hotels. For example, hotels currently need a licence for each television they have, rather than one for the whole business.

The most significant growth market for Zimbabwe’s tourism is international tourism. In particular, there is potential benefit to be derived from linking into regional tourism routes. Although Zimbabwe typically receives the second highest number of tourists in Southern Africa, it is not converting these numbers into income or employment as effectively as its neighbours (see figure X). At present, tourist arrivals are predominantly from other African countries. South Africa is by far the most popular tourist destination in Southern Africa for international arrivals. Zimbabwe (and other countries in the region) could tap into this market and encourage visitors to spend longer in the region visiting multiple countries.

Figure 3: Number of tourist arrivals in Southern Africa (million)



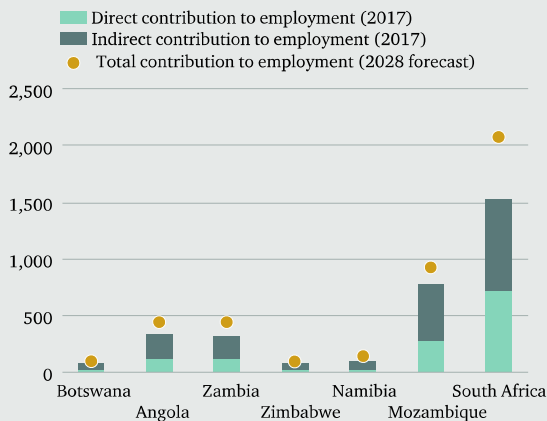
Source: World Bank.

Figure 4: Contribution of travel and tourism to GDP (\$bn)



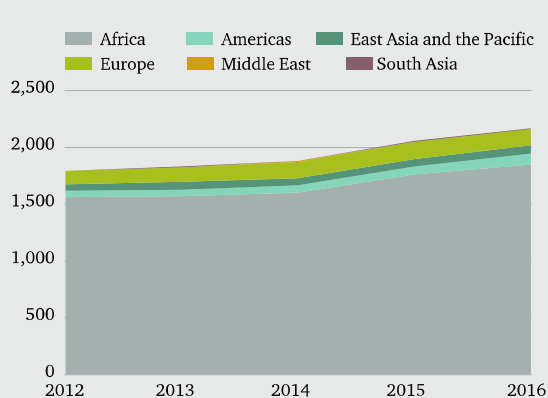
Source: World Travel and Tourism Council (WTTC) Country Reports, 2018.

Figure 5: Contribution of travel and tourism to employment ('000 jobs)



Source: World Travel and Tourism Council (WTTC) Country Reports, 2018.

Figure 6: Zimbabwe tourism arrivals by region ('000)



Source: World Tourism Organization.

Zimbabwe has already taken measures to increase and diversify its tourism arrivals. The refurbishment of the airport and other critical infrastructure at Victoria Falls and elsewhere has brought in international airlines such as Ethiopian Airways and Kenya Airways, and there is further upgrading work in the pipeline.⁶⁶ Victoria Falls airport also provides a gateway into the Kavango-Zambezi (KAZA) Transfrontier Conservation Area (TFCA), a major regional conservation initiative with considerable tourism potential. As part of the initiative, the introduction of the KAZA ‘UniVisa’ for tourists visiting Zimbabwe and Zambia is an important step in linking into the regional market. These measures could be built on, such as by implementing an e-visa system.

The dominance of Victoria Falls as a tourism hub reflects Zimbabwe’s reliance on ‘Big Ticket’ items, also including Hwange Park and Kariba. There is a need to invest in marketing other attractions to an international audience, including cities, museums and cultural hubs, as well as the traditional options of wildlife tourism, hunting expeditions and Zimbabwe’s natural wonders. This needs to be underpinned by investment in and maintenance of visitor sites, including access roads and facilities at rural sites such as the Khami Ruins.

