U.S. DEPARTMENT OF STATE

DIPLOMACY IN ACTION

Executive Summary

Zimbabwe’s economy grew rapidly following the formation of the coalition government in 2009 after a decade of contraction that culminated in hyperinflation. The rebound appears to be over, and the World Bank estimates that Zimbabwe’s economy grew by 1.8 percent in 2013 and projects real economic growth will rise slightly to 3.1 percent in 2014. Economic growth is constrained by the continued tight liquidity situation, limited growth in government revenues against large recurrent expenditures, and a widening current account deficit thanks to sluggish growth in exports in the face of rising demand for imports and low capital inflows. Public finances remain under pressure as government employment costs consume more than 70 percent of the budget.

Zimbabwe recognizes the need to boost investment and has implemented a number of measures meant to attract foreign direct investment (FDI) since 2009. The country’s adoption of the multicurrency monetary regime in 2009, under which the U.S. dollar dominates most transactions, continues to stabilize and restore business confidence in the economy because it removes the exchange-rate risk associated with the use of domestic currencies. In addition, Zimbabwe’s participation in an ongoing International Monetary Fund (IMF) Staff-Monitored Program (SMP) signed in June 2013 acts as a useful anchor for implementation of more sensible policies. Zimbabwe also has a number of incentives designed to attract FDI such as tax breaks for new investment by foreign and domestic companies, and allowing capital expenditures on new factories, machinery, and improvements to be fully deductible. The government also waives import taxes and surtaxes on capital equipment.

In spite of these positive developments, corruption is rife and there is little protection of property rights, particularly with respect to agricultural land. The government routinely expropriates land without compensation. Moreover, the inconsistent application of “indigenization” regulations that set minimum ownership levels by black Zimbabweans of enterprises valued over $500,000 at 51 percent in most economic sectors continues to discourage investment. Zimbabwe’s arrears in payments to international financial institutions and high external debt overhang of over $10.7 billion complicates the situation by limiting the country’s ability to access official development assistance at concessional rates. Additionally, the country’s banks do not offer financing for periods longer than two years, with most financing available for 180 days or less.
As a result of these negative factors, Zimbabwe generally ranks poorly in global comparisons of economic competitiveness. For example, in the World Bank’s "Doing Business" rankings for 2014, Zimbabwe ranks 170 out of 189 economies studied.

1. Openness To, and Restrictions Upon, Foreign Investment

The government’s policies recognize the need for FDI to improve the country's competitiveness. This includes encouraging public-private partnerships in order to enhance technological development. The government also emphasizes the need to improve the investment climate by restoring the rule of law and sanctity of contracts. The statements and actions of many senior government officials, however, are inconsistent with the desire to attract FDI and undermine investor confidence. Despite extremely difficult economic conditions over the past decade, some U.S. companies maintained subsidiaries in Zimbabwe. Many of these are holdovers from better years a decade or more ago. Other U.S. companies prefer to sell their products locally through certified dealers. Following the implementation of economic reforms including liberalization of current account transactions, dollarization, and the adoption of cash budgeting in 2009, the country saw a progressive increase in net FDI from $52 million in 2008 to $400 million in 2012.

In 2007, the government passed the Indigenization and Economic Empowerment Act, which requires that "indigenous Zimbabweans"(black Zimbabweans) own at least 51 percent of all enterprises valued over $500,000. In certain sectors, such as primary agriculture, transport services, and retail and wholesale trade including distribution, foreign investors may not own more than 35 percent equity. Application of the Indigenization Act is inconsistent, resulting in many questions regarding compliance with the Act.

A foreign investor wishing to establish a business in Zimbabwe requires an investment license issued by the Zimbabwe Investment Authority (ZIA) as defined by the ZIA Act and must obtain operating permits from relevant government agencies. In addition, the foreign investor must satisfy the previously described sector-based indigenization requirements. This is the only formal screening of FDI. Investment into an existing company requires the approval of the Exchange Control Authority of the Reserve Bank of Zimbabwe (RBZ). The government's priority sectors for foreign investment are agriculture, construction, building and heavy equipment, automotive and ground transportation, chemicals, petrochemicals, plastics and composites, energy and mining, industrial equipment and supplies, metal manufacturing, and products and textiles, apparel and sporting goods.
Since the start of the privatization program of its 76 state-owned enterprises (SOEs) in the 1990s, the government has only successfully privatized two parastatals. The government established a ministry responsible for state-owned enterprises in 2009 but disbanded it in 2013. Inter-SOE debts of nearly $1 billion pose challenges for privatization plans because they further weaken the entities' balance sheets. In addition, lack of political will and the enterprises' operational inefficiencies make it unlikely that privatization will accelerate in the near term.

