



ZIMBABWE NATIONAL INDUSTRIAL DEVELOPMENT POLICY

2019-2023



TOWARDS INVESTMENT, INNOVATION & EXPORT - LED INDUSTRIALISATION



ZIMBABWE



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PREFACE

The Zimbabwe National Industrial Development Policy (2019-2023) is a blueprint for industrialization which derives from Vision 2030, and is tailored to assist the economy to achieve the above objectives. The policy is premised upon the deliberate decision taken by the Government to open the country for business, modernise, industrialize and promote investment, with the ultimate goal attaining broad-based economic empowerment, inclusive economic growth and employment creation.

The country's economic recovery will, therefore, be underpinned by structural transformation towards industrialisation which is critical for sustained economic growth and development. Government's thrust is to develop and implement policies, strategies and interventions which are conducive for industrial development so as to set the sector on a sustained growth trajectory.

To achieve real economic transformation, the implementation of the Zimbabwe National Industrial Development Policy (2019-2023) is centred on developing linkages across key sectors of the economy namely: agriculture, mining, manufacturing and services. Value addition and beneficiation will remain the main anchors of the industrialisation strategy, particularly so, where options to add value to local raw materials are readily available. Zimbabwe will also adopt a global value chain approach and therefore participate in regional and global supply chains as it endeavours to attain industrialisation objectives.

Various policies and strategies will be adopted to spur Zimbabwe's industrialisation in the short-to-

medium term. These will include, improving the business operating environment, the mobilisation of funding for industrial development, support for the agricultural and mining sectors, enhancement of research and development, skills transfer as well as infrastructure development.

The Zimbabwe National Industrial Development Policy is aligned to the Transitional Stabilisation Programme (October 2018 – December 2020) TSP, which prioritizes the stimulation of economic growth and creation of employment.

In pursuit of the regional and continental integration agendas, the Zimbabwe National Industrial Development Policy (2019-2023) is aligned with the SADC Industrialization Strategy and Roadmap (2015-2063) and the African Union's Agenda 2063. These agendas call for countries to pursue industrialization strategies sequentially from factor-driven to investment-driven, then to efficiency-driven and ultimately to high growth trajectory driven by knowledge, innovation and business sophistication.

Throughout the ZNIDP (2019-2023) implementation phase, Government will remain mindful of its responsibility, which is essentially, to create a conducive environment for business to thrive and produce under acceptable competitive conditions for the good of the economy. Investors, domestic and foreign alike, are welcome to invest and do business in Zimbabwe, in the process tapping the diverse opportunities available in all key sectors of industry.

For sustainable economic transformation, I call upon collaborative efforts between the public and private sectors in embracing the policies and strategies propounded by this policy.

His Excellency, E.D. Mnangagwa
PRESIDENT OF THE REPUBLIC OF ZIMBABWE



FOREWORD

The manufacturing sector has traditionally been the leading sector in the economy in terms of contribution to GDP, formal employment, and foreign exchange earnings through exports. In the past two decades, however, a number of challenges resulted in Zimbabwe suffering massive de-industrialisation which left the economy highly dependent on the mining sector and only a few agricultural commodities. The unfavourable business environment which prevailed during the two decades was characterised by high production costs underpinned mainly by foreign exchange shortages, high utility costs and limited funding for new investments.

Notwithstanding these challenges, the industrial sector has the potential to reclaim its position as the leading sector in driving economic growth and development. This is particularly so, given the strong linkages it has with other key sectors of the economy, namely, agriculture, mining and services. Government intervention through a viable industrialisation strategy is key to facilitating structural transformation towards economic growth and development as well as employment creation. To enable the envisaged structural economic transformation, Government is committed to creating a conducive

operating environment for businesses to thrive. The Zimbabwe National Industrial Development Policy (2019-2023) pursues strategies and interventions to improve manufacturing sector performance in terms of contribution to GDP, employment creation and foreign exchange earnings by the sector. Given the strong backward, forward and horizontal linkages between manufacturing and other sectors of the economy, this industrialisation policy takes a holistic value chain approach to support industrial development.

The Government is seized with curbing de-industrialisation, attracting new investments and generation of foreign exchange through exports of value-added goods and services. Export oriented policies and strategies will be pursued as part of efforts to advance the country's industrialisation agenda. A National Trade Policy and National Export Strategy anchored on this industrialisation strategy spell out specific measures and interventions that will be pursued over the next five years to facilitate trade and grow exports.

The implementation of the Zimbabwe National Industrial Development Policy (2019-2023) requires all-stakeholder collaboration in order to achieve its objectives. The need for continuous and constructive engagement between Government, Business and Labour cannot be over-emphasized if the country is to achieve its industrialisation objectives set herein.

Honourable N. M. Ndhlovu (MP)

MINISTER OF INDUSTRY AND COMMERCE

ACRONYMS AND ABBREVIATIONS

AfCFTA	African Continental Free Trade Area
AU	African Union
CZI	Confederation of Zimbabwe Industries
EPZ	Export Promotion Zones
GDP	Gross Domestic Product
ICT	Information And Communication Technology
ITERC	Industry, Trade and Economic Relations Committee
LCS	Local Content Strategy
MHTESTD	Ministry of Higher and Tertiary Education, Science and Technology Development
MSMEs	Micro, Small and Medium Enterprises
NCC	National Competitiveness Commission
NEP	National Energy Policy
R&D	Research and Development
RBZ	Reserve Bank of Zimbabwe
SADC	Southern Africa Development Community
SIRDC	Scientific and Industrial Research Development Centre
TNF	Tripartite Negotiating Forum
TSP	Transitional Stabilisation Programme
VAT	Value Added Tax
VMI	Volume of Manufacturing Index
ZIDA	Zimbabwe Investment and Development Agency
ZIMSTATS	Zimbabwe Statistics Agency
ZNIDP	Zimbabwe National Industrial Development Policy (2019-2023)



1.0 OVERVIEW OF MANUFACTURING SECTOR PERFORMANCE

Zimbabwe's industrial sector is diversified and well integrated with the rest of the economy, exhibiting strong linkages with agriculture, mining, construction and commerce. The sector is divided into a number of sub-sectors which include food and beverages, clothing and textiles (including cotton ginning); leather and leather products; wood and furniture; chemicals, fertilizers as well as metals and metal products.

In the past two decades, the economy suffered de-industrialisation as a result of a plethora of challenges which impacted negatively on all productive sectors. This resulted in the closure of a large number of firms across various sub-sectors, job losses, declining manufacturing sector capacity utilisation and output as well as a decline in the sector's contribution to GDP and exports.

1.1 Manufacturing Sector Growth Performance since Dollarization

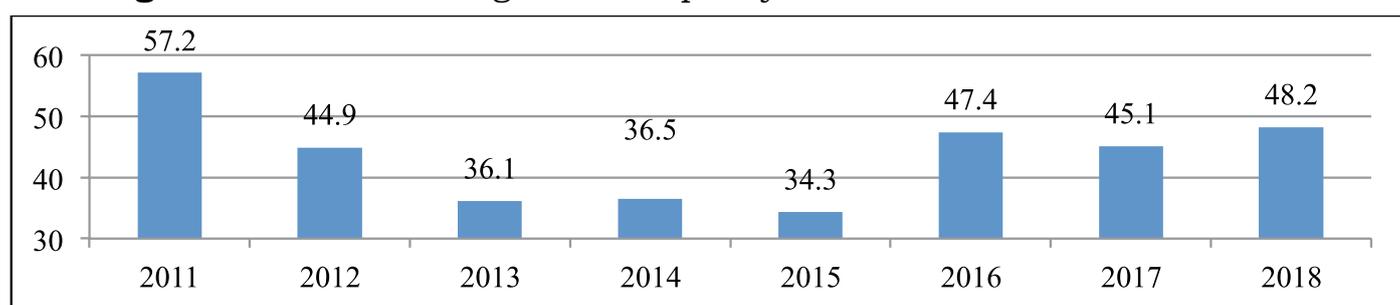
Zimbabwe's manufacturing sector exhibited positive growth since the adoption of the multi-currency system in 2009. It recorded a growth rate of 10.2% in 2009 before dipping to around 2.5% in 2010 and rising to a high of 13.8% in 2013. Thereafter, it waned, hitting a low of -5% in 2014 before recovering back to positive territory. The sector's growth rate has however failed to gather momentum with a rate of 1.3% being attained in 2018. Figure 3 in Annexure I shows the growth rates for the manufacturing sector over the period 2008-2018.