MICE (meetings, incentives, conferences and events) tourism – in which South Africa has previously been dominant in the region – is also a potential growth sector for Zimbabwe. Business tourism typically brings six times more income than other tourism activities, where fees are paid overseas.⁶⁷

Zimbabwe’s government must protect wildlife and ecosystems to sustain the eco-tourism industry. The CAMPFIRE (Communal Areas Management Programme for Indigenous Resources) model, which incentivizes conservation by devolving management and usage rights to communities, was regarded as innovative when it was first introduced in 1989. Ensuring genuine local representation in decision-making, in line with other regional initiatives such as the Community Based Natural Resource Management Programme in Namibia, could help revive the programme for the benefit of communities and the resources over which they have stewardship.

⁶⁶ *New Zimbabwe* (2018), ‘Victoria Falls airport set for US\$200m upgrade’, 18 February 2018, <https://www.newzimbabwe.com/victoria-falls-airport-set-for-us200m-upgrade/> (accessed 1 Oct. 2019).

⁶⁷ *Zimbabwe Futures 2030* roundtable series.

Engaging Domestic and International Audiences

International investors and the international financial institutions have been key targets for government messaging around its reform process. The Mnangagwa government's 'New Dispensation' message to the outside world is that 'Zimbabwe is Open for Business'; this was also a central feature of ZANU-PF's 2018 election campaign. This internationalization has been driven by the need for external economic stimulus in a domestic context of a small consumer and tax base, low savings and domestic investment. In many ways, the government's current reform agenda is a continuation and upscaling of the 'Lima process' of re-engagement with the international financial institutions and political rapprochement with the Western international community.⁶⁸

That community has recognized the government's renewed commitment to reform. For example, when the IMF approved its Staff-Monitored Program for Zimbabwe in May 2019, it noted that Zimbabwe 'is committed to addressing the macroeconomic imbalances, removing structural distortions to facilitate a resumption in growth, and re-engaging with the international community including by clearing its external arrears'.⁶⁹ Some Western governments are also understood to be considering resuming bilateral aid programmes.⁷⁰ However, these bilateral financial commitments remain subject to political reform and improved governance.

Political reforms will also be critical to rebuilding trust between Zimbabwe's government and its citizens, and to pushing the domestic political and economic re-engagement agenda that must complement international re-engagement. Substantive moves have been made to align national legislation with the constitution. The Public Order and Security Act (POSA) has now been replaced by the Maintenance of Peace and Security Act (MOPA). This has been highly contentious, but has been interpreted by some as a positive step towards aligning security powers with constitutional guarantees of fundamental freedoms, a process that had stalled between 2015 and 2017. However, international audiences will require reassurance that such changes go beyond nomenclature and are bringing about real improvements and alignment to regional and international best practice. Zimbabwe's parliamentary debates are now screened live on television, and the bipartisan parliamentary portfolio committees in particular continue to do valuable work in holding government, the opposition and the civil service to account. A key platform for interparty political dialogue, the Political Actors Dialogue (POLAD) has begun and it includes most of the smaller

⁶⁸ The Zimbabwean government agreed an arrears clearance programme with the IFIs on the sidelines of the IMF–World Bank Group annual meetings held in Peru in October 2015. See Mangudya, J. (2015), *Zimbabwe: Strategies for clearing external debt arrears and supportive economic reform measures*, 8 October 2016, Harare: Reserve Bank of Zimbabwe, <https://www.rbz.co.zw/documents/publications/speeches/strategies-for-clearing-external-debt-arrears-and-supportive-economic-reform-measures.pdf> (accessed 26 Sept. 2019).

⁶⁹ IMF (2019), 'IMF Managing Director Approves a Staff-Monitored Program for Zimbabwe', Press Release 19/189, 31 May 2019, <https://www.imf.org/en/News/Articles/2019/05/31/pr19189-zimbabwe-imf-managing-director-approves-a-staff-monitored-program> (accessed 6 Sept. 2019).

⁷⁰ Information disclosed to the authors during discussions conducted in Harare under the Chatham House Rule.

parties that contested the 2018 elections.⁷¹ The reforms must demonstrate that they encompass the spirit in which they were recommended, and not simply be box-ticking measures.

