ZIMBABWE

INVESTMENT CLIMATE STATEMENT 2015

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Executive Summary

Zimbabwe recognizes the need to boost investment, but some of its macroeconomic policies counter a number of government measures meant to attract foreign direct investment (FDI). The country's commitment to the use of a multicurrency monetary regime, dominated by the U.S. dollar in most transactions, continues to restore business confidence in the economy by removing exchange-rate risk associated with the use of domestic currencies. In addition, Zimbabwe's commitment to the October 2014 International Monetary Fund (IMF) Staff-Monitored Program (SMP) acts as a useful anchor for implementation of more fiscally sound 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 tax deductible. The government also waives import taxes and surtaxes on capital equipment. In recent months, the government commissioned a study that recommended a rationalization of regulatory requirements and a reduction in tariffs for utilities in order to reduce the cost of doing business in Zimbabwe.

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 a minimum ownership of 51% by black Zimbabweans of enterprises valued over USD 500,000 in most economic sectors continues to discourage investment.

Zimbabwe is in arrears in payments to international financial institutions. Its high external debt overhang of over USD 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 ranks poorly in global comparisons of economic competitiveness, rated 171 out of 189 economies studied in the World Bank's 2015 "Doing Business" rankings for 2015.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The government of Zimbabwe recognizes the need for attracting greater FDI in order to improve the country's competitiveness. This includes encouraging public-private partnerships 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. Following the implementation of economic reforms including liberalization of current account transactions, dollarization, and the adoption of cash budgeting in 2009, Zimbabwe saw a progressive increase in net FDI from USD 52 million in 2008 to USD 400 million in 2012.

Other Investment Policy Reviews

In the past three years, the government has not conducted an investment policy review through the Organization for Economic Cooperation and Development (OECD), the World Trade Organization (WTO) or the United Nations Conference on Trade and Development (UNCTAD).

Laws/Regulations of Foreign Direct Investment

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.

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 USD 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. In January 2015, President Mugabe emphasized that the 51/49 percent ownership policy in favor of indigenous people only affected the extractive sectors, although the government has not stated this in the proposed changes to the Indigenization and Economic Empowerment Act.

A foreign investor who wishes to establish a business in Zimbabwe must first obtain an investment license issued by the Zimbabwe Investment Authority (ZIA) and other operating permits from relevant government agencies. The investor must also satisfy the Indigenization and Economic Empowerment Act. 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).

Despite extremely difficult economic conditions over the past decade, some U.S. companies have maintained subsidiaries in Zimbabwe; many of which are holdovers from better years a decade or more ago.

Industrial Promotion

The government, through ZIA, encourages investment in a number of sectors including agribusiness, energy, food processing and packaging, health technologies, industrial equipment and supplies, manufacturing industries, textiles, apparel and sporting goods. The information is available on ZIA's website at: http://www.investzim.com/

Limits on Foreign Control

Not applicable.

Privatization Program

Zimbabwe, like many of its counterparts on the African continent, has many state-owned enterprises (SOEs). In the 1990s, Zimbabwe began to privatize its 76 SOEs, but 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 USD 1 billion pose challenges for privatization plans because they further weaken the entities' balance sheets. It is not likely that privatization of SOEs will occur in the near future due to a lack of political will and enterprise operation inefficiencies.

Screening of FDI

The country screens FDI through the Zimbabwe Investment Authority (ZIA) in coordination with other ministries to confirm compliance with the country's investment and indigenization regulations. Once ZIA is satisfied with the FDI, it issues the FDI with an investment certificate.

Competition Law

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

Investment Trends

Not applicable.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	156 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	171 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	130 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 860	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

The Millennium Challenge Corporation, a U.S. Government entity responsible for administering development grants to countries that have demonstrated a commitment to reform, produces yearly scorecards for countries with a per capita gross national income (GNI) of USD 4,125 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/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015.

