MINISTRY OF YOUTH, INDIGENISATION AND ECONOMIC EMPOWERMENT

NATIONAL ECONOMIC EMPOWERMENT STRATEGY AND FRAMEWORKS, PROCEDURES AND GUIDELINES FOR IMPLEMENTING THE INDIGENISATION AND ECONOMIC EMPOWERMENT ACT [CHAPTER 14:33]

BY

MINISTER OF YOUTH, INDIGENISATION AND ECONOMIC EMPOWERMENT

HONOURABLE PATRICK ZHUWAO

3RD December 2015
INTRODUCTION.

1. This paper outlines the National Economic Empowerment Strategy as well as presenting the frameworks, templates and procedures for implementing the indigenisation policies in a manner that both promotes investment and eliminates discretionary application of the law.

2. My presentation is informed by the misconception that our challenges of under and un-employment can be resolved through large influxes of foreign direct investment.

3. The late Professor Guy Mhone seminal work on the low labour absorptive capacity of Southern African countries, which has received wide spread support among the economists within the Southern Africa region, indicates that there is need to address the structural deficiencies of our economies through such measures as asset entitlement some of the most notable for Zimbabwe have been land reform and indigenisation.

4. Mhone’s treatise, written 15 years ago, still receives contemporary support from several other empirical economic studies such as the 2013 UNCTAD 2013 Report which calls for the development of installed domestic capacity as a precondition for FDI to produce meaningful employment and other benefits to the economy.

5. These submissions by Mhone find additional evidence in the Ernst and Young 2015 Africa Attractiveness Survey which
indicates that 188 400 jobs were created out of the $128 billion invested in Africa in 2014 meaning that it costs $678 405.52 to create 1 job in Africa.

6. This means that Zimbabwe will need $203 821 656 000 to absorb 300 000 school leavers every year.

7. It is also worth noting that FDI inflows into Zimbabwe are estimated at $591 000 000 compared to official remittances from diaspora at $960 000 000, implying that maybe we should focus more on facilitating the diaspora investments into our local communities and economy.

8. The proponents of Foreign Direct Investment may proceed with their efforts to getting our economy working, but as Minister responsible for youth I must devise domestic and local strategies that will ensure that the 2.2 million jobs promised to the people of Zimbabwe, the majority of whom are an expectant youth group, must be achieved by 2018.

9. The strategy which I am presenting is a National Economic Empowerment Strategy that seeks to not only create 2.2 million jobs but address the growth requirements of our economy.

10. This strategy recognises that Government is operating in a constrained fiscal space and that Treasury cannot fund the bulk of the National Economic Empowerment Strategy, consequently the Ministry of Youth, Indigenisation and
Economic Empowerment will develop mechanisms for funding the National Economic Empowerment Strategy.

11. The funding for the National Economic Empowerment Strategy shall be raised from business that are refusing to comply with our indigenisation and economic empowerment laws, through establishing an Empowerment Levy.

12. The National Economic Empowerment Strategy has been localised, having been premised upon His Excellency President Mugabe’s exhortation for us to judiciously exploit our available natural and human resources. The strategy will be situated at local community level, being implemented at Ward level and coordinated at Constituency level, to fully utilise social networks for enhanced implementation.

PART A: NATIONAL ECONOMIC EMPOWERMENT STRATEGY.

A1. Processes of National Economic Empowerment Strategy

13. The Ministry of Youth, Indigenisation and Economic Empowerment has just completed the process of developing a National Economic Empowerment Strategy.

14. The National Economic Empowerment Strategy is premised on addressing three concepts that find expression in the following simple questions:

   a. Where do we want to be?
b. Where are we now? and
c. How do we get there?

15. Where we want to be is articulated in the theme of the ruling Zanu PF Party’s manifesto which seeks to “Indigenise, Empower, Develop and Create Employment.”

16. The National Economic Empowerment Strategy sought to establish where we currently are by conducting conferences at District and Provincial levels which went through processes of appreciative discovery, historical reflection and resource analysis.

17. Appreciative discovery focussed on identifying what we, as individuals and local communities, are good at and what we have done well previously.

18. Historical reflection interrogated hat we previously set out to do, what we actually achieved, the lessons that we learnt therefrom, and implications of those lessons and the opportunities that emerged out of those lessons and implications.

19. Resource analysis investigated the resource endowments that are available in our various communities as a precursor to conceptualising how we can deploy these resources to address our requirements.
20. This National Economic Empowerment Strategy therefore articulates what we will do to achieve our objectives given what we are good at, what opportunities arise out of our previous experiences, and the resources available at our disposal.

21. The National Economic Empowerment Strategy has been developed through a four stage process of which this is the last stage.