The government has also engaged with Zimbabwe's global diaspora, members of which are increasingly courted as potential partners in the country's future prosperity. The 2015 National Diaspora strategy is being updated, with much wider consultation and inputs from the diaspora. Trade and tourism are important connectors between government, the diaspora and local business, and there are an increasing number of diaspora business and development initiatives in Zimbabwe. The currency situation has, however, tended to act as a brake on such initiatives achieving their full potential. It may be useful for representatives of Zimbabwe's global diaspora to come together and formulate a common strategy or set of policy proposals as to how it can be full a partner in Zimbabwe's development. Diaspora groups have established platforms for inter-diaspora dialogue with the government and Zimbabweans within the country. A particular concern has been the need to build on the July 2017 Zimbabwe diaspora conference in Harare, which brought together different diaspora groups, government and other local stakeholders to discuss ways in which the diaspora can be mainstreamed as part of Zimbabwe's national development. There is an ongoing dialogue among the global diaspora on formulating a common approach and developing a strategic policy document on the diaspora and Zimbabwe.

As a regional hub, linked to neighbouring Zambia, Mozambique, Botswana and South Africa, Zimbabwe needs to be part of a regionally coordinated approach. Zimbabwe is centrally positioned within the North-South Corridor project, for example which is developing a road, rail and port network connecting South Africa, Botswana, Mozambique, Zambia, Zimbabwe, Tanzania, Malawi and the Democratic Republic of the Congo.

The creation of bilateral forums with key export markets, like that between the UK and South Africa, could increase investment. A possible Zimbabwe–UK forum may also help to grow Zimbabwe's private sector and SMEs, and support Zimbabwe's emerging micro-business and technology sectors. There is already a bilateral relationship for small business. For example, a delegation from ZimTrade, the country's trade development and trade organization, visited the UK in September 2019, in partnership with the UK Department for International Trade, bringing SMEs to explore business opportunities. The delegation included representatives from horticulture, arts and crafts, furniture suppliers and biometric access systems design, among others. There is also an active British Business Association in Harare.

⁷¹ Chinhara, W. (2019), 'Polad needs gravitas', *NewsDay*, 31 May 2019, <https://www.newsday.co.zw/2019/05/polad-needs-gravitas/> (accessed 1 Oct. 2019).

Conclusion

Zimbabwe is experiencing yet another period of economic pain, as the government undertakes a process of realignment and restructuring. Zimbabweans have thus far – out of necessity – shown resilience and adaptability in response to multiple challenges, but the country’s economic situation has had a devastating impact on households, businesses and the social fabric of the country. It is critical that the government’s short-term reforms include measures that will relieve the strain on businesses and put more money in the pockets of ordinary Zimbabweans, and thus begin rebuilding trust between government, business and society.

Trust must be built on adherence to the rule of law. Businesses need to have confidence in court orders and dispute resolution mechanisms. Legislative changes and the political reforms required by international donors must bring about real improvements and alignment to regional and international best practice.

Zimbabwe’s ongoing currency crisis and the monetary policy changes made in 2019 have had a significant negative impact on the banking system. The introduction of the new currency market meant that RTGS-denominated deposits, including government debt, lost significant value, rendering the banks undercapitalized. Providing a policy stable environment for the development of a functional and effective banking system is a prerequisite for private-sector driven economic growth.

Security of land tenure is key to reviving the agriculture sector, as is clarifying usage rights for other economic activities such as mining and conservation for eco-tourism. Uncertainty of tenure has led to short-termism and underinvestment. Long-term investment, in irrigation systems for example, will lead to higher productivity that will in turn help to boost incomes and thus have positive ripple effects in other areas of economic activity. There is also a need for greater clarity on mining policy, for example on the issue of compensation for holders of land absorbed for mine expansion, or where new discoveries are made.