1.2 Manufacturing Capacity Utilization

The manufacturing sector capacity utilization declined to an all-time low of 10% in 2008 and picked up to 57% in 2011 following the introduction of the multicurrency system. Thereafter, capacity utilization fluctuated, dropping to 34.3% in 2015, then rising to 47.4% in 2016 before registering a slight drop to 45.1% in 2017. Average capacity utilization for the period between September 2017 and August 2018 rose by 3.1 percentage points from 45.1% in 2017 to 48.2% in 2018.

Figure 1 below shows the manufacturing industry capacity utilization for the period 2011 to 2018.

Figure 1: Manufacturing Sector Capacity Utilization



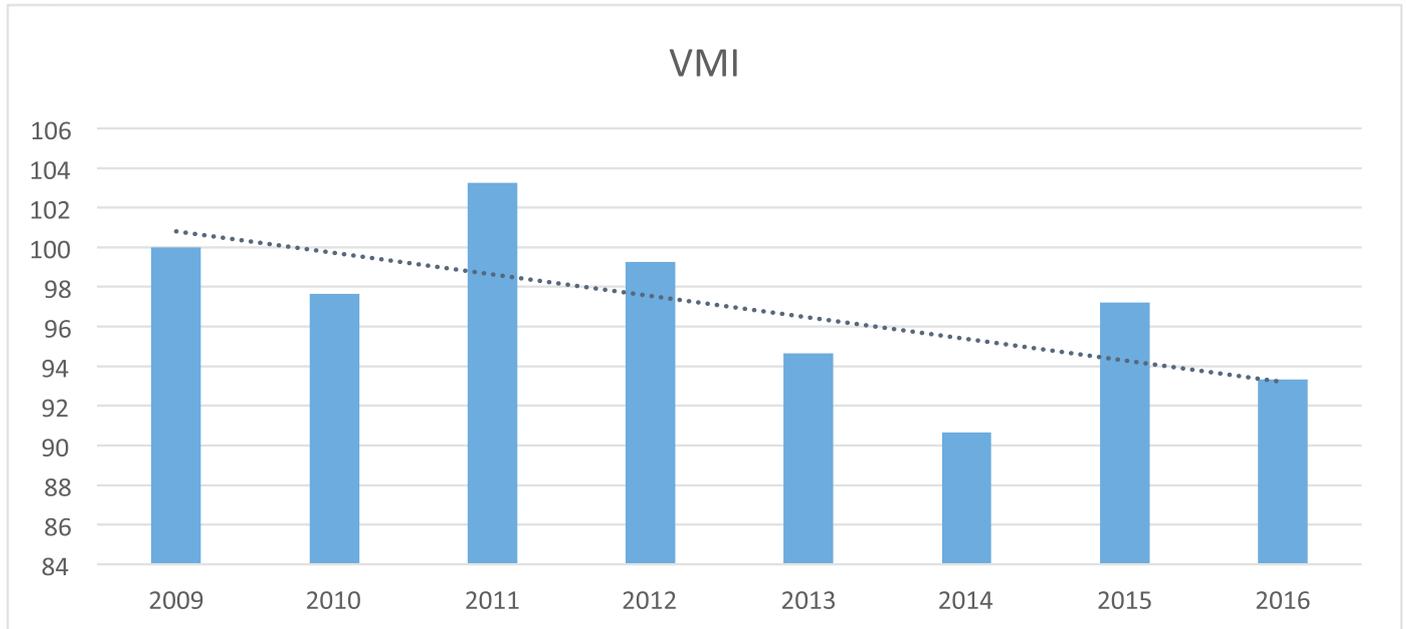
Source: CZI Manufacturing Sector Survey 2017

Potential exists for Zimbabwe to increase manufacturing sector capacity utilization to above 70% by 2023 if structural and economic challenges affecting the sector are addressed.

1.3 Volume of Manufacturing Index (VMI)

Despite the manufacturing sector's potential, the Volume of Manufacturing Index (VMI), a measure of changes in the volume of production, has exhibited a declining trend since 2009.

Figure 2: VMI for the Zimbabwe Manufacturing Sector (2009-2016)



Source: Zimbabwe National Statistics Agency (ZimStats)

While there is a noticeable stagnancy in overall manufacturing sector performance, the different sub-sectors have registered mixed results. Among the better performers was the non-metallic mineral product subsector, whose performance has been consistently rising since 2009. By 2015, the sub-sector had increased by over 40% compared to the 2009 level.

A more detailed graphical analysis on the VMI performance of different manufacturing sub-sectors and Contribution of the Manufacturing Sector to GDP is provided in Annexure I.





2.0 RATIONALE AND CONTEXT FOR THE ZNIDP (2019-2023)

The Zimbabwe National Industrial Development Policy (ZNIDP) (2019–2023) will leverage on the positive momentum gained during the implementation of the IDP (2012-2016). The policy is aligned to the vision and path to transform Zimbabwe into an upper middle income economy by 2030 and will respond to regional, continental and global developments with regards to the thrust on industrial development.

Structural economic transformation towards industry is critical for the sustained economic growth and development of Zimbabwe. The industrial sector performance has been subdued and thus, provides the rationale and context for new policy interventions/measures to stimulate industrial growth and development

The ZNIDP (2019-2023) recognizes the strengths, weaknesses, opportunities, and threats that characterize the Zimbabwean economy. The economy's major strengths include, rich mineral resources, agricultural and horticultural potential, highly skilled human resources, a vibrant and highly marketable tourism sector as well as a central and land linked location in the region.

Challenges of antiquated machinery and equipment, lack of affordable and long-term funding for industry, foreign exchange shortages to procure raw materials, high utility costs and competitiveness require robust policies and strategies to grow and sustain the manufacturing sector.

Vast opportunities are however, available for the country to exploit, and these include, a highly-skilled diaspora, the on-going global trend away from combustion engines towards battery-powered vehicles which will increase the demand for the battery input, lithium, which is abundant in Zimbabwe. The growth in online services and e-commerce is also an opportunity for the country to harness its skills and tap into this global phenomenon.

The ZNIDP (2019-2023) however recognizes the threats to Zimbabwean industry as it exists currently. The most prominent threats are macro-economic challenges in the form of current account deficits and high public debt. In addition, evolutions in technology are eliminating traditional industries such as paper milling and the use of robots in the manufacturing in more industrialized countries will result in efficiency gains and stiffer competition for the local industry, should it fail to adapt. Also, tobacco which has been a mainstay of the local economy is an increasingly shunned industry globally, due to public health concerns.

The Zimbabwe National Industrial Development Policy (ZNIDP) is positioned within a policy context which is aligned with national, regional and continental aspirations. This alignment is not only important in the context of industrial policy frameworks, but cascades to linkages with other sectors of the economy.

This is engendered in the work of the New Partnership for Africa's Development (NEPAD) which has been working with AU member states to ensure that industrialization is mainstreamed into National Development Strategies and within strategies of other sectors in the economy such as agriculture and health.

At the national level, Zimbabwe launched the Transitional Stabilisation Programme (TSP) (October 2018 – December 2020), which is focused on stabilization of the macroeconomic environment. The ZNIDP policy framework is therefore hinged on the TSP which provides an overall national development blueprint under which industry alongside other sectors are expected to contribute to its success. While the TSP is short-term stabilization, the ZNIDP is earmarked to span over the five years from 2019 to 2023 and so will outlive the TSP and in that respect, its context differs from that of the latter. However, while its time-frame is short-term, the impact of the TSP will shape policy and more importantly, the direction of the economy going into the medium and longer term.

The ZNIDP is also being prepared at a time when there are other government policies in place shaping the domestic policy environment. These policies have a significant impact on the ZNIDP since there are multi-sectoral synergies that can be harnessed. The domestic policies are explained in more detail in Annexure 2 to the policy.

At the continental level, the aspirations of AU member states are encapsulated in the Pan African Vision of the AU

Agenda 2063 – The Africa We Want. The vision is for the creation of “an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the international arena”.

One of the key pillars of Agenda 2063 is the Africa Continental Free Trade Area (AfCFTA). This grand free trade area has been ratified by the requisite AU member states to enter into force. Its aim is to facilitate industrialization through diversification and the development of regional value chains and agricultural production.

At the regional level, the policy is aligned to the SADC Industrialization Strategy and Roadmap (2015 – 2063). The SADC industrialization strategy envisions the region to ‘progressively move from being factor-driven; to investment-driven, then to efficiency-driven; and ultimately to the high growth trajectory driven by knowledge, innovation and business sophistication. The industrialization strategy is also linked to the national strategies of Member States and to the African Union’s Accelerated Industrial Development of Africa and Agenda 2063.