The government's official policy is to encourage competition within the private sector with the enactment of the Zimbabwe Competition Act. The Act provides for the formation of the Tariff and Competition Commission charged with investigating restrictive practices, mergers, and monopolies in the country.

TABLE 1

Measure	**Year**	**Rank or value**	**Website Address**
TI Corruption Perceptions index	2013	(157 of 177)	http://cpi.transparency.org/cpi2013/results/

Heritage Foundation's Economic Freedom index	2013	(176 of 178)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2014	(170 of 189)	http//doingbusiness.org/rankings
Global Innovation Index	2013	(132 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	$650	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B - Scorecards: The Millennium Challenge Corporation, a U.S. government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or $4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf

2. Conversion and Transfer Policies

Until the end of 2008, Zimbabwe's exchange-rate policies made it difficult for firms to obtain foreign currency, and this in turn resulted in shortages of fuel, electric power, and other imported goods. Other consequences included defaults on public- and private-sector debt and a sharp decline in industrial, agricultural, and mining operations. In 2009, the government lifted exchange controls and demonetized the Zimbabwe dollar. The RBZ now permits bank accounts and transactions in the following currencies: Euro, Botswana pula, South African rand, British pound, U.S. dollar, Chinese yuan, Australian dollars, Indian rupees, and Japanese yen, with most business conducted in U.S. dollars. Zimbabwe's export performance is recovering slowly, and the government's arrears on over $10 billion in external debt block access to multilateral financing. These conditions severely constrain external financing for the economy. The RBZ has not restored foreign currency accounts it confiscated from banks' depositors prior to official dollarization in 2009.

In line with recommendations from the Southern African Development Community (SADC) and the IMF, the government revised the Foreign Exchange Control Act, which regulated currency conversions and transfers before the withdrawal of the Zimbabwe dollar. With these changes and the liberalization of most current account transactions, exporters now retain 100 percent of their foreign currency receipts for their own use.

3. Expropriation and Compensation

Despite provisions in Zimbabwe's previous constitution that prohibit the acquisition of private property without compensation, in 2000 the government began to sanction uncompensated seizures of privately owned agricultural land, serially amending the constitution to grant the government increasingly broad authorities to do so after the fact. The authorities subsequently transferred many of the farms seized to government officials and other regime supporters. In April 2000, the government amended the constitution to authorize the compulsory acquisition of privately owned commercial farms with compensation limited to the improvements made on the land. In September 2005, the government amended the constitution again to transfer ownership of all expropriated land to the government. Since the passage of this amendment, top government officials, supporters of President Mugabe's Zimbabwe African National Union – Patriotic Front (ZANU-PF) party, and members of the security forces have continued to disrupt production on commercial farms, including those owned by foreign investors and covered by bilateral investment agreements. Similarly, government officials have sought to impose politically-connected individuals as indigenous partners on privately and foreign-owned wildlife conservancies.

In 2006, the government began to issue 99-year leases for land seized from commercial farms. These leases, however, are not readily transferable. The government retains the right to withdraw the lease at any time for any reason. The government's program to seize commercial farms without compensating the titleholders, who have no recourse to the courts, has raised serious questions about respect for property rights and the rule of law in Zimbabwe. As a result, Zimbabwe ranked 128 out of 189 countries considered with respect to the country's ability to protect investment in the World Bank's 2014 Doing Business report.

