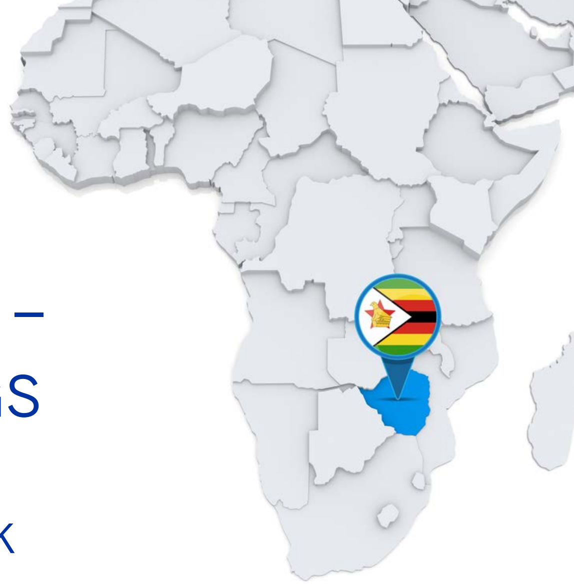
REPUBLIC OF ZIMBABWE

Standard Bank Moving Forward™

INTRODUCING



COUNTRY PROFILE – FACTS AND FINDINGS

ZIMBABWE ECONOMIC OUTLOOK

Zimbabwe is a landlocked country located in Southern Africa. It shares borders with Botswana in the southwest, Mozambique in the east, South Africa in the south and Zambia in the northwest.

Growth in Zimbabwe is likely to remain well below the levels envisaged in the government's five-year economic programme, the Zimbabwe Agenda for Sustainable Socioeconomic Transformation. The Zimbabwe Agenda, which was announced in late 2013, envisages growth ramping up to 9.9% by 2019. Zimbabwe will continue to struggle to attract adequate financing for the programme as foreign investors are put off by its indigenisation programme and general policy environment. The El Niño-associated drought in Zimbabwe is expected to be very severe in the 2015/2016 season. Agricultural output is therefore likely to remain low. The mining and manufacturing sectors are experiencing challenges such as a shortage of capital and the high cost thereof, the weakness of commodity prices, the high cost and lack of available energy, high wage and procurement costs, and an undependable supply of inputs. It is expected that the GDP will shrink to 1.1% in 2016.

In the longer term, the continued weakness of tobacco prices could affect investment in that sector. Platinum prices are expected to show only moderate growth in 2016 to 2020; the price of gold, which dropped by more than 8% in 2015, is expected to show a weak growth of 1.7% a year over the forecast period. Performance in the construction and manufacturing sectors could improve if ZANU-PF successfully addresses structural bottlenecks. These include infrastructure deficiencies and a poor business climate. If a new administration should adopt a more business-friendly approach to policymaking, solid expansion may be expected in 2020.

ZIMBABWE: IN A NUTSHELL

Most popular exchange currency
US dollar

Monetary unit
United States dollar, Euro, Botswana pula, pound sterling, South African rand

Languages
English (official), Shona, Sindebele (sometimes called Ndebele), numerous minor tribal dialects

Population
13 771 721

Population growth
4.36%

Types of industry
Mining (coal, gold, platinum, copper, nickel, tin, diamonds, clay, numerous metallic and non-metallic ores), steel, wood products, cement, chemicals, fertilizer, clothing and footwear, foodstuffs and beverages

GDP
US$13.66 billion

Type of government
Parliamentary democracy

Capital
Harare

Area
390 757 km^2

Major export commodities
Pearls, precious stones, metals, coins, etc. (29.5%), tobacco and manufactured tobacco substitutes (27.4%), ores, slag and ash (11.9%), iron and steel (9.2%), sugars and sugar confectionery (5%)

Real GDP growth
3.2%

Gross domestic product (GDP)
(GDP): US$2,088 billion

Major import commodities
Mineral fuels, oils, distillation products (24.6%), machinery, nuclear reactors, boilers etc. (9.3%), vehicles other than railway and tramway (8.5%), electrical and electronic equipment (6.1%), cereals (5.2%)

Major export countries
South Africa (67%), Mozambique (18.8%), Belgium (4.1%), Zambia (3.4%), and United Arab Emirates (3.1%)