The aim of the SADC industrialization strategy is to transform the region from dependency on export of primary products to one driven by manufactures and innovation and it is based on the following three pillars:

- Industrialization as a champion of economic and technological transformation;
- Enhanced competitiveness at firm/industry, country and regional level; and
- Deeper regional integration and geography as the context for industrial development and economic prosperity.

The industrialization pillar has a number of interventions which are targeted at attaining an improved policy environment for industrial development, increased volume and efficiency of public and private sector investments in the SADC economy, creation of regional value chains and participation in related global processes and increased value addition for agricultural and non-agricultural products and services.

It is in this context and in light of the aforementioned strengths, weaknesses, opportunities and threats that the formulation of the ZNIDP (2019-2023) has been necessitated.



2.1 Vision

A technologically advanced, competitive and diversified industry by 2030.

2.2 Mission

To facilitate and promote the development of sustainable, innovative, inclusive and globally competitive industrial and commercial enterprises for improved consumer welfare and economic growth.

2.3 Strategic Objectives

The Zimbabwe National Industrial Development Policy seeks to facilitate, the sustainable growth of industry, development of new industries and the transformation and diversification of the Zimbabwean industry.

The specific policy objectives are to attain:

- Manufacturing sector growth rate of at least 2% per annum
- Contributing towards attainment of a gross domestic savings rate of at least 30% of GDP;
- Manufacturing Value Added growth of 16% per annum;
- Merchandise export growth rate of (10)% per annum to orient the manufacturing sector toward exports and generate capital for a high savings rate; and
- Increasing the manufacturing sector share of employment to 20% in 2023.

2.4 Policy Thrust

The thrust of the policy will be two-pronged, anchoring on Investment-led and Innovation-led Industrialization.

2.5 Guiding Principles and Core Values

The Zimbabwe National Industrial Development Policy (2019-2023) will be guided by the following principles:

- Stable macro-economic environment;
- Policy consistency;
- Value addition and beneficiation;
- The upgrading and modernization of industrial equipment and machinery;
- Prioritization of standards and quality infrastructure;
- Promoting sustainable industrial development (green industry);
- Rural industrialization in line with the devolution agenda;
- Strong research and innovation;
- Effective cooperation between private sector and government;
- Encourage corporate social responsibility; and
- Promoting gender and youth mainstreaming in industrialization programmes.





3.0 PILLARS OF THE ZNIDP

The key anchors of the Zimbabwe National Industrial Development Policy (2019-2023) will be Investment-led and Innovation-led Industrialization with a deliberate emphasis on export growth. Emanating from these anchors are the following key pillars that will shape the next phase of industrialization in Zimbabwe.

- Development and Strengthening of Industrial Value Chains;
- Agro-Based Industrialization;
- Mineral beneficiation;
- Export led industrialization;
- Commercializing of intellectual property;
- Heritage/Natural Advantage based industrialization;
- ICT Led Industrialization;
- Emerging Industries and Startups;
- Backward linkages with SMEs;
- Anchor Industries and Industrial Clusters; and
- Industrial Parks and Innovation hubs.

3.1 Development and Strengthening of Industrial Value Chains

Sector-specific value chain development strategies will be developed and implemented to create competitive economic linkages and business opportunities for entrepreneurs. Some of the targeted value chains include; fertilizer, pharmaceuticals, potato processing, dairy, soya and packaging. In addition, the private sector through the Confederation of Zimbabwe Industries, identified and mapped eighteen value chains across all sectors. The value chain approach will be adopted for selected sectors that have high employment and export-generating potential. Under this pillar, the major activities will include:

- Identifying market-driven value chains capable of competing and delivering in the regional and global markets;
- Developing sector-specific value chain development strategies;
- Development of innovative funding mechanisms for value chain development.
- Coordinating all the stakeholders in the value chain to ensure collaboration;
- Facilitating the use of available industrial resources in the country and region for value addition purposes;
- Facilitating participation of local firms in regional and global value chains; and
- Implementing the value chain development and invest through sub-contracting of farmers.

3.2 Agro-Based Industrialization

Zimbabwe is richly endowed with fertile agricultural land and a climate that is conducive for the production of many crops such as maize, cotton, tobacco, oil seeds and dairy, beef and leather products from livestock. The ZNIDP will promote industrialization that leverages on these endowments. The fertilizer and chemicals industrial sub-sector is also anchored on the country's agricultural sector. The major activities will include the following:

- Coordinating to strengthen linkages between agricultural producers and the agro-processing industry;
- Using the Local Content Strategy to increase value addition of agricultural produce;
- Promoting the utilization of locally produced inputs such seed, fertilizer and agro-chemicals in agriculture;
- Encouraging Research and Development targeted at the Agro-processing industry; and
- Adopting and using best agricultural practices.



3.3 Mineral beneficiation and Value addition

The country is also richly endowed with a wide variety of mineral resources which open new opportunities for beneficiation and value addition. Industries such as jewellery, lithium production and motor vehicle manufacturing offer opportunities for the country to move to higher nodes of global and regional value chains by beneficiating and value adding local raw mineral products. Under this pillar, major activities will include:

- Ensuring that there is exploration, extraction and value addition of existing minerals in the country;
- Strengthening the mineral sector through collective, self-reliance and adoption of global best practices;
- Promote the processing of raw minerals locally such as; platinum smelting and refining, processing lithium for use as energy, enhancement of local value addition of chrome, strengthening of the jewellery industry; and
- Encourage the formation of other industrial clusters around the mining and mineral processing industries such as services and consumables suppliers.



3.4 Export led industrialization

The country will deliberately pursue an industrialization path that is centered on export development in order to ensure a healthy Balance of Payments position. Central to this will be the growth of manufactured exports so that the country can move higher up the global value chain. The objective is to realize higher value on exported products rather than continue to be dependent on exports of primary products. The major activities will include the following:

- Entrenching the National Export Strategy and the National Trade Policy within industry;
- Aggressively pursuing export of services; e.g. education, health, tourism, financial services, ICT;
- Facilitating the ease of export business;
- Encouraging industry to produce quality products and packaging in order to penetrate international markets;
- Adopting international best practices and standards in production;
- Adopting Research and Development with a bias towards export products;
- Taking part in export led initiatives and optimize the benefits to the country from trade; and
- Participating at Local, Regional and International exhibitions.

3.5 Commercializing of intellectual property

Intellectual property results in innovation which underpins industrial modernization and the development of new products that can be standardized and produced at industrial scale. Government is developing innovation hubs that will be incubators for innovation and inventions with the ultimate objective of converting ideas into marketable intellectual property for industrial application.

Government will therefore, foster innovation, by actively promoting intellectual property development and protecting the associated rights. This will enable the country to keep Zimbabwean originating innovations within the borders and thus accrue the eventual economic benefits of such innovations to the nation. Under this pillar, the major activities will include:

- Encouraging the development and registration of patents;
- Mobilization of funding for the swift development of innovation hubs across the country;
- Strengthening and enhancing of Research and Development within Higher Education institutions and other research organizations;
- Incentivizing the conduct of Research and Development to generate new ideas for industrial application;
- Developing new uses for existing technology; and
- Strengthening and enforcing the protection of intellectual property rights.

3.6 Natural Advantage based industrialization

Industrialization will be also be based on the local resource endowment of specific areas. Processing of traditional agricultural products such as sorgum, rapoko, marula fruits and mopani worms can spur the creation of new factories in source areas. Local flora and fauna can also be used as raw materials in the manufacturing of pharmaceutical and herbal medicines and as such, also offer value addition opportunities. This will also complement the rural industrialization and devolution agendas, and lead to the establishment of factories under the one district-one factory concept. The major activities will include the following:

- Community Share Ownership Trusts, Youths, Women and disadvantaged people to participate in projects in the rural areas targeting naturally available products;
- Facilitating linkages between Higher Education institutions and the private sector;
- Encouraging Research and Development in processing and packaging of naturally available products;
- Facilitating market linkages for naturally available products; and
- Investing in advanced technology and value adding naturally available products.

3.7 ICT Led Industrialization

The country will fully embrace the global ICT revolution to ensure that local industry realizes the efficiency benefits and cost savings associated with modern ICT hard and soft infrastructure. This will also enable the country to harness its rich endowment of human resources with ICT skills domiciled within the country and beyond. This will unlock a host of export opportunities. Under this pillar, the major activities will include the following:

- Provision of an environment that encourages ICT innovation;
- Investing in the development and manufacture of ICT products;
- Mainstreaming ICT training into the primary, secondary, tertiary education and life-long learning systems;
- Enhancing the utilization of advanced ICT hard and soft infrastructure, including fibre optics within the country;
- Incentivizing the development of new innovation in the ICT sector; and
- Encouraging young entrepreneurs to innovate and develop new ICT programmes.