Investment in energy, water and transport infrastructure can not only underpin other economic activities but could also have a significant positive impact on livelihoods. Recurring droughts and water shortages highlight the urgent need for improved resource management, including moving away from rain-fed agriculture to more productive and higher-yield irrigation systems. The successful upgrading of Zimbabwe’s water and energy sectors will also be contingent on diversification, including effective use of renewables. As part of this, alternative and complementary systems will need to be fully integrated to support or replace existing infrastructure.

Many of the issues facing the broader economy are clearly evident in Zimbabwe’s tourism industry. Power, fuel and water shortages are among the factors that currently deter potential travellers to the country. Visitors without access to local currency or e-payment systems have difficulty paying for goods and services. Restaurants and hotels are dependent on generators, and food supplies may be limited. Overly complex or unduly burdensome licensing requirements may also act as an impediment to business.

The state will remain one of the chief economic actors in Zimbabwe. But it must work for the economy, not against it. Improved governance and reform of SOEs is vital. Moreover, it is imperative that economic reform does not increase the bureaucratic or administrative pressures on the civil service. And improving the efficiency and effectiveness of citizens' everyday interactions with the state – by speeding up the process of getting a passport, fixing traffic lights or filling potholes will help to build trust over time.

Meanwhile, the government needs to communicate its strategy clearly,⁷² so that ordinary Zimbabweans understand the need for change and feel like they have a stake in the reform process. The statistical and technocratic approach should always be complemented by real-world perspectives on how specific policies affect the lives of ordinary people. A 'real people, real numbers' approach is vital.

Linked to this, changing perceptions of doing business in Zimbabwe, in order to attract the investment that the country sorely needs, will be contingent on effective policy change that fosters a more conducive business environment, backed up by case studies of successful regional or international investment.

At present, opinions as to what economic policies Zimbabwe needs tend to be deeply polarized. A key suggestion from the Zimbabwean private sector is for the establishment of a national economic commission, with a remit to forge a broad-based consensus on long-term economic policy. Policymaking would also benefit from a national youth strategy, to ensure that the citizens who represent the future of Zimbabwe have a voice in their economic future.

The expansion of private enterprise in Zimbabwe must be built on the maxim that 'small is beautiful'. Most Zimbabweans rely on small-scale agriculture and informal business or mining. These are the areas that offer potential for growth, but that currently rely on fragile fundamentals such as ageing energy and transport infrastructure and inadequate education and healthcare systems. Creating pathways to formality and upscaling over time will be vital to success. New infrastructure projects will need to be small-scale, widely spread across the country, and funded and operated through public-private partnerships or joint ventures with domestic and/or international partners.

Attaining long-term economic growth and sustained development in Zimbabwe will require deep structural economic and political reform. Clear and consistent policies, and broad stakeholder consultations, are imperative to success. But the challenges are not insurmountable, and there are significant opportunities for short-term gains along the way.

⁷² The competing political narratives on Zimbabwe's economic crisis continue to be played out on the world stage. Within a day of each other, first Tendai Biti and then SB Moyo published articles in leading US international relations magazines. See Moyo, S. B. (2019), 'Economic Isolation is Hindering Zimbabwe's Transformation', *Foreign Policy*, 21 August 2019, <https://foreignpolicy.com/2019/08/21/economic-isolation-is-hindering-zimbabwes-transformation/> (accessed 6 Sept. 2019).

Annex: Roundtable Summaries

Zimbabwe Futures 2030: Policy Priorities for Economic Expansion

28 February 2019 | Harare, Zimbabwe

This roundtable drew on current best practice and senior level expertise to identify policy options for long-term economic expansion in Zimbabwe and pathways for inclusive development. Participants – including leading private-sector decision-makers and government representatives – discussed the policies and business strategies necessary to enable effective implementation of government’s long-term economic objectives and national development plans. The discussion highlighted the requisite conditions for a business-driven and inclusive process towards Zimbabwe’s long-term economic recovery.

The meeting was organized by the Chatham House Africa Programme, in partnership with the Zimbabwe Business Club and the Konrad-Adenauer-Stiftung.