22. The first phase was the highly successful and oversubscribed Inaugural National Economic Empowerment Conference opened by the Honourable Vice President Mphoko.

23. The Inaugural National Economic Empowerment Conference set the tone for Zimbabweans from all parts of the country to outline their empowerment aspirations.

24. These aspirations were recognised by both the Minister of Finance and Economic Development and the Reserve Bank Governor who led the development and establishment of the Localised Empowerment Acceleration Facility (LEAF) by the financial services sector, to whom we are eternally grateful.

25. Subsequent to that, District Economic Empowerment Conferences articulated the tremendous opportunities, capabilities and resources within our various local communities
upon which we, as Zimbabweans can transform ourselves into an empowered society and grow our economy.

26. The data collected at district level was consolidated into Provincial Economic Empowerment Strategies which in turn have informed the National Economic Empowerment Strategy.

27. The exercise of collecting data at District and Provincial Economic Empowerment Conference was designed to uncover the drivers for economic activities and devise ways of linking the economically active Zimbabweans into the mainstream economy to spur economic growth, from the grassroots.

28. The data now acquired has directed us to the needs on the ground, from local level, to be able to channel technical, financial and market development assistance to such capabilities so as to enhance production capacity.


29. The vision of the National Economic Empowerment Strategy, similar to that of the Zimbabwe Agenda for Sustainable Socio Economic Transformation (ZIMASSET), is “For an Empowered Society and a Growing Economy”.
30. The mission of the National Economic Empowerment Strategy is to ‘Accelerate Economic Empowerment by Localising the Ten Point Plan’ as enunciated by his Excellency President R.G Mugabe during the State of the Nation Address.

31. Key result areas of the National Economic Empowerment Strategy include fulfilling commitments made by Government in the following areas:
   a. Create 2 265 000 jobs by 2018;
   b. Judicious Exploitation of our human and natural resources as articulated by His Excellency President Mugabe in the foreword to ZIMASSET;
   c. Promoting investment at local and community levels in pursuit of people oriented inclusive economic growth and development; and
   d. Increasing national production and productivity as a basis for generating surplus and ultimately domestic savings and investments.

A3. Core objective of National Economic Empowerment Strategy; Creating 2.265 million jobs.

32. The overriding objective of the National Economic Empowerment Strategy is to fulfil the pledge by Zanu PF to create 2.265 000 jobs. In the process of creating these jobs several other economic objectives, as outlined in the key result areas above, will be achieved.
33. The National Economic Empowerment Strategy has been designed to be implemented at constituency level because a constituency represents a manageable size to work with over and above the fact that the demographic spread of constituencies has been designed to provide the best feasible levels of equitable representation.

34. This therefore makes the creation of 2 265 000 jobs a mathematical exercise that recognises that over 5 400 jobs must be created in each of the 210 constituencies over the next two years.

35. The National Economic Empowerment Strategy is premised on the development of 1350 micro level entrepreneurs per constituency, who will on average create an additional three (3) jobs each.


36. In order to meet the target of 2.265 million jobs the Ministry of Youth Indigenisation and Economic Empowerment will be realigning its current establishment at local levels to address the following elements of the National Economic Empowerment Strategy:

(i) vocational training and skills development;
(ii) business and entrepreneurship development;
(iii) community business hub development;
(iv) community services and development; and
(v) social capital development.

A4.1 Vocational Training and Skills Development.

37. This in turn requires that the Ministry provides training in vocational and skills development, as well as in entrepreneurial and business development.

38. The Ministry will establish Vocational Training Centres in each of the country’s 210 Constituencies with satellite stations in each Ward of a particular constituency.

39. Vocational Training Centres will provide a common training platform at local and community level, effectively building the entrepreneurial capacities of a community.

40. VTC will also be engaged in Public Private Partnerships which will result in their becoming economic production units, such as in agriculture and the agricultural value chain.

41. We are grateful to the Minister Finance and Economic Development for availing US$75 000 for each administrative district towards skills and vocational training programmes.

42. The Ministry will utilise its current staff establishment, after having appropriately up-skilled them, to provide the training envisaged herein.
A4.2 Business and entrepreneurship development.

43. The efforts of the micro level entrepreneurs need to be coordinated through appropriate common access services such as market development and consolidation.

A4.3 Community business hub development.

44. To that end Community Share Ownership Trusts will provide business hubs around which micro level entrepreneurs can conduct their activities.

45. Already, our Community Share Ownership Trusts are beginning to turn to enterprise development within their communities to ensure their sustainability.

46. These efforts must harness the local natural and human resources already identified by the District Economic Empowerment Conferences, and must engage community members to unlock entrepreneurial potential and effectively establish jobs and spur local economic growth and diversification.
A4.4 Community services and development.

