



**Institute of Chartered Accountants Zimbabwe**

**Pathways to Indigenisation  
Unlocking Empowerment and Investment  
Opportunities.**

*Presentation by Honourable Patrick Zhuwao  
Minister of Youth, Indigenisation and Economic Empowerment*

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## Pathways to Indigenisation Compliance

# PART ONE: INDIGENISATION COMPLIANCE



# Pathways to Indigenisation Compliance

## *Presentation Structure*

- Background
- Pillars of the I&EE Legislation
- Indigenisation and Economic Empowerment Concepts
- Ensuring Indigenisation Compliance
- Indigenisation Implementation Framework
- Workflow Process



# Pathways to Indigenisation Compliance

## *Background*

- Indigenisation lobby groups of 1990s
- Policy Frameworks in 1998, Revised 2004
- I&EE Act Promulgated 2008
- Subsidiary legislation developed during All Inclusive Government
- I & EE Act amended by Finance Act (no.3) 2014
- GN 9 of 2016



## Pathways to Indigenisation Compliance

### *Pillars of the I&EE Legislation*

- Two Aspirational, Three Institutional & Support Pillars
- Further indigenisation of the economy
- Economic Empowerment of Indigenous Zimbabweans
- National Indigenisation & Economic Empowerment BOARD
- National Indigenisation & Economic Empowerment FUND
- National Indigenisation & Economic Empowerment CHARTER
- Matters connected or incidental to the foregoing



## Pathways to Indigenisation Compliance

### *Indigenisation and Economic Empowerment*

- Indigenisation:
  - Indigenisation is using the law to ensure that at least 51% of the shares (ownership) of every public company and any other business is owned by indigenous Zimbabweans
  -
- Empowerment:
  - Empowerment is using the value of our natural resources to unlock value to capacitate or to create small, medium or large scale business enterprises that are owned by indigenous Zimbabweans in the 14 key sectors of the economy
- Indigenisation is transient & EE is permanent & more holistic



## Pathways to Indigenisation Compliance

### *Ensuring Indigenisation Compliance*

- His Excellency President Robert Gabriel Mugabe, 12 December 2015:
  - *“There are companies in this country that still refuse to accept our empowerment policy within the mining sector.*
  - *“But certainly come January 2016 that stubbornness and resistance we say should end in 2015. 2016 we will not accept a company which refuses and rejects our policy of indigenisation and empowerment in the manner we inscribed it.”*
  - *But some people say, ah why do we do that it is inhibiting, well let it be inhibiting, because those resources are not just ours for this generation alone. They belong to, yes us, but they also belong to our children and children’s children.”*



## Pathways to Indigenisation Compliance

### *Indigenisation Implementation Framework*

- Cabinet task to simplify & clarify implementation framework.
- Historic complementarity between Indigenisation Ministry, Fiscal and Monetary authorities.
- Embracing of line Ministry approach, Finance Act No. 3 of 2014.
- General Notice No. 9 of 2016
  - Does not create new indigenisation provisions
  - Pathways for compliance with indigenisation & economic empowerment





## Pathways to Indigenisation Compliance

### *Indigenisation Enforcing Compliance*

- High levels of non-compliance.
- Cocktail of measures that include invoking Section 17 of the Act.
- A consistent, clear & non-discretionary framework on the lesser share principle and empowerment credits.
- Section 17 Indigenisation Compliance & Empowerment Levy based on rebate system
  - Indigenisation Legislation Compliance Rebates, 4%, 5%, 10%.
  - Indigenisation Shareholding Rebates 51%
  - Good Corporate Citizenship Rebate, 30%.



## Pathways to Indigenisation Compliance

### *Workflow Processes*

- Premised on ease of doing business concept.
- Submit to Zimbabwe Investment Authority.
- NIEEB conducts assessment & recommendations.
- Exceptions referred to specific line Ministry for appraisal & recommendation to Cabinet through the Cabinet Committee on Indigenisation & Economic Empowerment.
- MYIEE will submit periodic progress reports.