3.8 Emerging Industries and Start ups

A host of industries and start-ups are emerging in areas such as solar energy, robotics, electric vehicles, biotechnology and cannabis, among others. Zimbabwe is uniquely endowed with the resources, natural and human, that enable the country to participate in most of these industries and the associated value chains. This is also aligned with the goal to transform domestic industry so that it embraces and harnesses the latest developments in emerging industries underlying the fourth industrial revolution such as robotics, biotechnology and solar energy. Under this pillar, the major activities will include the following:

- Collaborating with the private sector to ensure the harnessing of solar energy;
- Investing in Research and Development;
- Developing and funding manpower development programmes to equip local people with skills that are suitable for the emerging industries;
- Investing in new green field projects; and
- Identifying and supporting innovation targeted at emerging industries.

3.9 Backward and Forward linkages with SMEs

Zimbabwe recognizes the important role played by the small and medium enterprises. In that regard, efforts will be made to support infant industries and nurture them. Government will promote linkages between SMEs and large scale entrepreneurs in the manufacturing, extractive and distribution sectors to facilitate entrepreneurship and maximize opportunities for SMEs to grow. In turn, large scale entrepreneurs will experience benefits from the linkages between both parties. Under this pillar, the major activities will be to:

- Enforce procurement legislation that seeks to promote SMEs;
- Facilitate supplier-development programmes by linking SMEs with Large Scale Entrepreneurs;
- Facilitate linkages between all anchor industries and SME clusters; and

- Establish a legal framework that ensures mutually beneficial relationships between SMEs and Large Scale Entrepreneurs that are characterized by fair business ethics.

3.10 Anchor Industries and Industrial Clusters

The industrial sector will be driven by anchor industries in specific sectors such as iron and steel, oil and gas, engineering and value addition of mineral and agricultural resources which will anchor the growth of related companies within these sectors in line with the cluster development initiative. Under this pillar, the major activity will be that of facilitating the resuscitation of, and development of, new anchor industries which will provide nucleus around which, industrial clusters will develop..

3.11 Industrial Parks and Innovation hubs

The policy will also foster the development of industrial parks aligned with innovation hubs and Special Economic Zones. The industrial parks will provide hubs for industries to come together, network, create new linkages and develop multi-sectoral synergies. The innovation hubs will be incubation centres for innovation and invention that will give birth to new products and ideas that can be applied within the industrial parks and beyond. The major activities under this pillar will include the following:

- Fostering the development of new industrial parks and requisite infrastructure and utilities, in collaboration with local authorities; and
- Ensuring strong collaboration between Higher education institutions and the private sector within the industrial parks;
- Encouraging the participation of Small to Medium Enterprises within in industrial parks; and
- Stimulating investment by locals in addition to foreigners in industrial parks;



4.0 FRAMEWORKS FOR SECTOR SELECTION

In facilitating the sector selection process and promoting transparency, government will adopt a set of practical parameters that are partly based on the formal frameworks while also taking the current situation and expected future development into account. Government will adopt the framework for scoring sectors in two dimensions, both of which need to be satisfied for a sector to be a priority. Firstly, the sector must be desirable to produce and secondly, the sector must be feasible, i.e. likely to thrive in Zimbabwe. These dimensions are further broken down to parameters where a sector receive a score on each parameter based on its performance relative to other sectors. Table 8 in Annexure 3 to the policy shows the scoring framework for Sector Selection.

The key criteria in terms of desirability relate to whether a specific sector corresponds to current or future comparative advantage. In this respect the availability of a specific resource or endowment, whether it be natural or human resource based will be a primary criterion. With respect to desirability, a sector must score highly in terms of job creation, wage levels, technology, being environmentally friendly, etc.

4.1 Feasibility Criteria

- a. Existing industry: if already existing and viable, an improved enabling environment could accelerate its growth.
- b. Soft and hard infrastructure being available.
- c. Inputs, both raw materials and other natural resources, being available.
- d. Proximity and access to a large market.
- e. Closeness to Zimbabwe's Economic Complexity Index.
- f. Resilience to technological disruption.
- g. Skills intensity i.e. human resources required are available.

4.2 Desirability Criteria

- a. Industry is jobs intensive.
- b. Strong backward linkages to jobs creating sectors.
- c. Strong forward linkages to export oriented sectors.
- d. Provides pathways which promote technological innovation and upgrading.

It is important to note that given the small size of Zimbabwe's market, the identification of sectors with long term potential should be done in conjunction with an understanding of regional value chains. Specific packages and incentives will be designed based on the needs of each sector identified through the sector selection criteria to further support the rapid growth and industrialization of these sectors.



5.0 STRATEGIC POLICY THRUST

The following are the broad strategies, policy interventions and instruments to be adopted to facilitate Zimbabwe's industrial sector to become an engine for sustainable economic growth and development.

5.1 Sector Strategies

In order to ensure that all the industrial sectors develop, Government will continue to develop sector specific strategies, which allow for a narrower focus on challenges affecting the selected priority sectors and possible solutions. The Ministry has already developed the Zimbabwe Cotton to Clothing Strategy, the Zimbabwe Motor Industry Development Policy (2018-2030) as well as the Zimbabwe Leather Sector Strategy, among others.

5.2 Financing for Industrial Development

The industrial sector has continued to face challenges to access affordable and long-term finance for retooling and working capital. Financial constraints have also been a major obstacle to investment into the industrial sector. The Industrial Development Corporation of Zimbabwe (IDCZ) will be capacitated financially to provide funding to the industrial sector.

In addition, domestic and international financiers will be engaged to consider extending lines of credit to the industrial sector to support technological re-equipment and modernization of production systems. Government will identify other sources of financing like equity financing and insurance funds to feed into the industrialization agenda.

The small and medium enterprises and rural industrialization will be funded, among other sources, through group financing schemes such as credit unions and cooperatives.

5.3 Local Content Strategy

The Local Content Strategy (LCS) is a strategy to encourage local value addition through utilisation of domestic resources and localisation of supply chains. The strategy will create economic linkages and business



opportunities for local entrepreneurs. The LCS will be implemented through specific evidence based local content thresholds in prioritized sectors.

5.4 Innovation and Technology

Technological advancement and innovation are key to improving productivity and competitiveness of locally manufactured products. Government will adopt deliberate policies to strengthen science, technology transfer and innovation systems through collaboration between Government, development partners, firms, learning and research institutions.

To ensure that Zimbabwe produces competitive goods and services, Government will offer incentives to stimulate innovation including R&D subsidies (tax rebates and low interest rates for firms to invest in R&D, grants) to support promising technological or scientific fields. Government will also support public-private research institutes including the Scientific and Industrial Research Development Centre (SIRDC) to create a strong knowledge base and establish a strong research and innovation network.

5.5 Fourth Industrial Revolution

As the global economy becomes increasingly dynamic and technological frontiers keep on moving outwards, it is necessary for Zimbabwe to embrace the fourth industrial revolution with the attendant industry upgrading and modernization. Industry will need to work closely with Higher Education institutions and research bodies to come up with new production and commercial technologies. E-Commerce and Digital Marketing will also be mainstreamed to extend the market reach of our industry and commercial enterprises.

Government, on its part, will ensure that all education institutions are oriented towards producing the high-end scientific, technological, research and engineering skills that can capacitate local industry to compete globally.



5.6 Green Industry Initiative

The Green Industry initiative seeks to re-orient industries to adopt cleaner and more efficient technologies in view of the emerging challenges of climate change and resource scarcity. Targeted programmes include; establishment of a Clean Technology Centre, recycling of waste, waste disposal management; and resource (energy and water) efficient management programmes.

5.7 Industrial Cluster Initiatives

The Government will pursue the establishment of industrial clusters which are targeted at supporting SMEs development and fostering viable business linkages as one of the key policy strategies. Government will identify geographical areas where synergies already exist and can be easily leveraged for industrial clusters targeting the priority sectors. Government will also designate specific areas from provinces where the clusters will be operating.

5.8 Entrepreneurship and Micro, Small and Medium Enterprises (MSMEs)

For the ZNIDP to capture effective contribution of MSMEs, efforts will be made to ensure that industrialization programmes and projects provide for the effective participation of MSMEs. Focus will be made on addressing industrialization constraints being faced by MSMEs. Government has recognized the need to focus on the MSMEs sector for positive and sustainable socio-economic development. MSMEs have higher potential and flexibility to invest in any location and make meaningful contribution to employment creation, economic development, poverty reduction and improving the welfare of women, youth as well as other disadvantaged groups. Fostering entrepreneurship is a key component of the Industrial Development Policy in line with the MSMEs Policy.