Major import countries
South Africa (42.9%), Singapore (18.3%), China (6.3%), United Kingdom (3.3%) and Zambia (2.8%)

Natural resources
Coal, chromium ore, asbestos, gold, nickel, copper, iron ore, vanadium, lithium, tin and platinum group metals

Tax rate (corporate) 35%
Tax rate (individuals) 30%

CHAMBERS/ASSOCIATIONS

Zimbabwe is a member of the South African Development Community (SADC) and the African Union, and is home to the Zimbabwe National Chamber of Commerce (ZNCC) and the Chamber of Mines on Zimbabwe (COMZ).

POLITICS AND LEGAL

- The president, Robert G. Mugabe, was elected in December 1987 and leads the Zimbabwe African National Union – Patriotic Front (ZANU-PF).
  - The ruling party currently enjoys a super majority in parliament, following a landslide victory in the 2013 general election.
- The political status quo will face a number of challenges in the next few years as the 92-year-old President Robert Mugabe prepares a successor and his governing ZANU-PF counters a growing opposition threat.
- The acknowledgement of the need to rewrite the constitution was central to a 2009 power-sharing agreement between ZANU-PF and two factions of the Movement for Democratic Change (MDC). A new set of laws was approved by parliament in May 2013. Many observers view this as an improvement on the old constitution.
- The legal system is a mixed system of English common law, Roman-Dutch civil law and customary law. This system is plagued with corruption, however, with posts being filled by associates of the ZANU-PF.
- Zimbabwe's political risk in terms of business and investment is seen to be moderate to high. Fiscal reviews and a declining economy have resulted in a deterioration in household conditions, and there is little prospect of a turnaround.
- Zimbabwe has been added to the NKC African Economies 'Potential Conflict Watch' list as a result of its political risk rating.
- Corruption remains a serious problem in the country.
  - The succession struggles and leadership contests dominate the political environment, creating further policy uncertainty.
  - The situation has worsened due to the recent removal of many long-serving members from the ruling party.
  - The in-fighting is not confined to the ruling party, however; it is creating waves in the opposition parties as well, so there is less and less confidence that changes can be made. There is little prospect that any of the newly formed parties can pose much of a threat to ZANU-PF, even in its weakened state.

- Relations between ZANU-PF and Western governments over the last 15 years have been unfriendly. The US and EU have been imposing targeted sanctions, mainly in the form of travel bans and asset freezes on individuals and entities associated with the ZANU-PF regime.

ECONOMICS

- Zimbabwe's economy remains extremely vulnerable due to its long-term political instability and the deterioration in the living standards of its people. The country relies heavily on a successful mining and minerals sector and the export of tobacco and associated products for GDP growth.
- Zimbabwe has several significant constraints that will not be resolved quickly. These include restrictions on electricity supply, a shortage of physical currency, the closure of many industrial companies in recent years, and bad governance and policy formulation.
- In early 2009, the hyper-inflated Zimbabwean dollar was officially replaced by a multi-currency system dominated by the US dollar and then the South African rand. Because foreign currency is the legal tender, the central bank cannot increase money supply to stimulate the economy.
- The poor harvest, weak mineral prices, low consumer spending and bad weather conditions continued to put strain on GDP in 2015.
  - The poor harvest led to a major drop in tobacco sales during 2015. Reported sales figures ($555m) were 15% down year-on-year due to lower prices and smaller crop sizes. Tobacco is an important cash crop for Zimbabwe, and 90% of all tobacco is exported. Almost half of all Zimbabweans are directly or indirectly dependant on the tobacco sector for their household income.
  - Together, gold, diamonds and platinum make up 29.5% of the country's export mix. Investment challenges such as the local ownership requirement and the uncertain political landscape have led to a fall in mineral prices.
  - Mining output is expected to expand in the future. This growth is not expected to be strong enough to have a significant impact on the trade balance in the short term, though, due to lower prices.
  - The rising unemployment rates affect the consumer's ability to spend. This, in turn, stops the businesses from getting good prices in the market, so they struggle to pay equitable wages. The Reserve Bank of Zimbabwe (RBZ) reported that official retrenchments rose to 3 881 in 2014, from 2 7 36 recorded in 2013. Many workers were not being paid on time either, due to an increase in the number of struggling businesses.
- Three quarters of the goods sold by Zimbabwean retailers are sourced internationally. This shows how uncompetitive the local manufacturing sector is.
  - Local manufacturing output remains centred on food and beverages, metals, chemicals and textiles. It is mostly geared towards the needs of the domestic market.
  - The five biggest infrastructure problems for the sector are power shortages, poor road infrastructure, the inefficient rail network within the country, water shortages, and poor transport infrastructure for access to ports.
- With South Africa being a key import partner, the weakness of the rand will have a big impact on Zimbabwe's inflation rate. Cheaper imports will result in internal devaluation, and domestic producers will be forced to lower prices to compete with importers.
- The weaker rand will also mean households that rely on dollar-based remittances from relatives in South Africa will be able to buy less.