## Empowerment and Investment Opportunities

# PART TWO: EMPOWERMENT AND INVESTMENT OPPORTUNITIES



# Empowerment and Investment Opportunities

## *Social, Political and Economic Context*

- Social Context
  - 300,000 school leavers
  - Educated but low skill levels
  - High rural unemployment
- Political Context
  - I&EE has a political mandate
- Economic Context
  - Global economic downturn, low commodity prices, exchange rates
  - Climate variability, but prices stable
  - Vast natural resources, and superlative human capital



## **Empowerment and Investment Opportunities**

### *Structure of Zimbabwe's Economy*

- FDI Impact on African Economies
  - Costs \$678 405.53 to create 1 job in Africa from FDI
- Dual Economy Legacy
  - Professor Mhone
  - Beyond the Enclave
- Addressing Structural Rigidities
  - Asset Entitlement
  - Market Access
  - Knowledge Integration
  - Resourcing Innovations



# Empowerment and Investment Opportunities

## *National Economic Empowerment Strategy - I*

- NEES
  - “Accelerating empowerment, by Localizing the 10 point Plan”
- Key Result Areas:
  - Key target – Employment and Wealth Creation and Enhancement 2,265,000 by 2018
  - Paradigm/ethos – Continuous personal and enterprise learning development and growth
  - Thrust - Judicious Exploitation of human & natural resources.
  - Focus - Increasing national production and productivity to provide for surplus & hence **DOMESTIC** savings and investment.
  - Result - Investment at local and community levels for people oriented inclusive economic growth and development



## **Empowerment and Investment Opportunities**

### *National Economic Empowerment Strategy - II*

- Elements of NEES
  - vocational training and skills development;
  - business and entrepreneurship development;
  - community business hub development;
  - community services and development; and
  - social capital development.
- Localised empowerment
  - Ward & Constituency
- Community Business Hubs/CSOTs



## **Empowerment and Investment Opportunities**

### *Investment Grade Assets*

- Towards Investment Grade Assets through enforcing the NIEEC
- Indigenous Zimbabwean entrepreneurs and businesses must become local investment grade assets that attract diaspora and foreign investment
- Indigenisation and economic empowerment will create the base upon which Zimbabwe can achieve its “empowered society” status and effectively engage within the global economy
- Indigenisation is similar to land preparation upon which we plant the seeds of economic growth.





## **Empowerment and Investment Opportunities**

### *Business Eco-Systems Approach Framework - I*

- Business Eco-Systems create new ways to address fundamental human needs and desires;
- Business Eco-Systems drive new collaborating to address rising social & environmental challenges;
- Business Eco-Systems create, & harness their creativity and intelligence;
- Business Eco-Systems often exists on top of powerful new business platforms; and
- Business Eco-Systems accelerate learning and innovation.



## Empowerment and Investment Opportunities

### *Business Eco-Systems Approach Frameworks - II*

- Business strategist James Moore defines a business ecosystem;
  - *Successful businesses are those that evolve rapidly and effectively.*
  - *Yet innovative businesses cannot evolve in a vacuum.*
  - *They must attract resources of all sorts, drawing in capital, partners, suppliers and customers to create cooperative networks.*
  - *a company must be viewed not as a member of a single industry but as a part of a business ecosystem that crosses a variety of industries.*
  - *In a business ecosystem, companies co-evolve capabilities around a new innovation. They work cooperatively and competitively to support new products satisfy customer needs and eventually incorporate the next round of innovation.*



## **Economic Empowerment: The Next Liberation Frontier** *National Financial Inclusion Strategy*

- Policy measures to comply with Indigenisation
  - Agriculture 20%, Youth 5%, Women 5%, SME 5%, Low Cost Housing 5%
- National Financial Inclusion Strategy Pillars
  - Financial Innovation
  - Financial Literacy
  - Financial consumer protection
  - Microfinance
- Specific Strategic Measures
  - Cluster Finance and
  - Group Lending



## Empowerment and Investment Opportunities

### *Conclusion*

- Attitude and Orientation
- Zimbabwe is establishing a new economy upon the foundation of an “empowered society” of indigenous Zimbabweans
  - Tobacco Sector
  - Construction Sector
- Indigenisation is taking us to an environment that seeks to create the base upon which Zimbabwe can effectively engage within the global economy



● **THANK YOU**

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