5.9 Decentralization of Industrialization

5.9.1 Devolution

Government will promote decentralization of industrialization initiatives in line with the policy thrust on devolution. Provincial and District Authorities will be required to come up with local industrialization and incentive frameworks which are in line with the ZNIDP and the devolution agenda. This will bring Government closer to local communities and enhance responsive, accountable and participatory industrial development.

Industries to be developed will be dependent on the resource endowments available in specific provinces and district establishments. Development of such industries will compliment efforts to create fully functional value chains, empower communities, create employment and improve the standards of living for people in marginalized areas.

5.9.2 Rural Industry Development

The ZNIDP (2019-2023) recognizes that the majority of the populace in Zimbabwe is domiciled in the rural areas. In that regard, the policy prioritizes the need to empower and improve standards of living for people in these economically backward areas.

Government will promote industrialization through provision of incentives and targeted financing, policy support and business development services for the establishment of micro, small, medium and large scale manufacturing industries in rural areas in line with available local resources. There shall be a deliberate thrust to develop factories in every district under the one district one factory concept. This will enhance the empowerment of marginalized rural communities.



5.10 Industrial Competitiveness

The manufacturing sector in Zimbabwe has faced competitiveness challenges due to high production costs. The National Competitiveness Commission (NCC) will carry out its mandate to identify and critically analyze cost drivers impacting on the competitiveness of the productive sectors and make recommendations for policy interventions. Government will also craft a number of cross-cutting interventions, geared to improve manufacturing sector competitiveness and attract investments into the sector.

5.11 Fiscal Incentives for Manufacturers

Domestic industries, at times, require raw materials which are not readily available in the country. Modern machinery and equipment are also critical to improve productivity and efficiency of industry. Government will maintain a policy to exempt critical raw materials from import duty where these are not locally available. Importation of machinery and equipment will also be exempted from import duty. Consideration will also be made on value added tax (VAT) exemption or deferment on a case-by-case basis.

5.12 Ease of Doing Business and Conducive Investment Climate

The Government will continuously assess the investment and business operating environment to identify inhibiting factors affecting the ease of doing business. Reforms will be instituted to address bottlenecks faced by business and investors and trading counterparts while not compromising regulatory compliance.



Investor-friendly policies will continue to be put in place to attract and facilitate both foreign and domestic investment into the productive sectors of the economy including the industrial sector. Processes and procedures to register investments will be streamlined through the One-Stop-Shop Investment Centre managed by the Zimbabwe Investment and Development Agency (ZIDA). This will also be complemented by the implementation of a new flexible Companies Act which seeks to change many aspects of how companies are registered and how businesses are conducted in the country.

Government will facilitate strategic investments through provision of guarantees on loans for investment projects. Foreign Direct Investments guarantees will also be available through the African Trade Insurance Agency in addition to other private sector led initiatives.

The protection of both domestic and foreign investments will be strengthened by enforcement of the rule of law and ensuring that respect for property rights prevails. Bilateral Investment Promotion and Protection Agreements as well as International Investment Protection Agreements will be upheld by all institutions of Government.

The implementation of the National Investment Policy is further, expected to attract local and foreign direct investment which will stimulate industrial development.

5.13 Industrial Skills and Training

Zimbabwe has experienced brain-drain of skilled manpower during the past decade creating a large skills gap. Skills upgrading is crucial for the country's industrialization. The Industrial Development Policy will promote human capital development through enhancement of skills for industrial workforce based on the outcome from the skills audit.

Development partners will be engaged to identify and fund local and international experts with relevant experience from different sectors and business disciplines to assist enterprises with skills development.

5.14 Labour Market Regulations

Labour costs have been one of the major cost drivers affecting competitiveness of the manufacturing sector. Government will engage business and labour under the Tripartite Negotiating Forum (TNF) to consider the need for productivity-based remuneration systems and flexibility in employment adjustments.

5.15 Trade Related Policies

5.15.1 Trade Policy

The Zimbabwe National Industrial Development Policy (2019-2023) pursues an export-led industrialization agenda that is supported by a National Trade Policy and a National Export Strategy that are intended to drive the productive sectors towards export orientation and international competitiveness. Measures will be instituted where necessary with the objective to support industries and steer them towards producing for the export market in addition to providing import-substitution. These measures will however, take cognizance of Zimbabwe's commitments to regional trade integration protocols and multilateral trading agreements.

Government will institute an exchange control policy aimed at creating and maintaining an attractive climate for investors, as well as improving the balance of payments performance.

5.15.2 Competition Policy - Promotion of Fair Markets

The national effort to industrialize the economy can be thwarted by monopolistic and anti-competitive practices or tendencies by firms to extract super normal profits from the market. Such conduct creates barriers to the development, growth and potential of the small and medium enterprises in the economy. Government will promote a level playing field through the use of Competition Policy and Competition Law so as to promote inclusive industrial growth and development. In particular, anti-competitive behavior will be curbed and pro-competition strategies will be implemented. In this regard, the National Competition Policy will be enforced.

5.16 Infrastructure and Utilities

The poor state of transport infrastructure, high cost and unreliable supplies of utilities such as energy and water are some of the major cost drivers impacting negatively on the manufacturing sector. Transport and logistics challenges need to be addressed in the context of the Zimbabwe National Transport Master Plan in order to meet connectivity and accessibility demands from the various sectors of the economy.

Government will prioritize infrastructure development projects that are targeted at increasing electricity generation capacity, provision of adequate water supplies to industry, and rehabilitation of road and rail transport infrastructure. This will enable better trade connectivity so that the country can take advantage of its land linked status. In addition, Zimbabwe will be better placed to participate in the One Belt One Road Initiative launched by China.

Government will also prioritize the provision of low cost industrial space with appropriate infrastructure to promote manufacturing activities particularly for the small and medium enterprises. Government will further foster the development of digital infrastructure to ensure that the country remains abreast with

technological innovation in other parts of the world. This will ensure that the country is not left behind in the Fourth Industrial Revolution.

The development of ICT and telecommunications infrastructure as well as the associated networks will be strengthened. This is key to the growth of the industrial sector as telecommunications and ICT infrastructure improves connectivity, accessibility and ultimately productivity.

5.17 Energy

Energy is an essential ingredient in industrial processes and as such, this policy promotes the use of different sources of energy in the economy for the development of the industrial sector. This will be premised on the efficient utilization of existing energy sources and innovation in areas such as renewable energy. The policy will thus, foster the development, extraction and harnessing of energy from new sources to ensure the country optimizes domestic energy production to power industrial and economic growth. Zimbabwe has, in recent years, faced energy challenges as a consequence of growing demand and so, while great efforts will continue to be channeled towards growing energy supply, this will be accompanied by a deliberate focus to reduce demand on existing energy sources. In this regard, mechanisms will be put in place that will encourage industry to harness emerging energy sources and not only go off the power grid, but also feed into the grid.

5.18 Gender and Youth Mainstreaming in Industrial Development

Deliberate actions will be taken, in line with the National Gender Policy and the National Youth Policy to systematically integrate youth and gender issues into all industrial development initiatives at all levels and within all sectors. Consideration will be made to increase involvement and participation of women and youths in business and facilitate ownership of the means of production. Government will prioritize and facilitate the growth of women and youth owned enterprises as well as facilitate exchange and mentorship programmes with large companies.

A quota of funding will be reserved for the empowerment of youth and women in industry.

5.19 Industrialization and Health

The HIV/AIDS pandemic is a serious threat to industrialization as it affects production and adds costs to firms due to worker illness and absenteeism. The ultimate effect of the pandemic is loss of skills and a waste of investment in human capital. Government will provide more resources towards health care especially for HIV/AIDS awareness and affordable treatment.

5.20 Services Driven Industrialization

The service sector plays a critical role in the development of other sectors of the economy. The policy will seek to pursue services driven industrialization in line with global trends. A deliberate strategy will be followed to develop and grow service related industries e.g. health, ICT, education, construction, tourism, banking and finance.



6.0 IMPLEMENTATION OF THE ZNIDP (2019-2023)

6.1 Successful implementation of the policy will depend on maximum cooperation from all stakeholders which include, Government, private sector, labour, academia and civil society.

6.2 Implementation of the Zimbabwe National Industrial Development Policy will be spearheaded by the Ministry of Industry and Commerce through the Industry Trade and Economic Relations Committee (ITERC). The ITERC, an inter- institutional consultative forum, will draw membership from government economic ministries, parastatals, private sector, academia and civil society. The Committee will be co-chaired by the Permanent Secretary for Industry and Commerce and a representative of the private sector. The Committee will supervise and oversee the effective implementation of the Industrial policy.