47. Such business hubs will need to be supported by community service and development initiatives similar to the Youth Build Zimbabwe and Youth Feed Zimbabwe schemes operated by the National Youth Service.

48. A Youth Feed Zimbabwe Programme, in conjunction with the Ministry of Agriculture, will drive the growth of our agricultural sector, and thus the 1st and 2nd points within the 10 Point Plan. In every ward there must be youth engaged in such agricultural programmes.

Youth Secure Zimbabwe – Infrastructure Development

49. Likewise we must have a Youth Build Zimbabwe Programme in partnership with the Ministry of Local Government Public Works and National Housing, that will see youth in the forefront of fulling ZIMASSET’s objective for housing and infrastructure development while creating jobs for the participating youth.

50. To achieve these programmes we shall have in-situ training at ward level to capacitate the youth with the necessary skills to build and feed Zimbabwe.

51. Again we must have Public and Private Partnership that augment these efforts by the youth and ensure and inject capacity and expertise to ensure effective implementation.
A4.5 Social capital development.

52. Social development schemes must be supported by community based organisations that will be mandated to enhance social capital and cohesion.

53. The Zimbabwe Youth Council has proved to be a good platform to bring together young people and matters affecting them. Junior Parliament is an example of such a platform that will keep matters concerning young people at the fore.

54. I propose the establishment of an annual Victoria Falls Youth Festival in conjunction with the Ministry of Tourism, which will bring together our young to discuss critical matters affecting them, including achieving their economic empowerment aspirations.

55. I wish to emphasise the value of social capital and social networks by submitting a hypothetical case of the half a million professional Zimbabweans who are in the diaspora with a net asset value of $100 000 each. These Zimbabweans represent US$50 billion worth of potential that can be invested into the local communities that they originate from and have an emotional link to.

A5. Implementing the National Economic Empowerment Strategy: Localising the Ten Pont Plan.
A5.1 Revitalising agriculture and the agro-processing value chain

A5.2 Advancing Beneficiation and/or Value Addition to the agricultural and mining resource endowment

A5.3 Focusing on Infrastructure development, particularly in the key Energy, Water, Transport and ICTs subsectors

A5.4 Unlocking the potential of Small to Medium Enterprises

A5.5 Encouraging Private Sector Investments

A5.6 Restoration and building of confidence and stability in the financial services sector.

56. Whilst at national level the youth and financial services sectors have developed LEAF in a manner that seeks to restore
confidence in the financial services sector, the National Economic Empowerment Strategy will put in place mechanisms for the creation of Empower Bank.

57. Empower Bank will be a community based banking network with chapters at local community level.

58. Empower Bank will address the aspirations of special interests groups who have been clamoring for such institutions as a youth bank. Empower Bank is designed to make banking support systems accessible to the lowest grassroots level. The idea and method of being economically active will be the norm of the day.

59. Empower Bank shall serve as an agent of larger and or other financial institutions that are not operating in the relative area. The products or services banks offer are genetically designed for all customer types what creates the barrier of entry is accessibility and availability in all communities.
60. Empower Bank will take existing products and facilities, tailor make them for each community as the banking needs of a young girl mending nets in Kariba as a business are variant to those of a young girl designing mobile application in Gweru. Both require a bank’s support, Empower Bank will be the access point.

A5.7 Promoting joint ventures and public private partnerships to boost the role and performance of state owned companies

A5.8 Modernizing Labour Laws

A5.9 Pursuing an Anti-Corruption Thrust

A5.10 Implementation of Special Economic Zones to provide the impetus for foreign direct investment.

61. I am pleased to advise that the Minister of Finance and Economic Development has provided for an additional $2.5 million to the Youth Development and Employment Creation Fund which amount will be earmarked for graduates and alumni of the Ministry’s various training programmes such as National Youth Service and vocational training centres.

62. However the economic activities of the National Economic Empowerment Strategy must be funded by mechanisms that closely resemble and represent commercial funding structures.

63. Such commercial funding structures mean that projects require a combination of both equity financing and debt financing.

64. Whilst equity financing is permanent, debt financing needs to be broken into its constituent components of short term, medium term and long term loans.

65. In most cases, equity financing is usually limited as one starts a project to such an extent that most projects are exclusively funded through debt financing which is largely of a short term notice.

66. However most of the participants to the National Economic Empowerment Strategy do not have access to the collateral
security that is required by the current banking legislation and systems.

67. Therefore this strategy has devised and created structures that are backed by security in the form of the National Indigenisation and Economic Empowerment Fund, one of whose statutory objective is to fund business start-ups. However NIEEF remains unfunded.

68. Currently the National Economic Empowerment Strategy created, on 4 November 2015, the $10 000 000 Localised Economic Empowerment Facility (LEAF).