- Zimbabwe's investment climate will continue to be impacted by the hostile policy on foreign ownership, with foreigners permitted to own a maximum stake of 49% in companies operating in the country. In addition, a weak outlook for commodity prices will make investors unwilling to invest many resources in expanding existing operations.
- Zimbabwe finances its budget from taxes. This is due to a restriction that the IMF has placed on lending until the country pays back its USD10 billion worth of debt to global lenders. The repayment of this debt is, however, hindered by the subdued growth outlook.
  - Tax revenues collected in the first half of 2015 ($1.66bn) were 5.7% below target and 3.5% lower year on year. This was due to lower-than-budgeted mining royalties, company tax and customs duties. Government expenditure over the same period totalled $2.07 billion, resulting in a budget deficit of $355m for the first half of 2015. This deficit is projected to grow to $500m by the end of 2015.
- Government consumption and public spending will continue to be restrained by the weak tax revenues and the large-scale debt.
- In October 2014, Zimbabwe agreed to a staff monitored programme (SMP) with the IMF. Under the SMP, expenditure has to be cut to improve the fiscal balance. Additionally, only a small percentage of government spending (below 10%) is channelled towards capital investments; most goes towards meeting salary obligations. That means there's little room for the government to boost domestic demand by spending more in the near future.
- Zimbabwe's external account position will remain poor for now, given limited financial inflows and little opportunity to borrow funds.
- Relations between ZANU-PF and Western governments over the last 15 years have been unfriendly. The US and EU have been imposing targeted sanctions, mainly in the form of travel bans and asset freezes on individuals and entities associated with the ZANU-PF regime.
- Zimbabwe's stock market has 67 publicly listed companies. Of these, 20% contribute to over 80% of total market capitalisation (approximately USD4.6bn).
- The banking sector is in trouble because of more and more non-performing loans. These have been steadily climbing from 11.5% of gross loans in September 2012 to 20.5% in September 2014.
- Zimbabwe's Agenda for Sustainable Socioeconomic Transformation, announced late 2013, outlines the government's five-year economic plan. Growth in Zimbabwe is, however, likely to remain well below the levels envisaged in this plan.
  - The plan projects growth ramping up to 9.9% by 2019. This expansion is supposed to be driven by the agriculture, mining, transport, and information and communications technology sectors, as well as general infrastructure development. However, Zimbabwe will find it difficult to get enough financing for the programme, as foreign investors are put off by its indigenisation programme and general policy environment.
  - Agricultural output is likely to remain low due to the drought experienced in Zimbabwe, caused by the severe El Niño weather phenomenon since 2015.
- The World Travel and Tourism Council (WTTC) estimates that tourism accounts for around 10% of local GDP. This estimate takes into account both direct and indirect activities associated with the sector.
- Zimbabwe's imports are expected to remain higher than exports. This will harm its trade deficit, which is expected to begin narrowing towards 2020.