6.3 The ZNIDP, which will run from 2019 to 2023, will be reviewed during its mid-term in 2021. Yearly reviews and evaluations will however be done to assess the progress in implementation of the policy. An Implementation Monitoring and Evaluation (IME) framework will be attached to the policy. The framework will clearly specify the roles and responsibilities, resources required, timeframes and expected outputs and outcomes of implementing the policy.





ANNEXURES

TO

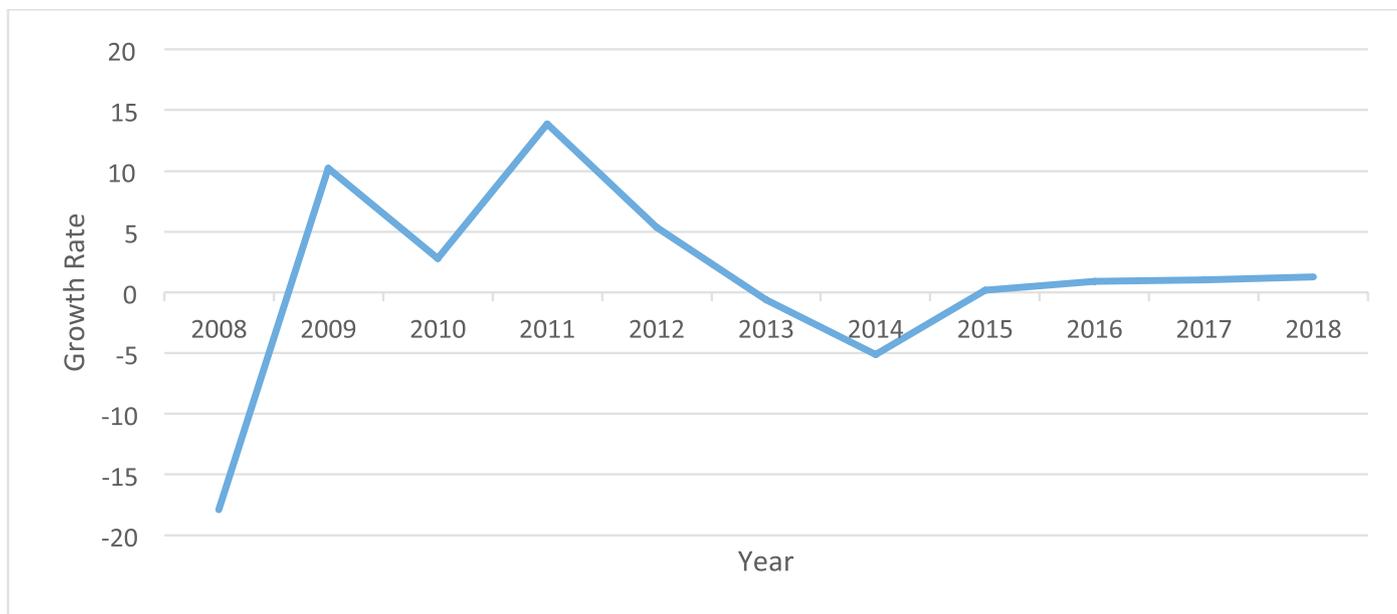
**THE ZIMBABWE NATIONAL INDUSTRIAL DEVELOPMENT
POLICY
(2019-2023)**



ANNEXURE I

I.0 ADDITIONAL NOTES ON THE OVERVIEW OF MANUFACTURING SECTOR PERFORMANCE

Figure 3: Zimbabwe's Manufacturing Sector Growth Rates Since Dollarization (%)

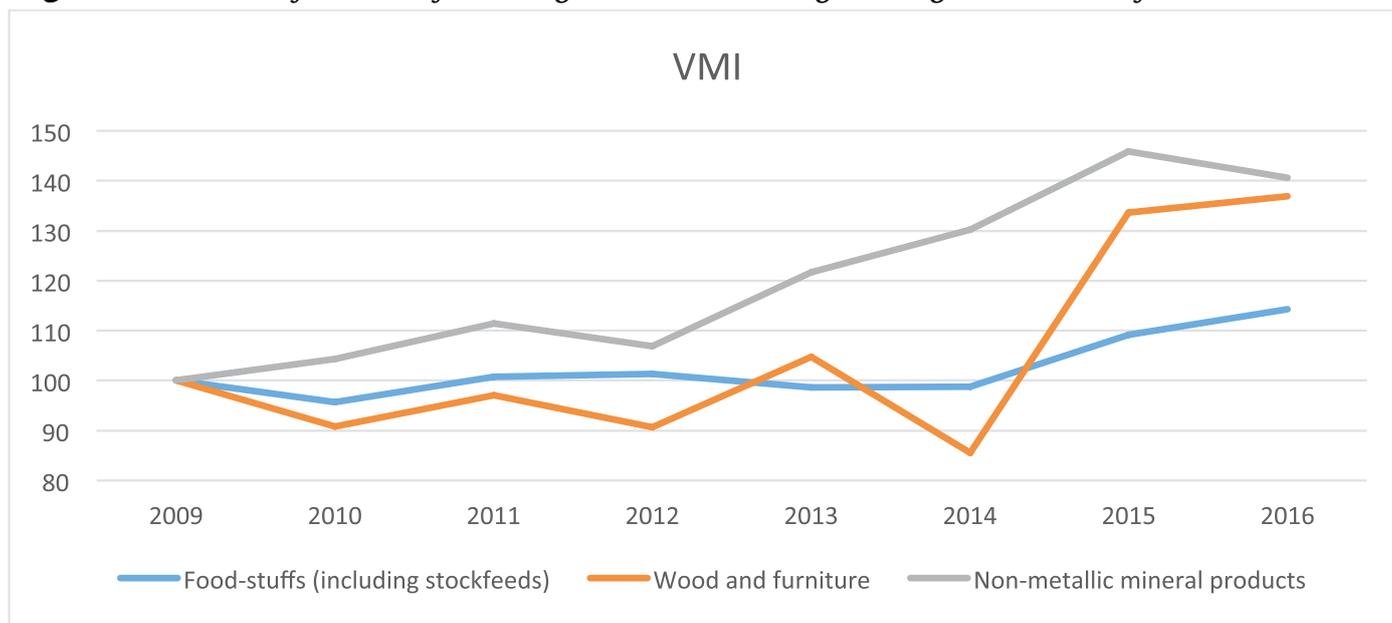


Source: Ministry of Finance and Economic Development, RBZ and ZIMSTATS

I.1 Analysis of Volume of Manufacturing Index (VMI) by Sub-Sector

The subsectoral analysis underlying the VMI analysis in the ZNIDP can be split into two separate categories. On the one hand are sectors which registered positive performance in the period under review and, on the other hand, are sectors which registered negative performance over the same period.

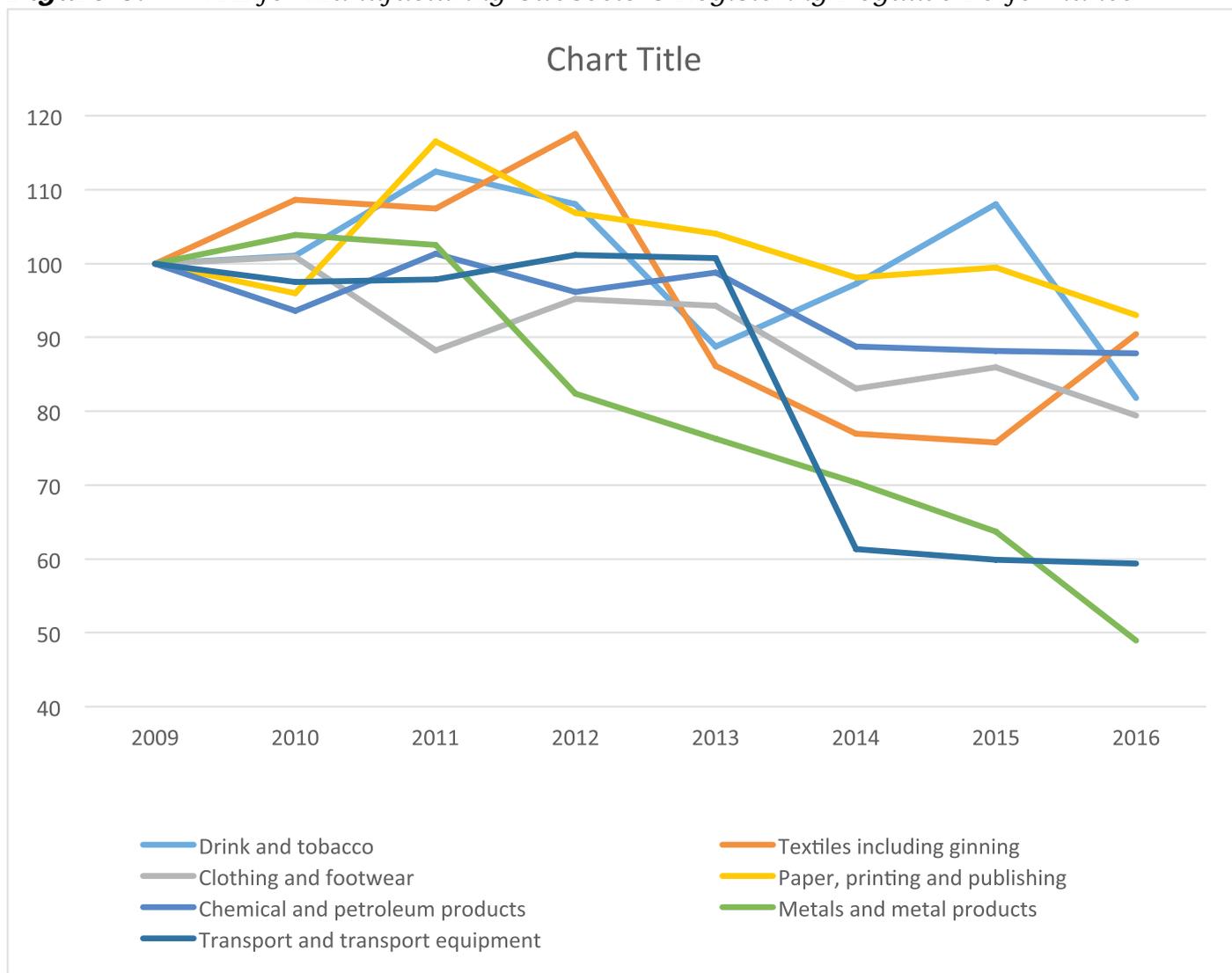
Figure 4: VMI for Manufacturing Sub-sectors Registering Positive Performance