69. As previously indicated LEAF is accessible by those who have previously accessed and paid back facilities within the Ministry. I am pleased to further advise that after consultation with the senior leadership of women; beneficiaries of women’s facilities that have paid back are also eligible to access LEAF.

70. The National Economic Empowerment Strategy intends to enhance LEAF to $100 000 000 through an Empowerment Levy that will be resident within NIEEF. That way LEAF will grow by 10 fold from its current worth of $10 000 000 having been securitised through NIEEF.

71. Measures for the establishment of the Empowerment Levy are set out in the second part of this paper.
A7. Monitoring the National Economic Empowerment Strategy.

72. The architecture the National Economic Empowerment Strategy is predicated on individual performance that is conducted within the context of communities and social support.

73. Monitoring of the implementation of the Strategy will be a continuous exercise that utilises the existing staff establishment within the Ministry of Youth Indigenisation and Economic Empowerment.

74. Each constituency will be required to establish a Constituency Economic Empowerment Supervisory Advisory and Council (CEESAC) that will be made up of prominent citizens of the constituency who will volunteer to serve their constituency.

A8. Evaluating the National Economic Empowerment Strategy

75. The National Economic Empowerment Strategy will be evaluated through three processes that are conducted at three levels.

76. Within each constituency the CEESAC will conduct a detailed evaluation and review of the implementation of each
of the points within the 10 Point Plan by focusing on one point per month from the month of February to November 2016.

77. The results of these evaluations will be taken up to provincial level and ultimately the national level.

78. Furthermore, a general but detailed evaluation and review of each province’s progress in implementing the National Economic Empowerment Strategy will be conducted with each of the ten months from February to November being dedicated for a particular province.

79. A major dimensional evaluation and review of the National Economic Empowerment Strategy will be conducted at national level during the first week of December 2016 to consider the implementation of the strategy from the two dimensions of the 10 Point Plan and the spatial implementation at local levels as established during the major provincial review.

PART B. INDIGENISATION IMPLEMENTATION FRAMEWORK

80. On the indigenisation front, cabinet has tasked me, as the Minister of Youth, Indigenisation and Economic Empowerment, to simplify and clarify the framework, guidelines and processes for complying with the country’s Indigenisation and Economic Empowerment laws espoused in the Indigenisation and
Economic Empowerment Act (Chapter 14:33) in a manner that will ensure compliance with the laws of the land.

81. During his 2016 National Budget Statement The Minister of Finance and Economic Development, Hon Patrick Chinamasa, has indicated that:

“Consultations towards strengthening and clarifying the process of implementing the indigenisation policies in the other sectors of the economy outside the resources sector have been completed. To this end the Minister of Youth, Indigenisation and Economic Empowerment, will be announcing and gazetting before Christmas the frameworks’ templates and procedures for implementing the indigenisation policies in a manner that both promotes investment and eliminates discretionary application of the law. Mr Speaker Sir, such measures will contribute immensely towards the ease of doing business in the country and will render the services sector of our country conducive for Foreign Direct Investment.”

82. The frameworks, guidelines and procedures presented in this paper therefore seek to:

(i) Clarify the position on the indigenisation of businesses in the resource sector;

(ii) Clarify the position on the indigenisation of businesses in the non-resource sectors;

(iii) Clarify the position of indigenisation of businesses in the reserved sector;
(iv) Outline procedures for ensuring compliance with the legislation;
(v) Articulate the Empowerment Levy;
(vi) Describe the indigenisation compliance process flow;
(vii) Highlight the National Indigenisation and Economic Empowerment Charter.
(viii) Outline measures for ensuring compliance with procurement requirements of the legislation.

83. The legislation requires that at least 51% of the shares of every business shall be owned by indigenous Zimbabweans as stipulated in section 3(1) paragraph (a) of the Indigenisation and Economic Empowerment Act (Chapter 14:33).

84. There are some people who have chosen to ignore the reality of this piece of legislation by wanting to inaccurately paraphrase the position of His Excellency President Mugabe when he clarified the position on the resources sector on several occasions most notably in February 2013 on the occasion of his birthday when he referred to issues of technology wherein he stated that there was room to negotiate the 51/49 principle for perhaps “50/50 or you can agree on a ration which is sustainable and equitable.”

85. During an interview to mark his 89\textsuperscript{th} birthday, President Mugabe responded to a question on a perceived “Public spat between officials of the same Government over the issue of Indigenisation and Economic Empowerment, stating that:
“Well I suppose it is the application, how do we apply that principle 51/49 of indigenisation and Economic Empowerment? *When it comes to the natural resources that is very clear*”

“When it comes now to areas of technology, in fact the technology is borrowed, then you cannot apply the same principle of the (51/49) because this is not yours…. Those who have brought the resource here own the resource, What you can say is you are participating in that resource that is coming into the country and for that one, you can go 50/50 or you can agree on a ratio which is sustainable and equitable. It is not every case that we must apply the 51/49.