President Mugabe and other politicians have in the past threatened to target the mining and manufacturing sectors for similar forced indigenization. In 2008, the government amended the Mines and Minerals Act, outlining indigenization requirements for mining. For strategic energy minerals (coal, methane, uranium), the legislation would require mining companies engaged in extraction or exploitation to transfer ownership to the state of 51 percent of the shares; 25 percent would be without compensation. The new legislation directs a transfer of 25 percent of the shares in precious metals and precious stones to the state without compensation and a further 26 percent to the state or to indigenous Zimbabweans. The government is still deliberating amendments to the Mines and Minerals Act, which may include a “use it or lose it” provision for unexploited mining concessions and new “indigenous” ownership requirements in the sector in line with the Indigenization Act. In addition, the government intends to amend the provisions of the Precious Stones Trade Act relevant to diamonds to enforce, among other things, 100 percent government ownership of all alluvial diamonds in the ground, immediate separation of diamond mining and marketing activities, and the promotion of value addition through the prohibition of exports of unpolished diamonds.

4. Dispute Settlement

According to law, Zimbabwe has an independent judicial system whose decisions are binding on the other branches of government. There are no specialized commercial courts in the country. Administration of justice in commercial cases that lack political overtones is still generally impartial. As government revenue declined, however, court resources have dwindled and dockets have become backlogged. In practice, the executive threatens judicial independence in cases that have political overtones through continuous interference in the decisions of the local courts. Politicians sometimes interfere in decisions of foreign courts that are considered unfavorable to Zimbabwe’s interests. For example, senior politicians declined to support enforcement of a 2008 SADC Tribunal decision ordering Zimbabwe to return expropriated commercial farms to the original owners. Once an investor has exhausted the administrative and judicial remedies available locally, the government of Zimbabwe agrees, in theory, to submit matters for settlement by arbitration according to the rules and procedures promulgated by the United Nations Commission on International Trade Law. However, this has never occurred in practice, as no one has tried to bring such a case.

In the event of insolvency or bankruptcy, Zimbabwe applies the Insolvency Act. All creditors have equal rights against an insolvent estate. In terms of resolving insolvency, Zimbabwe ranks 156 out of 189 economies in the World Bank’s 2014 Doing Business Report.

The United States does not have a bilateral investment treaty with Zimbabwe. The United States does have a Trade and Investment Framework Agreement (TIFA) with the Common Market for Eastern and Southern Africa (COMESA), of which Zimbabwe is a member. This TIFA provides a mechanism to talk about disputes, although the protection offered by the TIFA is much more limited than the protection typically provided by a bilateral investment treaty.

Foreign investors have taken disputes to international bodies. A group of Dutch farmers who lost their land under the “fast track land reform” program of the 2000s took their case to the International Centre for the Settlement of Investment Disputes in April 2005, demanding that Zimbabwe honor its investment agreement with the Netherlands. At a hearing in Paris in November 2007, the tribunal issued a verdict favorable to the farmers. Although the Zimbabwean government acknowledged the debt owed to the farmers in respect of payment of compensation for the expropriated land, it disputed the amount the farmers claimed in damages.

In 2008, a three-judge panel of the SADC Tribunal in Namibia ruled that Zimbabwe's violent land reform exercise discriminated against a group of white farmers who filed an application challenging the seizure of their farms. The government refused to recognize the ruling and in September 2009 said Zimbabwe had withdrawn from the jurisdiction of the SADC Tribunal. This appeared to be a bid to stop the effect of adverse judgments against it by the Windhoek-based court. The Zimbabwean government argued that it had not ratified the protocol establishing the Tribunal. The SADC Summit meeting of August 2010 endorsed this position and dissolved the Tribunal in early 2012.

In 2010, a South African High Court attached a Zimbabwe government-owned property in Cape Town to satisfy the Tribunal’s order, but the Zimbabwean government appealed to the South African Supreme Court. On September 20, 2012, however, the South African Supreme Court ruled in favor of granting the sale proceeds of the government of Zimbabwe’s seized property to the Zimbabwean farmer as compensation for seizure of his farm.

Zimbabwe acceded to the 1965 convention on the settlement of investment disputes between states and nationals of other states and to the 1958 New York convention on the recognition and enforcement of foreign arbitral awards in 1994. However, the government does not always accept binding international arbitration of investment disputes between foreign investors and the state. Most disputes take a long time to resolve.