Source: ZIMSTATS

Despite initially depicting a general downward trend, the wood and furniture subsector performance increased by close to 40% compared to the 2009 level, increasing significantly as from 2013 and managed to sustain that momentum in 2015. Until 2014, the foodstuffs sub-sector was almost stagnant compared to the 2009 rising modestly thereafter.

Figure 5: VMI for Manufacturing Subsectors Registering Negative Performance



Source: ZIMSTATS

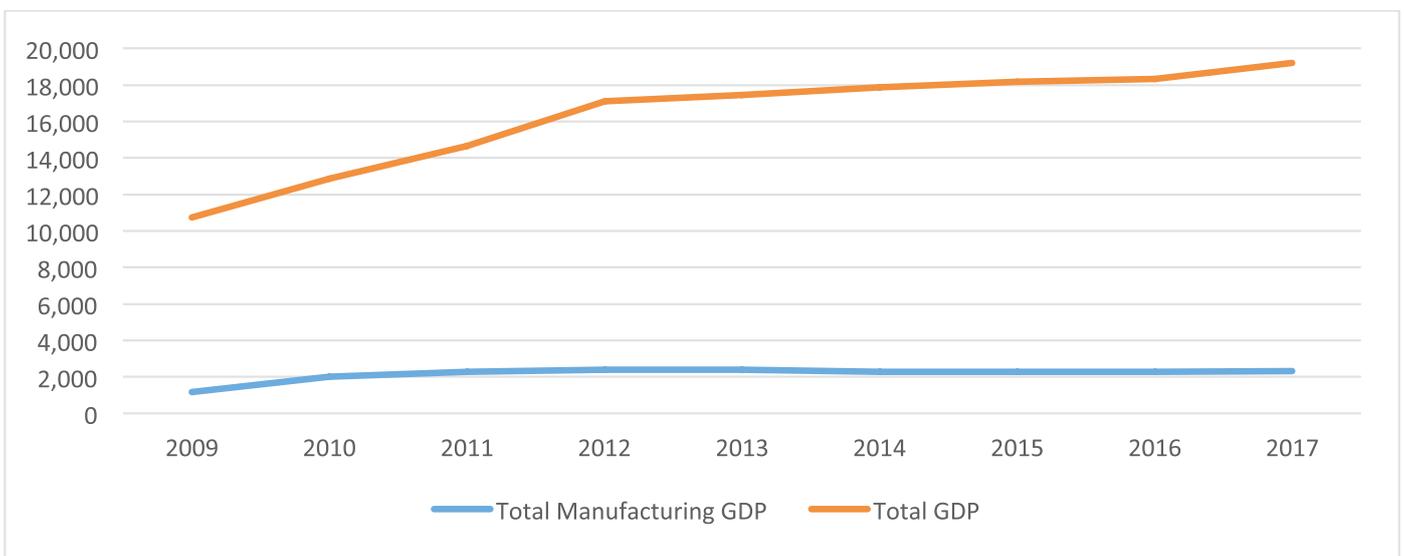
The textiles, metals and metallic products, and the clothing sub-sectors were among the worst performers that generally weighed down the overall manufacturing sector performance. Among the under-performers, only the textiles subsector had shown some signs of improvement by 2016. The continuous decline in the other sub-sectors generally shows the limited effect of policy interventions that were put in place to restore the sub-sectors to their peak performance levels. The metals and metallic products sub-sector continued to exhibit sharp decline in VMI up to 2016.



1.2 Manufacturing sector's contribution to GDP

The Zimbabwe National Statistical Agency (ZIMSTAT) data shows that the manufacturing sector's contribution to GDP declined from the year 2000 to 2009. This was in sympathy with the decline in economic activity across the whole economy during the hyperinflation era. The sector's contribution to GDP expressed at constant 2012 prices showed high growth between 2009 and 2010 from US\$ 1 157 million to US\$ 2 004 million. Thereafter, growth was subdued, rising by 13.8% in 2011 to 2 282 million and by 5.3% in 2012. A slight decline in the sector's contribution in 2013 was followed by very slight growth in each year from 2014 to 2017, never exceeding 1.3%. As at 2017, the sector's contribution to GDP was estimated at 2 314 million which at 12.1% of GDP, fares well relative to other sectors but is below the average of 24% experienced in the 1980s when the country reached its peak of industrial development.

Figure 6: Manufacturing Sector GDP Contribution at constant (2012) prices (US\$ millions)



Source: ZIMSTATS



ANNEXURE 2

2.0 INTERFACE BETWEEN ZNIDP AND EXISTING POLICIES

The ZNIDP is being prepared at a time when there are other government policies in place shaping the domestic policy environment. These policies have a significant impact on the ZNIDP since there are multi-sectoral synergies that can be harnessed. These domestic policies and strategies include the following:

2.1 National Information and Communication Technology Policy (2016-2020)

The Policy was launched in March 2018 to put Zimbabwe on the ICT global stage in terms of innovation, entrepreneurship, skills, products and services. In this regard, the ZNIDP (2019-2023) will seek to strengthen the synergies between the manufacturing sector and the ICT sector.

2.2 The National Health Strategy for Zimbabwe (2016-2020)

The National Health Strategy seeks to promote the provision of equitable, appropriate, accessible, affordable and acceptable quality health services and care to all Zimbabweans, in line with the Primary Health Care Approach. The Strategy acknowledges that the procurement and supply chain management in Zimbabwe has been fragmented. In this regard, ZNIDP (2019-2023) will seek to prioritize the enhancement of local capacity to respond accordingly.

2.3 National Energy Policy

The National Energy Policy (NEP) seeks to promote the optimal supply and utilization of energy for socio-economic development in a safe, sustainable and environmentally friendly manner.

The ZNIDP will complement the National Energy Policy by ensuring that research and development results in the development of other alternative sources of energy as well as making available the requisite consumables such as electrical cables, solar panels and batteries, energy saving bulbs and pipes.

2.4 Comprehensive Agricultural Policy Framework (2012-2032)

The vision of the Comprehensive Agricultural Policy Framework (2012-2032) is to have a prosperous, diverse and competitive agriculture sector which ensures adequate nutrition and food security for the nation while contributing to export growth. Since the Zimbabwean economy is agro-based, the development of the agriculture sector will continue to place demand on industry to produce the required inputs which include agricultural implements, seed, fertilizers and agro-chemicals. Government will support the manufacturing industry to ensure that it can meet the demands of a growing agriculture sector.