B1. RESOURCE BASED SECTORS

86. His Excellency President Mugabe again spoke to the policy position on natural resources during his inauguration speech of 22nd August 2013, in which he states:

“As we go about reorganising this critical mining sector, our policy reflexes must be oriented towards the goals of indigenisation and economic empowerment of our people.

This was the centrepiece of our manifesto. This is what the people voted for. It must become the centrepiece of our development endeavours.
We dare not let our people down. We are aware that people of ill will have cast aspersions on our hallowed policy of indigenisation and economic empowerment. Well, it is a set policy, our chosen path to full sovereignty.

The premise of that policy is an easy one. Our minerals are a depletable resource. We cannot grow them again once they have been exploited."

87. During his 2016 National Budget presentation the Minister of Finance and Economic Development Hon. Patrick Chinamasa also highlighted that:

“The position of indigenisation in the resource sector has been clarified on several occasions by his Excellency the President to reflect that the contribution of our designated entities towards our 51% shareholding will be effected through the resource being exploited and at no monetary cost to the Government or designated entities.”

88. General Notice 114 of 2011 provides for indigenisation in the mining sector by requiring that businesses operating within this sector must dispose of 51% equity to designated entities while taking into account the State’s sovereign ownership of the mineral or minerals exploited or proposed to be exploited by the non-indigenous mining business concerned.

89. The designated entities, which will acquire the 51% equity in businesses exploiting natural resource in lieu of the resources,
include Community Share Ownership Trusts at 10%, Employee Share Ownership Trusts at 10% and the National Indigenisation and Economic Empowerment Fund (NIEEF) receiving the remaining equity.

90. The Indigenisation and Economic Empowerment (General) Regulation, 2010, also provide a broader definition for natural resources, to include:
   a. Air, soil, waters and minerals of Zimbabwe.
   b. Mammal, bird, fish and other animal life of Zimbabwe.
   c. The trees grasses and other vegetation of Zimbabwe.
   d. Springs, vleis, sponges, reed beds, mashes, swamps and public streams of Zimbabwe.
   e. Any landscape, scenery or site having aesthetic appeal or scenic value or of historic or archaeological interest.

B2. NON RESOURCE SECTORS.

91. The non-resources sectors are provided for in General Notice 459 of 2011 for Manufacturing sector and General Notice 280 of 2012 for other sectors, which provide for the Net Asset Value, Lesser Share and Maximum Period for Businesses to Indigenise.

Table of Sector Specific Compliance Provisions.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Lesser Share</th>
<th>Years to Comply</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. General Notice 459 of 2011 - Manufacturing</td>
<td>26%</td>
<td>1st year</td>
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<tr>
<td></td>
<td>36%</td>
<td>2nd year</td>
</tr>
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<td></td>
<td>46%</td>
<td>3rd year</td>
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<tr>
<td></td>
<td>51%</td>
<td>4th year</td>
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<tr>
<td>General Notice 280 of 2012 – Other Sectors.</td>
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<td></td>
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<tr>
<td></td>
<td>Sector</td>
<td>Share</td>
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</tr>
<tr>
<td>2.</td>
<td>Finance Services</td>
<td>51%</td>
</tr>
<tr>
<td>3.</td>
<td>Tourism</td>
<td>51%</td>
</tr>
<tr>
<td>4.</td>
<td>Education and Sport</td>
<td>51%</td>
</tr>
<tr>
<td>5.</td>
<td>Arts Entertainment and Culture</td>
<td>51%</td>
</tr>
<tr>
<td>6.</td>
<td>Engineering and Construction</td>
<td>51%</td>
</tr>
<tr>
<td>7.</td>
<td>Energy</td>
<td>51%</td>
</tr>
<tr>
<td>8.</td>
<td>Services</td>
<td>51%</td>
</tr>
<tr>
<td>9.</td>
<td>Telecommunications</td>
<td>30%–51%</td>
</tr>
<tr>
<td>10.</td>
<td>Transport and Motor Industry</td>
<td>51%</td>
</tr>
</tbody>
</table>

92. It must be noted that the above sector specific compliance provisions were developed in accordance to Section 5 (4) of the Indigenisation and Economic Empowerment (General) Regulations, 2010, read with Section 3, which provides for lesser shares than the minimum indigenisation and empowerment quota that a business may enjoy, and the period over which it can enjoy such lesser share until the 51% quota is achieved.

93. It is worth noting that the manufacturing sector was given leeway to phase the implementation of indigenisation such that in the first year the lesser share at 26%, and 36% in the second year, 46% in the third year and 51% is achievable in the fourth year. And yet there appears to be a pertinaciously illegal resistance to comply with the legislation citing requirement for phased implementation of indigenisation in this particular sector, when such provisions already to exist.