5. Performance Requirements and Investment Incentives

There are no general performance requirements for businesses located outside Export Processing Zones. Government policy, however, encourages investment in enterprises that contribute to rural development, job creation, exports, the addition of domestic value to primary products, use of local materials, and the transfer of appropriate technologies. The government encourages foreign investors to make maximum use of Zimbabwean management and technical personnel, and any investment proposal that involves the employment of foreigners must present a strong case in order to obtain work and residence permits. Normally, the maximum contract period for a foreigner is three years but with possible extension to five years for individuals with highly specialized skills.

Although there are no discriminatory import or export policies affecting foreign firms, the government's approval criteria heavily favor export-oriented projects. Import duties and related taxes range as high as 110 percent. Export Processing Zone-designated companies must export at least 80 percent of output. Due to liquidity constraints, the government does not subsidize research and development programs nationally.

Government participation is required for new investments in strategic industries such as energy, public water provision, and railways. The terms of government participation are determined on a case-by-case basis during license approval. The few foreign investors (for example, from China, Russia, and Iran) in reserved strategic industries have either purchased existing companies or have supplied equipment and spares on credit.
Zimbabwe has been a member of the World Trade Organization (WTO) since March 5, 1995. A 2011 report by the WTO on the country's trade policies and practices concluded that Zimbabwe needed to improve its business environment. The WTO cited governance issues and recommended further liberalization of the Zimbabwean trade regime with a view to attracting foreign investment. The review also noted that enhancement of and full compliance with multilateral commitments would increase the credibility of the regime and make it more predictable.

6. Right to Private Ownership and Establishment

Although Zimbabwean law guarantees the right to private ownership, the government has increasingly not respected this right in practice. As noted above, the government has in recent years seized thousands of private farms and conservancies, including ones belonging to Americans and other foreign investors, without due process or compensation. Most of these property owners held ZIA investment certificates and purchased their land for fair market value after Zimbabwe's independence in 1980. Despite repeated U.S. advocacy, the government has not addressed the expropriation of property belonging to U.S. citizens.

7. Protection of Property Rights

Zimbabwe's government has repeatedly violated property rights. The government's 2005 Operation Restore Order resulted in more than 700,000 persons losing their homes, their livelihoods, or both, according to United Nations estimates. Many of these properties had proper titles and licenses. Although Operation Restore Order officially ended in 2005, the government continued to evict smaller numbers of people from their homes and businesses, primarily in and around Harare, in 2006, 2007, 2010 and 2012. In addition to the thousands of agricultural properties seized under land reform during the past ten years, in late 2005 the government for the first time authorized the seizure of non-agricultural land for the purpose of residential construction in a Harare suburb.

Zimbabwe applies international patent and trademark conventions. It is a member of the World Intellectual Property Organization. Generally, the government seeks to honor intellectual property ownership and rights, although a lack of expertise and manpower as well as rampant corruption limit its ability to enforce these obligations. Pirating of videos, music, and computer software is common.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Embassy point of contact: William Humnicky HumnickyWP@state.gov

Local lawyers list: http://harare.usembassy.gov/attorneys_zimbabwe2.html

8. Transparency of the Regulatory System

The government's officially stated policy is to encourage competition within the private sector but the bureaucracy within regulatory agencies lacks transparency and corruption within the regulatory system is increasingly worrisome.

The adoption of the multi-currency system in 2009 stabilized prices and removed the need for price controls. Consequently, the government no longer controls prices of goods and services. Nevertheless, the National Incomes and Prices Commission (NIPC) still monitors trends in domestic prices relative to those in the region. The NIPC raised concerns over the decision by private schools to raise fees for 2012 without clearance from the government.

The government introduces import taxes arbitrarily to support certain inefficient producers who continue to lobby for protection against more competitive imports. In late 2012, the Ministry of Finance announced a 25percent surtax on selected imported products including soaps, meat products, beverages, dairy products, and cooking oil starting January 1, 2013 as well as other import taxes on beer, cigarettes, and chickens brought in from outside the Southern African Development Community (SADC) and the Common Market for Eastern and Southern African regions (COMESA).

9. Efficient Capital Markets and Portfolio Investment

Zimbabwe's stock market currently has 70 publicly-listed companies, but just 14 of them account for over 80 percent of total market capitalization, which stood at $4.2 billion at end of November 2012. In September 1996, the government opened the stock and money markets to limited foreign portfolio investment. Since then, a maximum of 40 percent of any locally-listed company can be foreign-owned with any single investor allowed to acquire up to 10 percent of the outstanding shares. As the 40 percent threshold on collective foreign participation is lower than the 49 percent required under the Indigenization Act, the government intends to amend the 1996 provisions to align them with the 49 percent threshold under the Act.