The following is a summary of key findings from the roundtable:

- The government of Zimbabwe has committed itself to facilitating an open-market economy. The assumptions for such a system are: private ownership of enterprise assets, the adequate provision for fiscal and monetary security, contract enforcement and the provision of a sound currency. Prices should be set by the market. Such a system must be supported by an education system that provides appropriate skills, and by a good and equitable health system. An open-market system presupposes a market-governing authority that legitimizes transactions under the rule of law and facilitates economic activity through the provision of transport and communications infrastructure. Individual economic actors need to have the right to buy property, the right to sell when they want to, and the right to enforce contracts. Long-term economic strategy must focus on the accumulation of assets as a legacy for the next generation rather than saddle it with debt. Economic policy formation must be clear, coherent and consistent.

- The private-sector representatives at the meeting were broadly supportive of the Reserve Bank of Zimbabwe's Monetary Policy Statement of 20 February 2019, which established an interbank foreign exchange market that officially de-pegged RTGS (real-time gross savings) accounts and bond cash from the US dollar. The move has created a mechanism for businesses to trade currency and reset their cost base. It has decriminalized trading activity that was already happening on the parallel market. The move has also increased Zimbabwe's export competitiveness in regional markets with soft currencies. It was understood that the currency float needs to be managed in order to prevent market shocks; however, the continuation of multi-tier pricing and maintenance of a parallel market rate meant there was still some scepticism regarding the implementation and progression towards a liberalized exchange rate. It was argued that there is a need for an independent reserve bank and an independent currency board.
- It was stated that Zimbabwe's finance ministry has reduced the government fiscal deficit since October 2018, and the decision to issue no new treasury bills was a positive step. In the long run, preserving the value of the treasury bills within the banking system is important so that banks do not have to write down their balance sheets to below capitalization requirements. There was support for a social protection plan to guarantee a minimum amount of RTGS savings at dollar rates. It was stated that 90 percent of deposits, representing those of 3 million people, are under US \$1,000. There is a need for a communication strategy to manage expectations during the transition from a managed to an independent market. It was argued that there is still a need to find new fiscal revenue sources, for example the recent increase of the intermediary financial transactional tax.
- There is demand for an industrialization policy that recognizes and builds on Zimbabwe's resource endowments. The government must adopt a value-chain approach, taking a holistic view of sectors in which Zimbabwe can build a competitive advantage and asking businesses throughout each value chain to identify what is required to incentivize development and unlock potential, such as tax incentives or depreciation allowances. It was argued that deregulation would also stimulate expansion. Any industrialization would need to be supported by investment in high-grade infrastructure, and there is a role for the private sector in developing bankable projects in this area. Industrialization also requires the development of an appropriately skilled workforce. It was argued that, despite high literacy rates, at a broad level the Zimbabwean workforce lacks capacity and skills to enable it to compete within the region in industries that require high levels of technical competency. There is a need for the private sector to take a more active role in working with universities and technical colleges to promote capacity and skills development.
- Zimbabwe is one of the 49 African Union member countries that have signed the Continental Free Trade Agreement, but the government has not yet identified what value the country could generate from this continental market. Zimbabwe is in a key strategic location for logistics, but the Kazungula Bridge and Border Project, between Botswana and Zimbabwe, is an example of how trade is bypassing the country. Other African economies can also provide case studies and examples of best practice to inform how the government of Zimbabwe can achieve its liberalization and reform ambitions, while minimizing the shocks associated with such processes.