- According to statistics from the Zimbabwe National Statistics Office (Zimstat), both exports and imports declined during 2014.
  - Exports fell due to a decline in manufacturing output and low commodity prices impacting foreign sales. Exports to South Africa (accounting for two thirds of total sales) were also hit by the depreciation of the Rand vs the US Dollar, making Zimbabwean goods more expensive.
  - Imports also fell due to the stronger US Dollar, falling oil prices, the weak domestic demand and potential increases in informal trade across the Zimbabwe–SA border.
  - These trends are expected to remain the same in the near future. There is little or no sign that consumption will bounce back soon or that the recent SA Rand depreciation will turn around.
- As reported by Zimstat, consumer prices continue to fall as lower values on international commodity markets, combined with a strong US Dollar, drag down imported inflation.
- Around three-quarters of the urban population currently have access to grid power, while less than half of the total population has electricity. Peak power supply was 1,100 MW in the middle of October, compared to peak demand of more than 2,000 MW. The country experiences 'severe' load shedding (power blackouts) of up to 15 hours at a time.

ECONOMIC GROWTH: CURRENT VS OUTLOOK

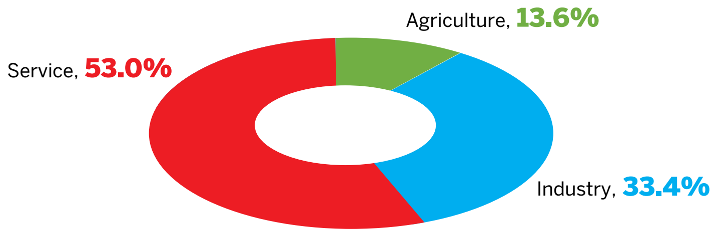
Economic growth (%)						
	2014	2015(f)	2016(f)	2017(f)	2018(f)	2019(f)
Economic Intelligence Unit (EIU)[1]	3.0	-0.2	2.4	4.2	3.0	3.4
Agriculture	2.7	-1.4	-2.4	3.7	2.6	3.3
Industry	4.1	-1.5	3.2	4.8	3.4	3.6
Services	2.4	1.1	3.8	4.0	2.9	3.4
BMI Research(e) [2]	3.1	-0.9	1.1	1.7	2.4	4.3
The World Bank[3]	3.2	1.0	2.5	3.5		
Inflation (%)						
EIU (year on year, average)	-0.2	-1.7	3.7	5.2	6.1	5.8
BMI Research (e) (year-on-year average)	-0.2	-2.1	-1.3	0.4	2.0	2.0
Central Bank policy rate						
BMI Research (e) (end of period) (4)	n/a					

(f): forecasted; (e): estimate
Sources: [1] EIU: Country Report, Generated 2 December 2015; [2]BMI Research: Zimbabwe Country Risk Report Q1 2016, 3 November 2015; [3]World Bank[4] Zimbabwe lost its official interest rate when it abandoned the Zimbabwean Dollar. Rate likely to change due to implementation of the Interbank / Aftrades facility to improve circulation of liquidity within the banking sector.

- The economic recovery in Zimbabwe during 2009-12 was largely attributable to a strong rise in government spending, a recovery in tobacco production, and a jump in mineral output.
- The Central Bank and Ministry of Finance both expected the Zimbabwean economy to grow by 1.5% in 2015. The country's economy is expected to post its worst performance since the economic decline that ended in 2008.
- Zimbabwe's economic growth is not expected to be much higher than 3% in the next few years. This will be due to ZANU-PF's nationalistic policies regarding foreign ownership of companies most likely chasing away much-needed foreign investment.
- Zimbabwe experienced a contraction in the mining and manufacturing sectors. However, a rise in farming activity prevented the country from falling into the negative growth territory in 2014.
- Real GDP growth in Zimbabwe is expected to average only 1.9% p.a. during 2014-2016. The poor harvest, adverse weather conditions, low mineral prices and subdued consumer spending are seen as major contributors to the low growth forecasts.
- Political uncertainty will coincide with growing economic problems caused by low demand for key commodity exports, poor weather conditions which have led to food shortages, and little scope for economic diversification, given both limited fiscal funds and hostile investment policies.

STRUCTURE OF THE ECONOMY

Zimbabwe Economic structure: GDP composition by sector 2014 estimate



Source: NKC Zimbabwe Country Profile, November 2015

- The mining sector (accounting for 10% of GDP) remains in the doldrums. Growth is expected to remain low in 2016. It is expected to be better than the -2.1% experienced in 2015, though, when there were lower output volumes of precious metals and stones – the country's largest export category by value. Expansion in the mining sector will be influenced by international mineral prices, the success of attempts to boost the power supply and the government's approach to international investment.