There is a 1.48 percent withholding tax on the sale of marketable securities, while the tax on purchasing stands at 1.73 percent. Totaling 3.21 percent, the rates are comparable with the average of 3.5 percent for the region. As a way of raising funds for the state, the government mandated that insurance companies and pension funds invest between 25 and 35 percent of their portfolios in prescribed government bonds. Zimbabwe's hyperinflation, which came to an end with the 2009 dollarization, wiped out the value of domestic debt instruments, and the government has only recently restarted issuing Treasury Bills.

According to the World Investment Report compiled by the United Nations Conference on Trade and Development (UNCTAD), Zimbabwe's net foreign direct investment (FDI) which fell to a low of $40 million in 2006, rose consistently to $400 million by 2012. This resulted from implementation of positive reforms by the then coalition government between 2009 and 2013.

Three major international commercial banks and a number of regional and domestic banks operate in Zimbabwe, with a total of over 200 branches. Following the well-publicized failure of a number of financial institutions in 2003, primarily due to fraud and inept management, the RZB tightened regulations. Nonetheless, financial institutions have an uncertain future due to the reluctance of citizens to trust their deposits with banks and an increase in bad loans on bank balance sheets. During 2012, two local institutions surrendered their banking licenses although one reemerged under a different name. The RBZ also placed a third bank under curatorship at the end of 2012. The central bank cancelled the banking license of fourth locally-owned bank in 2013. As a result of Zimbabwe's dollarized economy and the effects of hyperinflation, the RBZ does not have the resources to act as lender of last resort for the banking system. In early 2014, however, the central bank received a $100 million injection from the African Export Import Bank (Afrexim Bank) to revitalize Zimbabwe’s inter-bank lending market.

10. Competition from State-Owned Enterprises

Zimbabwe has 76 SOEs, defined as companies wholly-owned by the state. Many SOEs support vital infrastructure, including energy, mining, and agribusiness, for example. As a result, competition within the sectors where SOEs operate tends to be limited. However, the government of Zimbabwe (GOZ) invites private investors to participate in infrastructure projects through public-private partnerships (PPPs). Most SOEs have public function mandates, although in more recent years, they perform hybrid activities of satisfying their public functions while making profits.

Zimbabwe does not appear to subscribe to the Organization for Economic Cooperation and Development (OECD) guidelines on corporate governance of SOEs. SOEs operate under the same taxes and same value added tax rebate policies as private sector companies. The SOES face a number of challenges that include persistent power outages, mismanagement, lack of maintenance, inadequate investment, a lack of liquidity and access to credit, and debt overhangs. As a result, the SOES have performed poorly in recent years. Few SOES produce publicly available financial data and ever fewer audited financial data. This has imposed significant costs on the rest of the economy.

Corruption is endemic among SOEs with senior management (primarily retired army personnel) appointed by politicians and payrolls bloated with redundant employees. The government is currently setting salary limits for chief executive officers of SOEs at $6,000 per month to try and control the rampant abuse of resources. Further, almost all SOEs are undercapitalized because the government lacks adequate financial resources. Most SOEs have debts accumulated through unsustainable, GOZ-imposed pricing models designed to benefit consumers. The state-owned Grain Marketing Board, for example, has for years purchased grain locally at above-market prices and sold it at a significant loss. Until February 2009, most SOEs operated without a board of directors. Poor management and the GOZ’s failure to privatize made Zimbabwe’s SOEs dependent on subsidies.

Zimbabwe does not have a sovereign wealth fund (SWF). The government is currently drafting legislation designed to create a SWF although it is unclear from where the government will obtain funds to capitalize the SWF.

11. Corporate Social Responsibility

According to an industrial advocacy group, the Confederation of Zimbabwe Industries, there is a general awareness of corporate social responsibility (CSR) among producers. The organization has developed its own charter according to OECD guidelines, highlighting good corporate governance and ethical behavior. Firms that demonstrate corporate social responsibility do not automatically garner favorable treatment from consumers, employees, and government. With regard to indigenization, foreign companies do not necessarily receive formal credit for conducting CSR.