94. It has been observed that those that are advocating for “lesser shares” are only doing so as a way of circumventing any indigenisation compliance whatsoever. If businesses were
sincere about a phased approach to compliance they would
have engaged on how best to apply such “lesser shares”
provisions.

B3. RESERVED SECTORS

95. It has been observed that there is a significant number of
non-indigenous players who are operating in the reserved
sector up to a point where it is believed that Zimbabwe’s US$2.9
Billion trade deficit is partly a reflection of externalisation by
these non-indigenous entities operating within the reserved
sectors.

96. The Reserved Sector is set aside for indigenous Zimbabweans
requiring that non-indigenous businesses operating therein must
be made to pay the full amount of the Empowerment Levy
proposed herein as part of measures designed to ensure
compliance with the indigenisation legislation.

B4. MEASURES TO ENSURE COMPLIANCE

97. There is rampant non-compliance to the Indigenisation and
Economic Empowerment Act, in the non-resources sector and
the reserved sectors.
98. The Ministry of Youth, Indigenisation and Economic Empowerment will be implementing measures to ensure compliance to the legislation by introducing a cocktail of measures that include invoking Section 17 of the Act albeit in a manner that recognises businesses that are complying with the legislation through the provision of indigenisation legislation compliance rebates, lesser shares credit rebates and indigenous shareholding rebates.

B4.1 MEASURES TO ENSURE COMPLIANCE

Indigenisation Legislation Compliance Rebates.

99. The Ministry of Youth, Indigenisation and Economic Empowerment will recognise the actions of businesses that pay heed and respect to the laws of Zimbabwe by providing for rebates to the Empowerment Levy in three ways as follows:

a. 4% Rebate to the Empowerment Levy for the submission of a duly completed IDG01 Form outlining the businesses' indigenisation implementation plan.

b. 5% Rebate to the Empowerment Levy upon approval of the indigenisation implementation plan as outlined in the submitted IDG01.

c. 10% rebate to the Empowerment Levy upon complete implementation of the approved indigenisation implementation plan.

B4.2 MEASURES TO ENSURE COMPLIANCE
Lesser Shares Credit Rebates

100. The Indigenisation and Economic Empowerment (General) Regulations, Section 5 (4), read with Section 3, makes provision for lesser shares that can be granted to a business endeavouring to achieve the mandated minimum 51% quota.

101. Section 5 (4) outlines at least four specific “socially and economically desirable objectives” that can be weighed and added towards fulfilment of the indigenisation and empowerment quota of 51%, and these includes:

a) the undertaking of specified development work in the community in which the business in question carries on its business.

b) the beneficiation to a specified extent of raw materials that are extracted in Zimbabwe by the business in question before it exports them.

c) the transfer to a specified extent of new technology to Zimbabwe by the business in question.

d) the employment to a specified extent of local skills or the imparting of new skills to Zimbabweans to a specified extent.

102. However it is necessary to establish a consistent, clear and non-discretionary framework on the ‘lesser share’ principle and the weighting of ‘socially and economically desirable objectives’ as a percentage to be applied towards achieving the 51% quota.
103. Businesses that achieve “socially and economically desirable objectives” will earn Lesser Share Credit Rebates of up to 30% of the Empowerment Levy.

104. Line Ministries will engage NIEEB on the socially and economically desirable objectives within their sector/subsector, and the extent of the weightings to be placed on such objectives.

105. NIEEB shall be responsible for monitoring and ensuring compliance with these socially and economically desirable objectives thorough an annual ‘Indigenisation and Empowerment Assessment Rating’ as provided for within Section 3 (6) of the Indigenisation and Economic Empowerment Act.

B4.3 MEASURES TO ENSURE COMPLIANCE.

Indigenous Shareholding Rebates.

106. A business in any sector of the economy will earn an Indigenous Shareholding Rebate according to the extent to which such business has actually achieved the 51% indigenisation quota.

107. If a business achieves 28% indigenisation of its equity then it will earn an equivalent in Indigenous Shareholding Rebates.
Likewise if it achieves 51% indigenisation then it will earn 51% in rebates.

B4.4 MEASURES TO ENSURE COMPLIANCE.

Empowerment Levy Rebate Score:

108. Rebate earnings from the three brackets, namely (i) indigenisation legislation compliance rebates, (ii) lesser shares credit rebates and (iii) indigenous shareholding rebates, shall be added together to amount to a total Empowerment Levy Rebate Score.

109. The Empowerment Levy Rebate Score shall be calculated against the Empowerment Levy is such a manner that any business shall be able to reduce the Empowerment Levy payable by it according to the rebates it has earned. A 100% Indigenisation Levy Rebate Score will mean that a business has effectively complied with indigenisation and economic empowerment programme and does not need to pay the Empowerment Levy.