- The Marange diamond field in Mutare West is one of the world's richest diamond deposits. The area produced almost 17 million carats during 2013, equal to more than 10% of global rough diamond supply. However, Mr Chinamasa told Parliament early in 2015 that the government was not expecting any revenues from mining activity on the Marange diamond fields in 2015 due to capacity constraints.
- Local platinum and palladium production represented 6% of global output during 2014. The major platinum mining companies operating in Zimbabwe are Anglo American Platinum, Impala Platinum and Aquarius Platinum. The country does not have significant local refining capacity. Almost all of Zimbabwe's platinum group metals (PGMs) ores are exported to South Africa for refining.
- During the first half of 2015, the government identified 23bn cubic feet of gas reserves in the Lupane-Lubimbi basin. Deputy mines minister Fred Moyo confirmed plans to set up the country's own gas production. The government is now looking for investors to exploit the commodity, as this is expected to be cheaper than the current gas imports.
- The Chamber of Mines has reported that the sector needs $4bn in working capital over the next five years in order to increase output volumes.
- One of the key issues affecting the local mining industry in recent years was the government's empowerment drive. The implementation of the Indigenisation and Economic Empowerment Act of 2007 was followed by threats, deadlines, empty promises, confusion, knee-jerk reactions, misguided information dissemination, and sometimes panic. During October 2015, the indigenisation and empowerment minister confirmed that the foreign ownership laws were not going to be relaxed.
- The price of gold – which is estimated to have dropped by almost 9% in 2015 – is expected to grow by 3% between 2016 and 2020.
- Platinum prices are expected to show only moderate growth in 2016-2020.
- Ferro-alloys, platinum, gold and tobacco will continue to dominate export earnings. Diamonds are an increasingly important source of export revenue, but revenue from diamond sales will most likely go straight into ZANU-PF coffers.
- The economic downturn is further affected by the decline in the agricultural sector. Agriculture is being adversely affected by the unfavourable weather conditions as well as political interference.
  - Less than 5% of the country's previous 5,000 commercial farms are still operational. This is due to land expropriation, skilled labour shortages, government oppression and political violence, a shortage of farming inputs and unwillingness to pay for goods.
  - Most of the farm land confiscated by the government during the early 2000s and transferred to Zimbabweans is now used for subsistence farming and small-scale tobacco production.
  - It is expected that the government will have to double its imports of maize to make up for the weak domestic harvest and to meet local demand.
  - In the longer term, the continued weakness of tobacco prices could affect investment in the sector.

  - 2015's tobacco auction season started a few weeks later than usual, due to the impact of adverse weather conditions delaying the maturity of the crops and the drying process. This resulted in a 17% contraction in sales. This decline in tobacco volumes for the first time in almost ten years will hamper overall economic growth in the country.
  - Tobacco farmers are expected to try to boost output between 2016 and 2020. However, poor weather conditions are likely to decrease volumes in 2016. The long-term price outlook is not particularly positive either: global tobacco prices are expected to decline by an annual average of 0.8% in 2016-20.
- The government will try to attract tourists from non-European states, particularly Asia. Infrastructure deficiencies and ongoing concerns of unrest and corruption will put tourists off, though. The World Travel and Tourism Council (WTTC) estimates that foreign earnings from tourism will grow by an average of 7.5% p.a. over the next decade.
- The manufacturing sector contracted by 4.9% during 2014. It has seen a decline in capacity utilisation due to weak domestic demand, limited capital available, obsolete plant and equipment, increased import competition, inflexible labour laws, and higher costs of doing business. This has led to many retrenchments and salary cuts (sometimes even the inability to pay salaries) in the sector.
- Performance in the construction and manufacturing sectors could improve if ZANU-PF successfully addresses structural bottlenecks, including infrastructure deficiencies and a poor business climate.
- Transport and Infrastructure Development Minister Obert Mpofu announced during May 2015 that 30 new tollgates would be operational before year end to help finance the maintenance of the country's existing road infrastructure.