12. Political Violence

Political parties and civil-society groups that oppose ZANU-PF and President Mugabe routinely encounter state-sponsored intimidation and repression from government security forces and ZANU-PF-linked activists. This environment persisted even during the period of the coalition government when the main opposition parties, the Movement for Democratic Change-Tsvangirai (MDC-T) and the Movement for Democratic Change-Ncube (MDC-N), joined ZANU-PF in a Government of National Unity (GNU) from February 2009 to June 2013. Individuals and companies out of favor with ZANU-PF routinely suffer harassment and bureaucratic obstacles in their business dealings.

Despite perceived widespread dissatisfaction with government policy, there have not been large-scale demonstrations since the July 2013 general elections. Disagreements between and within political parties occasionally resulted in violence targeting political party members. In December 2013, customers broke the windows at a bank branch which had run out of funds to distribute to depositors. Such violence is sporadic.

13. Corruption

In 2005, the government enacted an Anti-Corruption Act that established a government-appointed Anti-Corruption Commission (ACC) to investigate corruption. However, the ACC did not include any members from civil society or the private sector. The government of national unity (GNU) enhanced the institutional capacity of the ACC with members appointed from civil society and the private sector. However, when the ACC’s term of office expired, the new ACC did not include civil society and private sector representatives. The government prosecutes individuals selectively, focusing on those who have fallen out of favor with ZANU-PF and ignoring transgressions by members of the favored elite. Accusations of corruption are used a political tool but seldom result in formal charges and convictions.

The government also created a policy to improve accountability in the use of state resources through the introduction of the Public Finance Management Act in March 2010. In spite of this, corruption is still endemic, especially within the diamond sector where production and export figures are largely unreliable. In this respect, the government has introduced a Diamond Policy that focuses on ensuring the 100 percent government ownership of all alluvial diamonds in the ground and the involvement of the Zimbabwe Revenue Authority (ZIMRA) in the entire value chain of diamond production. The government has also considered implementing the World Bank's Extractive Industries Transparency Initiative (EITI) principles in order to strengthen accountability, good governance, and transparency in the mining sector. However it has yet to launch an EITI program in Zimbabwe. [say something here about ZMRTI?]

14. Bilateral Investment Agreements

The United States has no bilateral investment or trade treaty with Zimbabwe. Zimbabwe has investment treaties with 17 countries but ratified only seven of these treaties (with the Netherlands, Denmark, Germany, South Korea, South Africa, Botswana, and Switzerland). Three other investment agreements with Russia, India, and Iran are awaiting ratification before they become effective. In spite of these agreements, the government has failed to protect investments undertaken by nationals from these countries, particularly with regard to land. In 2009, for example, an army officer seized a farm belonging to a German national but the government did not intervene, despite its assurance that Zimbabwe would honor all obligations and commitments to international investors.

The United States does have a Trade and Investment Framework Agreement (TIFA) with the Common Market for Eastern and Southern Africa (COMESA), of which Zimbabwe is a member. This TIFA provides a mechanism to talk about disputes, although the protection offered by the TIFA is much more limited than protection typically provided by a bilateral investment treaty.

15. OPIC and Other Investment Insurance Programs

The U.S. government and Zimbabwe concluded an OPIC agreement in April 1999 which permits OPIC to conduct transactions in Zimbabwe. Zimbabwe acceded to the World Bank's Multilateral Investment Guarantee Agency in September 1989. Support from the Export-Import Bank of the United States is not available in Zimbabwe. Finance and export promotion programs, as well as investment insurance offered through the international financial institutions, remain limited due largely to Zimbabwe's mounting multilateral and bilateral debt arrears and deteriorating investment climate.

16. Labor

Zimbabwe's interconnected economic and political crises from 1998 through 2008 prompted many of the country's most skilled and well-educated citizens to emigrate, leading to widespread labor shortages for managerial and technical jobs. At the same time, the decade-long severe contraction of the economy caused formal sector employment to drop significantly. The Zimbabwe Statistical Agency (Zimstat) began to compile meaningful employment statistics in 2010. According to these figures, Zimbabwe's non-farm employment rose from 721,000 in December 2011 to 802,000 in June 2012 (the latest date for which official data are available).