110. Table for Rebate Earnings.

<table>
<thead>
<tr>
<th>Item</th>
<th>Rebate Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Indigenisation Legislation</td>
<td>4% - IIP Submission</td>
</tr>
<tr>
<td>Compliance Rebates</td>
<td>5% - IIP Approval</td>
</tr>
<tr>
<td></td>
<td>10% - Full Implementation of IIP</td>
</tr>
<tr>
<td>2. Lesser Shares Credit Rebates</td>
<td>Up to 30% - Socially and Economically Desirable Objectives as</td>
</tr>
<tr>
<td></td>
<td>recommended by sector Line Ministers.</td>
</tr>
</tbody>
</table>
### B4.5 MEASURES TO ENSURE COMPLIANCE

**Reserved Sector**

111. This sector is reserved for indigenous Zimbabweans and therefore effectively there should be no non-indigenous business operating within this sector. No new non-indigenous businesses are to invest into the sector, except for the legally acceptable exceptions such as investors bringing in new technology.

112. However the reality is that there are already existing non-indigenous businesses within the reserved sector. These may continue to operate but while paying the Empowerment Levy.

113. They will only earn an Indigenous Shareholding Rebate, measures between 0% - 100% based on their level of indigenisation. Therefore, if a business in the reserved sector is 33% indigenous then it will earn a 33% rebate on the
Empowerment Levy. And if that business decides to indigenise further to the extent of 75% then likewise it will earn a 75% rebate.

B5. EMPOWERMENT LEVY.

114. Section 17 of The Indigenisation and Economic Empowerment Act provides for “one or more levies on any private or public company and any other business in Zimbabwe”.

115. Parliament has also recommended that the levy be put into effect as highlighted by the Thematic Committee on Youth, Indigenisation and Economic Empowerment in its ‘First Report of The Thematic Committee on Indigenisation and Empowerment on the Operations of the Community Share Ownership Trusts & Employee Share Ownership Schemes - February 2015’:

“Government must put in place the Statutory Instrument that enables the National Indigenisation and Economic Empowerment Board to collect levies by June 2015.”

116. I have already proposed a levy, in this case an Empowerment Levy, which will be charged at 10% of turnover (Gross Revenue) on businesses.

117. The Empowerment Levy shall however be subject to reduction by the Indigenisation Levy Rebate Score earned by
any business. Effectively this Empowerment Levy can be significantly moderated by the extent to which a business simply decides to comply with the laws of Zimbabwe, on indigenisation and economic empowerment.

118. As an example if we take just four financial institutions, namely POSB, CBZ, Old Mutual and Standard Bank, their respective revenues are $24.08 million, $154.60 million, $454 million, $65.40 million. This means that at 10% Empowerment Levy they will pay, respectively $2.4 million, $15.46 million, $45.4 million and $6.54 million.

119. However each will earn a rebate according to their Empowerment Levy Rebate Score. For example POSB, being 100% indigenous will not pay the levy; CBZ is 85.94% indigenous will only pay 14.06% of its levy; Old Mutual will pay 74% of its levy because it is 26% indigenous and Standard Chartered Bank will pay the entire empowerment levy amount because not only is 100% foreign but it has also not even bothered to submit and IDG01 form and have its plan approved, which simple process would have earned it an automatic 9% Empowerment Levy Rebate Score.

120. The Levy will be collected by ZIMRA on behalf of the National Indigenisation and Economic Empowerment Fund (NIEEF).
120.1 The Minister of Finance can receive all funds raised from the Levy into Treasury and raise Treasury Bills against these amounts in favour of NIEEF.

120.2 NIEEF can utilise these treasury bills for purposes of enhancing such initiatives as the Youth Development and Employment Creation Fund (YDECF) so as to provide guarantees for people that are accessing facilities for economic empowerment.

121. The Empowerment Levy will be a key component for the funding structure of the National Economic Empowerment Strategy.

B6. WORKFLOW PROCESS TO ENSURE COMPLIANCE.

122. This paper outlines work flow processes that conform to current measures for strengthening and accelerating ease of doing business as well as the operationalisation of the one stop investment centre.

122.1 Greenfield investment applications and existing brownfield investments' indigenisation and investment applications should be submitted through Zimbabwe Investment Authority (ZIA).

122.2 ZIA would then forward these to the National Indigenisation and Economic Empowerment Board.
(NIEEB) for assessment and recommendation for approval according to the predetermined frameworks.

122.3 Applications that do not conform to the predetermined framework will be referred to the specific line Ministry for appraisal and the line Ministry will then make recommendation to Cabinet through the Cabinet Committee on Indigenisation and Economic Empowerment.

