PRESIDENTIAL STATEMENT TO CLARIFY THE GOVERNMENT POSITION ON THE INDIGENISATION AND ECONOMIC EMPOWERMENT POLICY

Government introduced the Indigenisation and Economic Empowerment Policy to deliberately empower the historically disadvantaged Indigenous Zimbabweans and to grant them ownership and control of the country's means and factors of production. This is to enable them to be significant players in the mainstream of the country's economy.

However, conflicting positions in the interpretation of the Indigenisation and Economic Empowerment Policy have arisen of late. This has caused confusion among Zimbabweans, the business community, current and potential investors, thereby undermining market confidence. This situation has also led to the increase in the cost of doing business, thus further weakening the country's economic competitiveness.

It is, therefore, fit and proper that I provide clarification on this very vital national policy, for the guidance of Government Ministers, the business community and current and would-be foreign investors.

I wish to start by pointing out that the implementation of the National Indigenisation and Economic Empowerment Policy distinguishes three economic sectors, namely: the Natural Resources Sector, Non-Resources Sector and the Reserve Sector. These sectors are to be approached differently, in terms of the implementation of and compliance with the Indigenous and Economic Empowerment Policy.

Natural Resources Sector

Pertaining to the Natural Resources Sector, it should be emphasised that Government attaches great importance to the indigenisation of this sector. Businesses in this sector deal with the exploitation of our natural and depleting resources, such as minerals. Government has, therefore, a sacred duty to ensure that such resources are exploited in a manner that safeguards the best interests of the country's current and future generations. As such, in terms of the Policy, Government and/or its designated entities, will hold a 51% stake in businesses in the Natural Resources Sector, with the remaining 49% belonging to the partnering investor(s). The need for investors in this sector to comply with the prescribed indigenisation obligations is, therefore, non-negotiable.

For existing businesses where Government does not have 51% ownership, compliance with the indigenisation and Economic Empowerment Policy should be through ensuring that the local content retained in Zimbabwe by such businesses is not less that 75% of gross value of the exploited resources. Local content here refers to the value retained in Zimbabwe in the form of wages, salaries, taxation, community ownership schemes, and other activities such as procurement and linkage programmes.

Non-Resources Sector

The second category relates to businesses under the Non-Resources Sector, which include the financial services sector. Businesses in this sector should exhibit the following socially and economically desirable strategic objectives that contribute towards the turnaround and sustainable socio-economic transformation of the economy. Such initiatives include the following:

1. Beneficiation of raw materials that are extracted in Zimbabwe for the purposes of value addition and exporting, in order to generate the much needed foreign exchange;
2. Transfer of appropriate technology to Zimbabwe for the purpose of enhancing productivity, which is critical in reducing import dependence;
3. Creation of employment and imparting of new skills to Zimbabweans;
4. Granting of ownership and/or employee share ownership for value to indigenous Zimbabweans as may be agreed between an investor and indigenous Zimbabwean partner(s); and
5. Developing and creating linkage programmes, enterprise development, value chains and any other desirable objectives as may be defined by the responsible line Ministers for the purpose of attracting foreign direct investment into Zimbabwe.

Sector-based empowerment credits or quotas will be granted to reflect the contribution of investors in such businesses to the national development efforts. This will be agreed upon through negotiations involving the relevant line Ministries and the private investors. The role of the Minister of Youth Development, Indigenisation and Economic Empowerment is to coordinate the activities of line Ministries in the implementation of the Policy through the relevant Cabinet Committee, which he chairs.

Financial Services Sector

The banking sector shall continue to be under the auspices of the Banking Act, which is regulated by the Reserve Bank of Zimbabwe, and the insurance sector under the auspices of the Provident Insurance Act. This policy position is essential for the promotion of financial sector stability, confidence and financial inclusion. These institutions will, nonetheless, be expected to make their contributions by way of financing facilities for key economic sectors and projects, employee share ownership schemes, linkage programmes and other financial empowerment facilities as may be introduced by the Reserve Bank of Zimbabwe, from time to time.

Reserved Sectors

Businesses under the Reserved Sector's category are reserved for Zimbabwean entrepreneurs. Except for existing businesses and where a special dispensation is granted by the relevant line Minister, the Reserved Sector businesses shall include the following:

1. Transportation: passenger buses, taxis and car hire services;
2. Retail and Wholesale Trade;
3. Barber shops, Hair Dressing and Beauty Salons;
4. Employment Agencies;
5. Estate Agencies;
6. Valet Services;
7. Grain Milling;
8. Bakeries;
9. Tobacco Processing;
10. Advertising Agencies;
11. Provision of Local Arts and Crafts, and marketing and distribution of the same.

Government shall, from time to time, decide and publish in the gazette, any changes to the list of businesses falling under this sector. To the extent that the Indigenisation and Economic Empowerment Act may not sufficiently conform with this policy position, I have directed that the Law be amended or changed forthwith accordingly.

His Excellency R.G. Mugabe
President of Republic of Zimbabwe, and Commander-in-Chief of the Zimbabwe Defence Forces
Harare
11th April, 2016