SOCIAL

- The population of Zimbabwe was reported to be 14.2m in 2015. It has been showing slower growth rates of 2.2% per annum when compared to other African countries.
- Zimbabwe boasts one of the highest literacy rates amongst the African countries at almost 90% of the population.
- The urban population is approximately 33% of the total population, with expected growth rates of 2.5% per annum.
- It is estimated that just over 70% of the population are below the national poverty line.
- 72% of the employed population are currently working within the agricultural sector.
- The World Travel and Tourism Council (WTTC) estimates that 181,000 direct and 245,000 indirect jobs in Zimbabwe are supported by tourist activities.
- Zimbabwe's interconnected economic and political crisis from 1998 through 2008 prompted many of the country's most skilled and well-educated citizens to emigrate, leading to widespread labour shortages.
- The decade-long severe contraction of the economy caused employment in the formal sector to drop significantly.
- 15% of adults are reported to be living with HIV/AIDS (2014 statistic). This is a marked decrease from the rates seen in the 1990s (as high as 28%). The decrease is due to the impact of prevention programmes aimed at behaviour change and successful treatment and support services.
- Child labour in agriculture and mining remains a concern.

TECHNOLOGY

- Hundreds of millions of dollars have been invested by the three mobile operators Econet, NetOne and Telecel Zimbabwe since 2010. This investment went towards upgrading their infrastructure to keep up with the high call volumes experienced. Zimbabwe is reported to have some of the highest call volumes in the world.
- The Reserve Bank of Zimbabwe recorded $3.5bn worth of mobile money transfers during 2014 and $2.2bn during the first half of 2015. Mobile money users have outnumbered the number of individuals with bank accounts since mid-2014 (WorldRemit).
  - Econet Wireless, the first private entity to enter into the mobile sector market, facilitated 98% of mobile payments during 2014. During June 2015 they announced that the South African Reserve Bank (SARB) had given permission for remittances from SA to be allowed via the company's EcoCash mobile money platform.
- Growth in the mobile and fixed line markets has been captured by private companies. The public sector entities will have to address issues such as levels of funding and adherence to corporate governance to remain competitive.
- Mobile cellular subscription rates have grown substantially from just over 330 000 users in 2009 to almost 9.9 million users in 2012.
- Internet penetration is estimated at around 48%. Limitations on international bandwidth have hampered development of the internet and broadband sectors.
- Fixed-line services reach only 2.8% of the population (and two-thirds of these are in Harare). The sector is monopolised by NetOne parent TelOne.

ENVIRONMENTAL

- Current environmental issues affecting both commercial and subsistence agriculture include soil erosion, deforestation, land degradation, water pollution, poaching of wildlife, and poor mining practices.
- Zimbabwe is vulnerable to recurring droughts that directly impact economic growth. This is due to the country's reliance on the success of the agricultural sector.
- Zimbabwe's black rhinoceros herd, once the largest concentration of the species in the world, has been significantly reduced by poaching, largely for the export market to China.

ZIMBABWE: WHAT TO CONSIDER WHEN STARTING A BUSINESS

- Zimbabwe's openness to foreign direct investment.
- Zimbabwe recognises the need to boost investment. It has implemented a number of incentives that are designed to attract foreign direct investment (FDI). These include tax breaks for new investment by foreign and domestic companies, and allowing capital expenditures on new factories, machinery, and improvements to be fully tax deductible. The government also waives import taxes and surtaxes on capital equipment.
- The allure of Zimbabwe's mineral resources has supported FDI inflows. This sector is the largest recipient of foreign investment.
- During the 1980s and 1990s, government guidelines welcomed FDI. Flows peaked at $444m in 1998.
- Many key issues have led to a sharp decline in FDI, resulting in the net FDI being equal to 1% of GDP during 2006 – 2008. These issues include a decline in government credibility, Zimbabwe state control over the central bank, international sanctions against political leaders, tough foreign exchange laws and a lack of external support for the banking sector.