122.4 The workflow process is then as per the diagram below.
122.5 The Ministry of Youth, Indigenisation and Economic Empowerment (MYIEE) remains responsible for the overall administration of the indigenisation and Economic Empowerment policy and legislation and enforcement of compliance.

122.6 MYIEE will submit periodic progress reports on the approved Indigenisation transactions to Cabinet through the Cabinet Committee on Indigenisation and Economic Empowerment.

122.7 The Cabinet Committee System, supported by working Parties and attendant Technical Committees should remain the normal conduit for consultation, coordination and synchronization of policy and implementation matrixes. Collective responsibility at Cabinet level remains the norm.

B7. PROCUREMENT

123. The Indigenisation and Economic Empowerment Act, Section 3 (1) (f), makes provision that all Government departments, statutory bodies and local authorities and all companies shall procure at least fifty per centum of their goods
and services required to be procured in terms of the Procurement Act [Chapter 22:15] from businesses in which a controlling interest is held by indigenous Zimbabweans.

124. There remains very little or no implementation of the above procurement provisions by Government entities and agencies.

125. Detailed measures will be announced once structural changes to the architecture of state procurement have been concluded. However, the Ministry of Youth Indigenisation and Economic Empowerment will ensure that the revised mechanisms for State procurement will have inbuilt systems that will ensure procurement becomes a critical component for achieving broad based economic empowerment.

B.8 NATIONAL INDIGENISATION AND ECONOMIC EMPOWERMENT CHARTER.

126. The Indigenisation and Economic Empowerment Act, Section 16 read with the Fourth Schedule, provides for a National Indigenisation and Economic Empowerment Charter, to the effect that indigenous businesses benefitting from NIEEF, or the indigenisation programme, must comply to the best of their ability with the framework for ethical and good business conduct contained in the Charter.

127. The Ministry of Youth Indigenisation and Economic Empowerment will make the provision of rebates conditional upon commitment to abide by the principles of the NIEEC so as
to ensure that indigenous business entities develop a reputation of good governance and ethics.

128. Indigenous businesses must comply with the National Indigenisation and Economic Empowerment Charter, and must be bound by the provisions of the Charter. The Charter has been developed and put into legislation for the purpose of rebranding indigenous businesses so that they are not referred to in the derogatory reference of "ma-indigenous" but become professional entities that constitute ZIMASSET's envisioned empowered society that grows our economy.

CONCLUSION

129. This paper has presented a National Economic Empowerment Strategy that, whilst recognising such current realities as under employment and constrained fiscal space, locates the onus of empowerment and economic growth on the individual and their community.

130. To that end the National Economic Empowerment Strategy places significant emphasis on vocational and skills training as well as on business entrepreneurial development at the individual level.
131. Vocational Training Centres will serve to not only provide training facilities but will also act as production units, incubation hubs and mentorship centres.

132. The community serves, through Community Share Ownership Trusts, to provide for common access services such as investment promotion, market development and provision of common access equipment and facilities.

133. Existing institutions such as the National Youth Service and Zimbabwe Youth Council also play a pivotal role as catalysts for directing youth energy towards accelerating economic empowerment.

134. The National Economic Empowerment Strategy serves as a complementary arm to the indigenisation programme through the creation of green field indigenous enterprises.

135. The relationship between indigenisation and economic empowerment is further strengthened through the Empowerment Levy which serves to securitise emerging indigenous enterprises.

136. Whilst NIEEF is established as a warehousing mechanism it is imperative that the National Economic Empowerment Strategy ultimately creates individuals who will eventually take up the shares that NIEEF will have acquired.
137. As I conclude ladies and gentlemen, this National Economic Empowerment Strategy represents the start of our journey towards an Empowered Society and a Growing Economy as we seek to accelerate our economic empowerment by localising the 10 Point Plan.

138. We still have the enormous task of addressing the nuts and bolts of the tactical work plan that will see us start to implement this National Economic Empowerment Strategy as we move into 2016.

139. We must therefore utilise the few remaining days of this festive month of December to answer the following critical questions that relate to accelerating our economic empowerment.

- What will we be doing?
- Who will be doing it?
- When will it be done?
- How will it be done?
- Where will it be done? and
- Which resources are required to do this?

140. On our part as the ministry of Youth Indigenisation and Economic Empowerment we will immediately start the process of answering these important questions this afternoon at 2pm.
141. Ladies and gentlemen, comrades and friends allow me to wish you a Merry Christmas and A Happy New Year as I submit this National Economic Empowerment Strategy to you before the Almighty Lord our God.

I THANK YOU.

Honourable Patrick Zhuwao.

MINISTER OF YOUTH, INDIGENISATION AND ECONOMIC EMPOWERMENT.