Although the country's HIV/AIDS epidemic had previously taken a heavier toll on the workforce, in 2014, 15 percent of adults lived with HIV/AIDS.

The government is a member of the International Labor Organization (ILO) and has ratified conventions protecting worker rights. The country has been subject to ILO supervisory mechanisms for practices that limit workers' rights to freely associate, organize, and hold labor union meetings.

Although the 2005 amendments to the 1985 Labor Relations Act set strict standards for occupational health and safety, enforcement is inconsistent.

Collective bargaining takes place through a National Employment Council (NEC) in each industry, comprising representatives from labor, business, and government. In addition, the Zimbabwe Congress of Trade Unions (ZCTU), the country's most representative umbrella labor organization, advocates for workers' rights.

In 2001, stakeholders comprising labor, business, and government established a Tripartite Negotiating Forum (TNF) to tackle macro-social issues. The ensuing talks have been fitful and unproductive since their inception. A continuing impasse for the TNF is disagreement between business and labor over indexing wages to a measure of poverty and productivity. To date, the two sides have not agreed on a suitable poverty benchmark.

The government continues to harass labor unions and their leaders. In December 2012, for example, the police arrested two ZCTU officials for allegedly holding an unsanctioned protest march to celebrate Human Rights Day in the city of Bulawayo, even though the police had sanctioned it beforehand. Under Zimbabwe labor law, the government can intervene in ZCTU's internal affairs if it determines that the leadership is misusing funds. Although the rival Zimbabwe Federation of Trade Unions (ZFTU), established for political reasons after ZANU-PF fared poorly in the 2000 parliamentary elections, meets ILO standards in that workers are free to form unions and to be members of any union, outside of the government, few regard it as a legitimate labor organization. The ZCTU remains the voice of labor in Zimbabwe and the country's official and internationally recognized labor organization.

17. Foreign Trade Zones/Free Ports

The government promulgated legislation creating EPZs in 1996. Zimbabwe now has approximately 183 EPZ-designated companies. Benefits include a five-year tax holiday, duty-free importation of raw materials and capital equipment for use in the EPZ, and no tax liability from capital gains arising from the sale of property forming part of the investment in EPZs. Since January 2004, the government has generally required that foreign capital comprise a majority of the investment. The requirement on EPZ-designated companies to export at least 80 percent of output has constrained foreign investment in the zones. The merger between the Zimbabwe Investment Centre and the Zimbabwe Export Processing Zones Authority, which began in 2006, has been completed and the new institution—ZIA—now serves as a one-stop shop for both local and foreign investors. Zimbabwe is currently in the process of amending the

Zimbabwe Investment Authority Act to include Special Economic Zones. However, to date, activities in special economic zones overall have not been meaningful.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Zimbabwe National Statistical Agency		U.S. or international statistical source		U.S. or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Zimbabwe Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2012	12,472	2012	9,802	http://www.worldbank.org/en/country
Foreign Direct Investment	Zimbabwe National Statistical Agency		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	2012	N/A	2012	D	(BEA) click selections to reach. • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	2012	N/A	2012	N/A	(BEA) click selections to reach • Balance of Payments and Direct Investment Position Data • Foreign Direct Investment Position in the United States on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)

Total inbound stock of FDI as % host GDP (***calculate)***	Insert (Year)	Amount	Insert (Year)	Amount	

* Provide sources of host country statistical data used.
(D) indicates that the data in the cell have been suppressed to avoid disclosure of data of individual companies and thus is not available.

TABLE 3: Sources and Destination of FDI
Data not available for Zimbabwe.
TABLE 4: Sources of Portfolio Investment
Data not available for Zimbabwe.

19. Contact Point at Post for Public Inquiries

- **NAME:** William Humnicky
- **TITLE:** Economic and Commercial Officer
- **ADDRESS OF MISSION/AIT:**
  U.S. Embassy Harare
  2180 Harare Place, Department of State
  Washington, D.C. 20521 – 2180

- **TELEPHONE NUMBER**: 263-4- 250 593
- **EMAIL ADDRESS:** humnickwp@state.gov

For a list of attorneys in Zimbabwe, please go to http://harare.usembassy.gov/attorneys_zimbabwe2.html .