- There was broad agreement on the need for additional discussion on defining sector-specific policy recommendations. For example, the finalization of the new mining code is an important step towards attracting investment in that sector, and it was stated that the mining codes of Australia or Canada could be used as benchmarks for best practice. There is scope to develop a commercial agriculture industry and value chains in cash crops such as citrus fruits and macadamia nuts, but this requires development of a farming ‘meritocracy’. Both mining and agriculture have long investment gestation periods, and so security of land tenure and protection, access to futures markets, and pricing are all critical. Finalization of bilateral investment protection agreements will help encourage investment. The development of green energy solutions will also support advancement in these sectors.
- There was a call for the private sector to be more assertive and collaborative in its relationship with government, as well as for better cooperation between companies. For example, public-private partnerships are easier to establish if firms work together. It was stated that private sector actors can improve their relationship with government by demonstrating the value that they bring to the people of Zimbabwe as well as to their shareholders. However, it was also noted that in 2009–15, in the period after dollarization, producers were more focused on consumer benefits, and businesses invested in improved packaging and more products, as they were operating on razor-thin margins in a highly competitive environment. Companies have a role in ensuring arbitrage takes place and that prices are stable.

Zimbabwe Futures 2030: Sector Priorities for Policy Implementation

4 June 2019 | Harare, Zimbabwe

The following is a summary of the Zimbabwe Futures 2030 roundtable held in Harare on 4 June 2019, as part of an ongoing research process that aims to draw on senior private-sector expertise to develop policy recommendations to support inclusive economic growth in Zimbabwe. The meeting was organized by the Chatham House Africa Programme, in partnership with the Zimbabwe Business Club and the Konrad-Adenauer-Stiftung.

The roundtable drew on current best practice and senior level expertise to identify sector-specific policy options to generate inclusive long-term economic growth in Zimbabwe and support the implementation of the Transitional Stabilisation Programme and National Development Plan. The roundtable was attended by representatives of the business and diplomatic communities, academia and government.

The key findings from the roundtable were as follows:

- The discussions focused on mining, financing the privatization of state-owned enterprises (SOEs), and manufacturing and agribusiness. Participants agreed that Zimbabwe's government and private sector have a joint responsibility to better articulate the country's competitive advantage in key sectors. Sector 'guide books' can help with this; and showcasing positive examples of companies whose investments in Zimbabwe have performed well can help build confidence on the part of other potential investors. It was argued that experiences elsewhere show that 'winner picking' that targets specific businesses – through tax incentives or preferential access to foreign exchange, for instance – does not bring about the desired objective of promoting overall economic growth. But supporting specific sectors can be effective in generating economic expansion.
- Mining is Zimbabwe's main foreign currency earner, but it was argued that the government is not doing enough to support the sector. The case was made that the mining industry and government need to work together to build a model that can both sustain equitable growth and generate stakeholder value.
- Zimbabwe's specific history of land ownership, tenure and usage rights across private, state and communal land must be acknowledged in policy design – for example, by recognizing the separation of economic activities that occur on the same land, such as competition between mining and farming. In order to build industry confidence, calls were made for the transparent and accountable enforcement of economic usage rights, and for the establishment of incentives for companies to submit geological survey data to a central repository.

- Mining legislation needs to be sufficiently flexible not to inadvertently create market distortions. The institutions that manage, implement and regulate mining legislation are critical to ensuring that the industry contributes to national development objectives. It was argued that institutions and organizations with regulatory responsibility should not also be active participants in the market. More broadly, the industry would benefit from a more competitive business environment.
- Informal mining makes a significant contribution to the sector's output, and to foreign currency generation. There are regional examples of best practice for creating pathways to formal status, including through certification schemes. Rwanda was cited as an example in this regard. Linking small-scale miners to big companies can lead to skills transfers and improved health and safety. It was stated that 80 per cent of artisanal mining in Zimbabwe takes place on land that is owned by mining companies, so both parties have an incentive to work together. There needs to be a more joined-up approach between artisanal, small-scale and large-scale mining.
- There was extensive discussion of the process and financing of privatization of Zimbabwe's SOEs and state-operated agencies. Privatization has been on the government's agenda for many years, and firm commitments must now be made in order to attract the right investment. The priority is to ensure that SOEs are accurately valued: in many cases, there has been significant capital depreciation or value extraction. The government needs to state the value of these entities clearly, and send a message to potential investors that is built on trust and merit. It was noted that the volatile currency situation is not conducive to attracting long-term capital. Ensuring good accounting practices is a critical first step towards privatization.
- Privatization must happen in an equitable manner: the people of Zimbabwe must be able to buy shares in their privatized assets. The case was made that a proportion of local ownership should be included in the targets for the regulatory oversight body. This argument was in line with the broader conclusion that the government's mantra of 'open for business' should not be interpreted by international investors as 'open for exploitation'. The interests of ordinary citizens must be at the forefront of policy design.
- The biggest impediment to inclusivity is the misperception that business is too complicated for ordinary people. There is a need for financial education on share ownership, as well as for education on the role of the individual in a privatized economy; this must highlight that buying shares is neither complicated nor just for the elite. The divestment strategy needs to be clearly communicated by the government in order to encourage broad participation and prevent privatized assets being captured by a few individuals. The process needs robust mechanisms, checks and balances in place in order to protect the interests of ordinary citizens; and there must be proper dissemination of information so that people need to know what they are buying into.