- In 2009 there was an investment turnaround due to steps taken by the government to repair the damage done by poor political leadership. However, this turnaround was short-lived. During 2010, the government took a decision to accept foreign investment only if those investors were willing to share their assets with the locals (the indigenisation and empowerment programme).
- The Zimbabwean government is keen to make the indigenisation and empowerment programme a success. Eventually, it is expected to lead to a stage where local Zimbabweans own the majority stake in foreign-owned companies in the mining and agriculture sectors.
- The Zimbabwe Investment Authority (ZIA) admits that there are large amounts of approved investment projects that are on hold as investors remain guarded to channel their funds into the landlocked country.
- The country is now expected to see total net FDI of $1.2bn during 2014 – 2016. This is equal to an average of 3% of GDP over the period.
- Foreign investors would however look to 2018 as their business interests in the country would face the prospect of an unknown successor to Robert Mugabe with no clarity on future policy changes.

DOING BUSINESS IN ZIMBABWE

- According to transparenc.org, Zimbabwe holds a corruption clean score of 21%. This is a perception- based score which is used to measure how transparent the country's public sector is perceived to be. Zimbabwe is perceived as a very corrupt country.
- With regard to the business environment, Zimbabwe is ranked 12th in sub- Saharan Africa for its conduciveness in starting and conducting a business. When operating in-country, one would find that they will observe low social hostilities. This factor is based on an index influenced by religious restrictions. There is however, high political instability as well as grave poverty, as The World Fact Book reported 72.3% of Zimbabwe's population as living below the poverty line.
- It would take approximately three months (90 days) to start a business in Zimbabwe; this is much higher than the regional average of 26.8 days in sub-Saharan Africa. Along with starting the business, nine regulatory and administrative procedures would need to be performed.
- Zimbabwe's internet and mobile capacity are variables that have potential for improvement. The internet uptake in the country is at 38.8% which is quite low. The mobile phone penetration is 81%, which means that for every 100 people in the population, 81 of them have a mobile phone subscription.
- There are many features that attract investors to Zimbabwe such as mining opportunities, the tax incentives to new foreign investments, a good air freight network, a labour force with basic skills, including literacy; and a fairly safe business environment when compared to other sub-Saharan African countries.

OPERATIONAL RISKS/ BARRIERS TO DOING BUSINESS

Zimbabwe's business environment has deteriorated markedly in recent years. It presents many risks when doing business or operating in the country. This also presents further headwind to the economic performance over the medium term.
The following are some of the potential risks facing investors operating in Zimbabwe:

- Zimbabwe's labour is the least productive in the sub-Saharan Africa region, presenting a substantial detraction to investors. A contributing factor to low labour productivity rates are the unreliable water and power services.
  - The country boasts a comparatively well-educated work force; however, the education system has deteriorated in recent years due to the mass exodus of teachers as a result of the lack of funding. Even though the country has a fairly young population, Zimbabwe has been unable to provide opportunities to upskill its people. This impacts the skilled workforce available in the country. Zimbabwe has placed stringent regulations on the hiring of foreign professionals.
  - Businesses operating in the country are hindered by relatively expensive labour costs due to extensive national minimum wage regulations, high severance pay packages and generous annual leave allowances. Businesses do, however, benefit from a low rate of labour tax and contributions.
- Corruption is rife in the government and police force. This hinders the ability to prevent and investigate crime and to effectively monitor and collect taxes.
- Zimbabwe's landlocked position in the centre of Southern Africa, with no direct access to sea ports, presents challenges to the country's trade routes.
- Extensive investment is needed to improve the quality of the road network and increase the efficient functioning of supply chains. Years of neglect have contributed to the significant deterioration in the quality of the national transport system and utility services. A full overhaul is likely to take several years and will remain highly dependent on financial assistance from foreign donors.

