

**BUSA VISIT TO HARARE, ZIMBABWE  
MONDAY 6 APRIL 2009**

**REPORT TO MEMBERS**

**Background**

- The BUSA delegation was invited to visit Zimbabwe by Mr Tendai Biti, Minister of Finance.
- The visit follows an initiative started by BUSA last year to bring together key South African companies with an interest in doing business in Zimbabwe (approved by Manco).
- Both the South African Departments of Foreign Affairs and Trade and Industry were informed of the invitation to BUSA and participated in the visit.
- Very short notice was given but it was possible to assemble a delegation of over 20 senior representatives of South African business. The BUSA delegation included representatives of the retail, mining, agriculture, financial services, health care, transport and infrastructure sectors.
- The delegation met with President Robert Mugabe; Minister of Finance; Minister of Economic Planning and Investment Promotion, Hon. E. Mangoma; Deputy Minister of Industry and Commerce, Hon. J. Bimha; and senior officials. Deputy Prime Minister Arthur Mutumbara attended a networking event with the Zimbabwean business community organised by the Employers Confederation of Zimbabwe (EMCOZ).

**Objectives**

- The main purpose of the visit was to open lines of communication between South African business and the new government of national unity in Zimbabwe.
- All of the key players in Zimbabwe noted that it was ideal timing to show support for the economic recovery plans being put in place in Zimbabwe by the inclusive government as well as the initiative by SADC.
- The visit was also an opportunity to assess the current situation on the ground in Zimbabwe. The delegation came away with a clear sense of the environment changing for the better in Zimbabwe. All the parties involved in the unity government displayed a strong commitment to political stability and economic recovery.
- There is a long-shared history between South Africa and Zimbabwe. The visit was able to turn the focus towards strengthening trade and investment links.

**Key Points to Note**

- The unity government has adopted an economic recovery plan that has both a short and long term focus. This is part of a broader renewal plan which has five priorities - restoring human rights, addressing security concerns, stabilising the economy, building infrastructure and re-engaging the international community.
- The Short-Term Emergency Recovery Programme (STERP) estimates that Zimbabwe will need \$8.5 billion over 2 to 3 years in order to rebuild the economy. The initial phase covers from February to December 2009 and focuses on achieving stability that will enable future economic growth. Some progress has already been made with inflation now estimated at -2% and a multicurrency system put in place. It is estimated that Zimbabwe will achieve the fastest economic growth in SADC in coming years. Year end inflation is

expected to be around 4%.

- SADC has undertaken to assist Zimbabwe, including through direct support and facilitating access to finance. South Africa has already pledged \$30 million.
- The Minister of Finance informed the South African delegation that a bilateral investment promotion and protection agreement (BIPPA) between Zimbabwe and South Africa is expected to be signed in the coming weeks (possibly on 14 April 2009).
- One of the immediate steps to be taken as part of the 100 day renewal plan is to liberalise the media, including by encouraging new players to enter the Zimbabwean market.
- Other short-term priorities include reform of the Reserve Bank, creation of an investment centre and development of a corporate code of conduct.
- Priority sectors for investment were discussed in a frank and interactive meeting with Ministers. Infrastructure and construction have been identified in the STERP as key drivers of future economic growth in Zimbabwe. Public private partnerships will be sought in the areas of railways and roads.
- Ensuring a sufficient and stable energy supply is also critical and increased investment into coal mining was highlighted as an urgent priority. Independent power producers will also be encouraged to enter the market. Tax incentives will be provided in some sectors including platinum mining. With regards to the Indigenisation Act, it was noted that it had not yet been operationalised. Minister Mangoma is developing a concept note to address the concerns of investors with regards to this piece of legislation.
- South African companies were urged to assist in increasing liquidity in the Zimbabwean economy and work is underway to strengthen the financial services sector in order to support recovery. New entrants, including retail banks, are welcome. There are two main options being considered with regards to the currency – to move towards using the rand or to reintroduce a Zimbabwean currency (floating). From July onwards the government is planning to slowly move towards expressing everything in rands.
- Agriculture was another sector that was specifically identified as being fundamental and of interest for the South African private sector. Minister Mangoma emphasised that Zimbabwe wants to be food self-sufficient again in the near future. There are opportunities to provide inputs into the agriculture sector, such as fertiliser, and incentives will be provided in this regard. When asked about land reform and security of tenure, Minister Mangoma said that there had only been one new land invasion in the past three weeks. It was a priority of the unity government to undertake a land audit and then reintroduce a system of executable title deeds.
- Some positive changes have taken place in the retail industry in Zimbabwe recently but some outstanding issues still need to be addressed, including the duties imposed on imports. A blanket duty of 40% is currently applied but a rate of zero has been introduced for basic commodities until the end of June. After June it is expected that Zimbabwe will begin to apply its tariff schedule as agreed under the SADC Free Trade Area. The Minister of Finance did stress however that duties are likely to remain a major contributor to the budget of Zimbabwe in the short-term as the contribution of direct tax has been reduced to only 7%.

**Outcomes**

- It has been suggested that BUSA host a trade and investment conference for Zimbabwe in South Africa in May or June. Planning is underway for such an event.
- It will be proposed a plenary session at the June World Economic Forum be dedicated to Zimbabwe.
- Sector specific initiatives will also be pursued. The first such initiative will be in the health care sector and a visit to hospitals in Harare took place on Wednesday 8 April 2009.
- Follow up will take place to explore possible public-private partnerships, including as part of the SADC support programme.