- A number of examples were discussed as possible case studies of best practice in privatization, including Kenya's Safaricom, as well as the experience of countries in Central and Eastern Europe. It was noted that the World Bank is looking at telecoms as a first sector for privatization in Zimbabwe. Most of the cited examples of privatization in Africa were viewed as being too focused on international capital rather than on local citizens. The diaspora was identified as an important source of international finance.
- Manufacturing and agribusiness were identified as sectors with potential for expansion and the capacity to generate jobs. However, there are short-term fundamentals – such as currency stress – that need to be addressed in order to ease pressure on business. In the medium to long term, the government needs to identify key export markets. China and South Africa were identified as Zimbabwe's current key export markets, although use of different data sources gave rise to some disagreement between workshop participants as to which is more important. The port of Beira continues to be highly significant for Zimbabwean exports beyond the immediate region.
- Despite the known challenges affecting the agribusiness sector – among them currency volatility, insecurity of land tenure, and market distortions caused by subsidies – there is also significant opportunity for the sector to expand. Issues of land tenure need to be addressed, but solutions do not need to be driven by international models. Instead, it was argued that the structure of land ownership in Zimbabwe can underpin agricultural growth; it was noted, for example, that communal ownership can be a basis for agricultural development. What is needed is policy consistency that can induce farmers to make long-term decisions, rather than short-term 'hit and run' agriculture that only focuses on one season at a time.
- Zimbabwe has the potential to produce several internationally competitive agricultural products. Tobacco is currently the main cash crop, but coffee, macadamia nuts, almonds, sweet potato, butternut squash and pumpkin were all identified as potential cash crops. New technology has the potential to support expansion in the agricultural sector, notably in areas of product traceability, crop- and land-mapping, and sharing information.

Zimbabwe Futures 2030: Policy Priorities for Industrialization, Agribusiness and Tourism

6 June 2019 | Bulawayo, Zimbabwe

The following is a summary of the Zimbabwe Futures 2030 roundtable held in Bulawayo on 6 June 2019, as part of an ongoing research process that aims to draw on senior private-sector expertise to develop policy recommendations to support inclusive economic growth in Zimbabwe. The meeting was organized by the Chatham House Africa Programme, in partnership with the Confederation of Zimbabwe Industries, the Zimbabwe Business Club and the Konrad-Adenauer-Stiftung.

The roundtable drew on current best practice and senior level expertise to identify sector-specific policy options to generate inclusive long-term economic growth in Zimbabwe and support the implementation of the Transitional Stabilisation Programme and National Development Plan. The roundtable was attended by representatives of the business and diplomatic communities, academia and government.