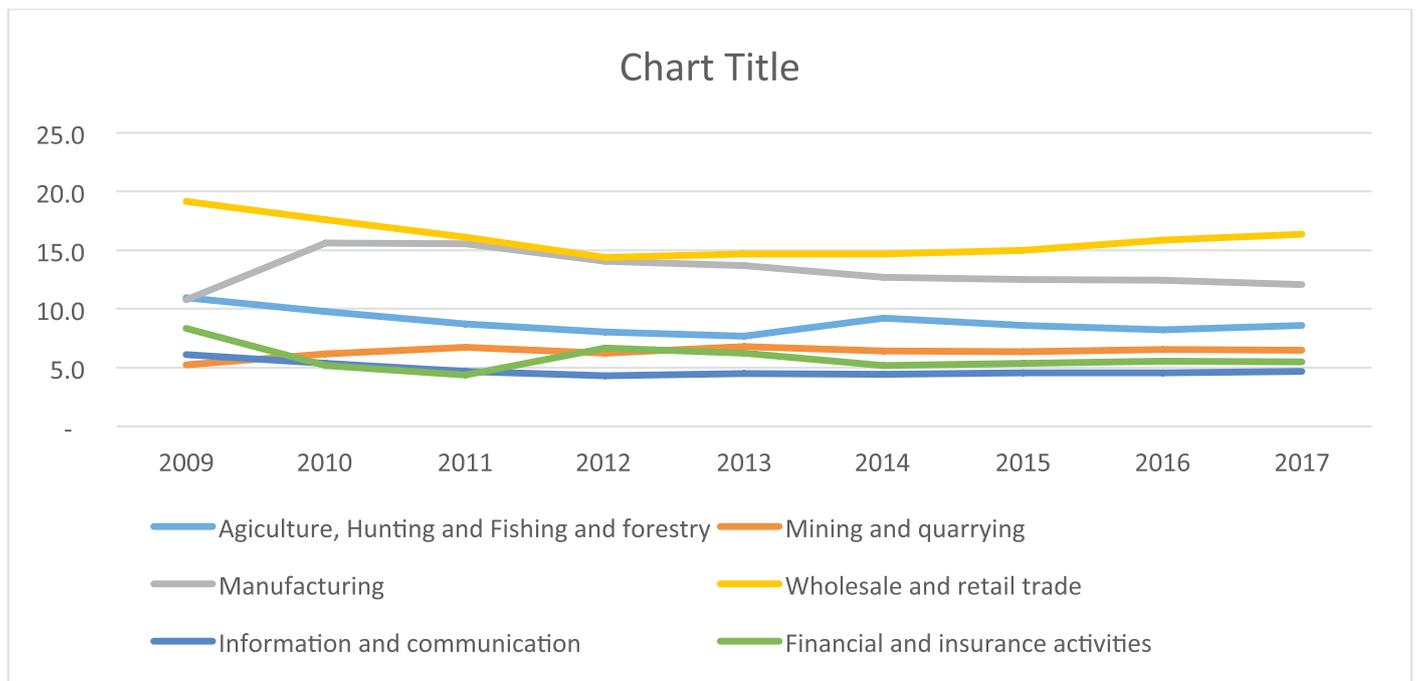
2.5 Second Science, Technology and Innovation Policy, March 2012

One of the fundamental pre-requisites for industrialisation is its stupendous availability, in a country of skilled-manpower. In this regard, Zimbabwe has sought to leverage human resources, such as these, in order to accelerate the process of socio-economic transformation. The ZNIDP is incorporate the developmental issues in this policy framework to produce a relevant human resource to attain economic development in the Country.

2.6 Ministry of Higher and Tertiary Education, Science and Technology Development Plan

The ZNIDP policy document will also incorporate the strategies outlined in the Strategic Plan for the MHTSTD to achieve the industrialization agenda. Zimbabwe considers access to a high quality and relevant education for all learners as a basic right that lays the foundation underpinning the cultural, social, economic and democratic growth of our nation.

Figure 7: Contribution to GDP (%) for different sectors from 2009 to 2016



Source: ZIMSTATS



ANNEXURE 3

Table 1: Scoring Framework For Sector Selection

Feasibility	Score (1-5)
Existing industry: if a sector is already existing and viable in the current situation, there is a high probability it would also be viable in a more competitive currency regime.	Based on the current size of the sector
Competitive inputs available: historical patterns have shown that countries tend to have Revealed Comparative Advantages in sector where they have raw materials. There it is a relevant parameter. However, it is important that these raw materials are competitive with foreign alternatives. If not, sourcing domestically can be disadvantageous.	Based on whether these raw materials are currently exported/competitive with imports
Demand/Proximity and access to large and growing markets: the sector is more likely to succeed in exporting if there is proximity to a good market for the products	Based on size and growth of proximate markets
Within 0.5 points of Zimbabwe’s current score on Economic Complexity Index (-0.51): This parameter shows a statistical correlation as to whether Zimbabwe currently has technological capabilities available for the sector to thrive	Based on Product Space Map: https://atlas.media.mit.edu/en/
Not susceptible to technological disruption: sectors that are likely to be automated in the future will not be viable at that point.	Can be based on international research, e.g. Sirkin et al. 2016 ¹ , combined with sector knowledge
Skills mix. Goods with regional target: skills intensive. Global market: not skills intensive. Zimbabwe has a good educational level compared to the region. Therefore, competing within the region it is likely to have comparative advantage in skills intensive sectors. Sectors competing with firms beyond the region are likely to be more competitive in less skills intensive sectors.	Based on sector knowledge
Desirability	
Job intensive: Job creating sectors are desirable because they promote inclusive growth and skills development.	Based on sector knowledge
Backward linkages to job intensive sectors: Sectors that create jobs and markets for upstream sectors such as agriculture and mining are equally important.	Based on sector knowledge
Forward linkages to export oriented sectors: Sectors that are exporting or supporting other sectors to export are desirable for increasing exports.	Based on sector knowledge
Promoting innovation and technological upgrading: this parameter is crucial for facilitating learning-by-doing in the economy and create pathways toward desirable industrial clusters.	Based on sector knowledge and the complexity score Product Space Map: https://atlas.media.mit.edu/en/
Green growth and Social inclusion: this parameter is key for the sector to create social inclusion.	Based on sector knowledge

ANNEXURE 4

4.0 LINKAGES BETWEEN THE ZNIDP AND OTHER SECTORS

The ZNIDP recognizes the linkages between industry and other sectors and the optimization of the synergies between industry and these sectors will be an integral aspect in order for the country to fully consummate the benefits envisaged from the implementation of this policy.

4.1 Commerce/ Service Industry

Government is cognisant of the global shift towards service driven industrialization where the future of manufacturing is mainly focused on automation and jobless growth. Service industries, tourism and the digital economy are going to acquire increasing importance in future under the 4th Industrial Revolution. Government is thus, in the process of preparing and positioning industry for global changes under this revolution by adopting a deliberate shift towards a digital economy led by ICT and the incorporation of robotics in local industries.

4.2 Construction Industry

Government is already in the process of ensuring that the construction industry recovers. In response to this initiative, construction related industries need to improve production of construction raw materials in order to meet the demands from the anticipated growth in the sector. In this regard, government will put in place strategies to ensure that the production of steel, cement, roofing material, timber; paints and glass among other inputs in the construction industry is enhanced. This will also complement initiatives to promote local content and local procurement by the construction sector.





4.3 Mining Industry

Value addition and beneficiation is pivotal to the country's economic transformation agenda, hence the ratification of regional and continental policy frameworks which promote value addition and beneficiation. Government is also facilitating investment in the mining industry, which will see the industry growing. This growth needs to be matched with investment in capacity to value add and beneficiate raw minerals. In addition to measures intended to ensure that local value chains are strengthened, Government will also give incentives for the development of the jewellery, polishing and cutting industries and other related industries.

The mining sector consumes personal protective equipment (PPE), machinery and chemicals from the manufacturing sector. In this regard, the Government will put in place measures that promote local supply of these products and consumables to meet the demand of a growing mining industry.

4.4 Tourism Industry

Government has developed and launched the Tourism Sector Strategy, which is expected to go a long way in enhancing the growth of the tourism sector. This will result in increased demand for products from the manufacturing industry. Government will thus, promote the growth of the beverages and food processing industries as well as producers of bedding, linen and other consumables used by the tourism sector in order to reduce its imports bill.

4.5 Creative Arts Industry

Government recognizes the important role that the creative arts industry can play in economic growth, especially through linkages with other sectors such as the tourism sector. Government will put in place strategies to ensure that the requirements for the arts industry such as musical equipment and raw materials for sculpture and craft are procured locally.

4.6 Environment and sustainable production

Government will also ensure that industrial transformation is pursued in a manner that ensures environmental sustainability, hence it will encourage the use of technologies that minimize industrial emissions and discharges. This also includes promotion of technology that uses environmental friendly energy sources in line with international best practices

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