- Property rights are likely to remain poor, particularly for foreign firms, who are facing an uncertain indigenisation drive.
  - Over the last few years, the state has seized thousands of private farms and conservancies, including ones owned by foreign investors, without due process or compensation. Despite protestations from foreign governments, Zimbabwe has neglected to address the issue of land expropriation. This means there's a high risk for foreign investments in the country.
- Zimbabwe was once renowned for having one of the most independent judiciaries in SSA. Its Supreme Court and High Court often issued verdicts that conflicted with government interests. However, since 2000, the objectivity of the courts has been increasingly undermined through interference by the ZANU-PF-led government in the legal system. Under this government, membership to the Supreme Court was increased, and many independent members were subsequently replaced with government allies. Moreover, President Mugabe appoints judges without the input of the prime minister. The majority of these judges are regarded as being under-qualified. This environment has major implications for the objectivity of court decisions, and could adversely impact court proceedings for foreign investors. Intellectual property rights infringements go largely unpunished, and formal contractual disputes are generally unresolved.
- Zimbabwe lacks a sovereign currency. This limits the country's ability to improve money supply through the issue of notes and lending.
- Investors are unable to set up a business and begin trading quickly in Zimbabwe. The burden of red tape in areas such as business registration and closure, and construction permits is stifling. This creates significant inefficiencies in the business environment and is a powerful barrier to investment. Similarly, start-up costs are high, as are the costs associated with obtaining a construction permit.
- The economic situation for the average Zimbabwean family has weakened since 2003. This negatively impacts their propensity to spend and consume.
- Gang activity is likely to continue, given Zimbabwe's growing drug trade and open borders.

STANBIC BANK ZIMBABWE CAPABILITIES

- In November 1992, Standard Bank South Africa's banking group acquired the operations of ANZ Grindlays in eight African countries, including Zimbabwe. ANZ Grindlays Zimbabwe was renamed Stanbic Bank Zimbabwe Ltd in 1993.
- The bank currently employs 656 permanent employees, some of whom take care of approximately 6514 Business Banking customers.
- To date, Stanbic in Zimbabwe has 20 branches and 28 ATMs.

	Trading name	Standard Bank Presence	Standard Bank ATMs	Corporate Banking	Retail Banking	Investor Services	Investment Banking
	Stanbic Bank	20	28	✓	✓	✓	✓

Exchange Controls	Exchange controls exist but the focus is on submitting regulatory returns and capturing all outgoing transactions online. Current account transactions were fully liberalised and capital accounts partially liberalised from July 2009. All entities can use their foreign currency account balances for the obligations, without any restriction. Cross-border transactions must comply with Exchange Control Directive 1 of July 2009 or any subsequent directives. Balance of payments reporting is required. The Reserve Bank of Zimbabwe and the Ministry of Finance must approve offshore borrowings over US$5million. Authorised dealers approve offshore borrowings of less than US$5 million and submit this noting, Loans, irrespective of their amounts, must comply with regulatory guidelines. Interest on approved loans is remittable.

Transactional Products and Services								
	Foreign Current Account	Foreign Deposit Account	Telegraphic Transfers	Bulk Payments (channel)	Real-Time Gross Settlement (RTGS)	Card Acquiring	Mobile Banking	Receipt Referencing Service
	✓	✓	✓	✓ (SFI)	✓	✗	✗	✗
	Sweeping – Domestic	Sweeping – Regional	Debit Card Payments	Credit Card Payments	Beneficiary Account Validation	Electronic Clearing House	Online Banking Platform	
	✓	✗	✓	✗	✗	✓	new Business Online	
	Letter of credit (LC)	Payment Undertaking	Promissory Note	Standby LC	Avalised draft	Guarantees	Invoice discounting	
	✓	✓	✓	✓	✓	✓	✓	

Global Markets	Forex					Interest Rates						
	Spot	Forwards	Swaps	Options	Non-deliverable forward	Commercial paper	Repos	Treasury bills	Bonds	Forward rate agreement	Interest rate swap	Cross currency swap
	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Investment Banking	Corporate Finance (Equity and Debt Capital Markets and Mergers and Acquisitions)	Mining, Energy and Infrastructure (MEI) Diversified and Leveraged Lending (DLL)	Structured Finance	Strategic Investments
			(Team based in South Africa)	
	✓	✓	✓	✓

✓ Available

✗ Not yet available

SOURCES

- BMI Research (Country Risk Reports)
- CIA World Fact Book
- Consumer Council of Zimbabwe (www.ccz.org.zw)
- Economist Intelligence Unit (EIU)
- http://thinkroom.co.za/Reports/Landscape_Report_Sum_Digital.pdf
- KPMG
- National Zimbabwe Statistics Office (Zimstat)
- NKC African Economics
- Reserve Bank of Zimbabwe (www.rbz.co.zw)
- The Encyclopaedia of Earth (www.eoearth.org)
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- Who owns whom
- World Bank (www.worldbank.org)