The key findings from the roundtable were as follows:

- The meeting acknowledged that the government's Transitional Stabilisation Programme (TSP) and its development strategies to 2030 are designed to attract foreign direct investment. To this end, there have been some positive outcomes from the TSP, including reducing the fiscal deficit, and monetary reforms that have allowed for more competitive exports. At the time of the meeting, it was stated that more needed to be done to create an effective interbank foreign exchange market. However, it was recognized that the basic economic fundamentals are sound provided the government allows markets to function properly. Moving forward, policymakers need to identify how to build 'stakeholder wealth, not just shareholder wealth'.
- The development of Zimbabwe's rail infrastructure was a product of the demand for movement of goods and products for business and mines: the National Railways of Zimbabwe (NRZ) thus became the 'backbone' of the economy. There is once again the need to create further infrastructure capacity to support emerging economic activity and new mining areas. As a regional hub, linked to neighbouring Zambia, Mozambique, Botswana and South Africa, Zimbabwe needs to be part of a regionally coordinated approach – via the North-South Corridor, for example. Its primary focus should be to promote national and regional competitiveness. Zimbabwe's government must invest in infrastructure because the private sector has not been willing to do so alone. New approaches to financing could include ring-fencing – the legislated requirement for companies to move a set percentage of certain bulk goods by rail – as in Zambia for example, or through joint ventures.

- The manufacturing industry has been seriously affected by infrastructure deficits in providing key inputs such as power and water. It was argued that the manufacturing decline can be traced back to the Economic Structural Adjustment Programme (ESAP) adopted under IMF auspices in 1990. Today, Zimbabwe's businesses are predominantly engaged in short-term crisis-management, rather than looking to long-term planning horizons. There is a need to revitalize industrial policy and value chains, and the private sector must take a lead in bringing this about. Effective innovation in industry will be a partnership between stakeholders including the private sector, academia, youth and the public sector. All of these factors are prerequisites for growth. More value-adding activity must take place within Zimbabwe; and special economic zones may be one way of fostering domestic industry.
- Participants at the roundtable discussed the role that the government should play in the economy, including the extent of that role. Some argued that market forces should be allowed to operate to a greater degree, and that import barriers should be withdrawn – as was expected to happen with the implementation of the African Continental Free Trade Agreement (AfCFTA). However, others argued in favour of protecting local business for the provision of certain products and services. It was also noted that products manufactured for the domestic or regional market may be different from those for international export markets, taking account of specific market profiles. Agrarian reform and subsidy schemes were cited as examples of where the objectives or intentions of government intervention schemes had not been fully realized because of a lack of capacity within implementing agencies.
- Tourism is a key sector for economic growth and expansion in Zimbabwe, for both international and domestic markets. Domestic tourism is an untapped market in which local private investment should be encouraged. Tourism policy and marketing needs to highlight the diversity of offerings in Zimbabwe, including wildlife tourism and hunting expeditions, natural wonders, and cultural centres, museums and galleries. There is far more on offer in Zimbabwe than Victoria Falls, but visits to the attraction account for a considerable share of the country's national tourism. Zimbabwe's poor political image internationally has a big impact on its appeal as a tourism destination.
- Investing in Zimbabwe's infrastructure will help bring in international tourists, and there are opportunities to expand the financing channels for tourism projects. It was argued that the government should split up the development of transport, accommodation and shopping facilities, and delineate land use for tourism activities. The government must protect wildlife and ecosystems to sustain the wildlife tourism industry. Moreover, the government could also make more use of technology, such as implementing an e-visa system, while regulation could be simplified, such as by streamlining the number of licences needed by hotels. Zimbabwe's tourism operations should be integrated with other African tourism centres to encourage the creation of multinational tourism routes.

- MICE (meetings, incentives, conferences and events) tourism was identified as a growth sector for Zimbabwe. Rwanda was cited as a positive example of the development of business tourism in Africa, and South Africa was cited as a country that has been dominant in the sector. It was noted that, in general, business tourism brings six times more income than other tourism activities where fees are paid overseas. Academia could and should play a more important role in research and development, and other initiatives in partnering business and government. Midlands, Lupane and other universities across Zimbabwe are already engaging with the business sector. Such engagement should be scaled up, as academia is a key resource for business and the economy in driving innovation, and is a critical part of the human capital base.

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