2. Conversion and Transfer Policies

Foreign Exchange

Prior to reforms in 2009, Zimbabwe's exchange rate policies made it difficult for firms to obtain foreign currency, which resulted in shortages of fuel, electric power, and other imported goods. Exchange rate policies also had negative impacts on debt; causing 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. However, most business is conducted in U.S. dollars.

Zimbabwe's export performance is recovering slowly, but government arrears totaling over USD 10 billion in external debt block access to multilateral financing. The lack of access to financing severely constrains external financing for the economy. Further complicating the matter, the RBZ has not restored foreign currency accounts it confiscated from banks' depositors prior to official dollarization in 2009.

Remittance Policies

In line with recommendations from the Southern African Development Community (SADC) and the IMF, the government revised the Foreign Exchange Control Act, which regulates 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. In addition, foreigners can remit capital appreciation, dividend income, and after tax profits without exchange control approval.

The results of the 2014 Financial Action Task Force (FATF) assessment of Zimbabwe's compliance with the international standards on money laundering and terrorism financing are still pending, but the authorities believe that the results will be positive.

3. Expropriation and Compensation

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. In 2000, the government began to sanction uncompensated seizures of privately owned agricultural land. While this practice was technically illegal, the country amended the constitution to grant the government broad authorities to do so. The government subsequently transferred the taken land to civil servants 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 the 2005 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. In 2006, the government began to issue 99-year leases for land seized from commercial farms. These leases, however, are not readily transferable by the lessees, and only the government retains the right to break the lease at any time for any reason. Following years of poor harvests and excessive underutilization of the expropriated land, the government has expressed a desire to pay compensation to the former white farmers, although the process is likely to take long given the government's financial constraint.

Zimbabwe's agricultural sector is not the only sector in which the Zimbabwean government does not observe formalities of property rights. President Mugabe and other politicians have in the past threatened to target the mining and manufacturing sectors for 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 required mining companies engaged in extraction or exploitation to transfer ownership to the state of 51 percent of the shares; 25 percent of the transferred shares would not be compensated. The 2008 legislation also directs the transfer of 25 percent of the shares in precious metals and stones to the state without compensation, and a 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 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

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Zimbabwe has, according to Chapter 8 of its 2013 Constitution, an independent judicial system whose decisions are binding on the other branches of government. Zimbabwe has ratified both The Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention), and the International Centre for Settlement of Investment Disputes (ICSID) 1965 Convention on the Settlement of Investment Disputes between States and Nationals of other States(1965 Convention on the Settlement of Investment Disputes). Despite Constitutional guarantees, the Executive will occasionally interfere in cases that have political overtones through influencing decisions of the local courts. As government revenue has declined, court resources have dwindled, and dockets have become backlogged.

While there are no specialized commercial courts in the country, administration of justice in commercial cases that lack political overtones is generally impartial. 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 not occurred in practice. The Government of Zimbabwe also does not always accept binding international arbitration of investment disputes between foreign investors and the state. 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. While the decision of the Tribunal was theoretically binding, Zimbabwe simply refused to enforce the award as it saw it as an attack on its sovereignty. In fact, SADC disbanded the Tribunal under pressure from Zimbabwe and subsequently reconstituted it to allow only arbitration between member states while prohibiting citizen access to the court. Most disputes take months if not years to resolve.

Bankruptcy

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 148 out of 189 economies in the World Bank’s 2015 Doing Business Report.

Investment Disputes

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.

International Arbitration

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.

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.

ICSID Convention and New York Convention

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.

Duration of Dispute Resolution

Most disputes take years to resolve. Local courts lack funding and other resources necessary to hear cases in a timely manner.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

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.

Investment Incentives

There are a number of incentives depending on the form of investment and sector. For investment designed to develop industrial parks and investment in tourism development zones, the investors will not pay tax in the first five years, after which they will pay tax at the rate of 25 percent compared to the normal tax rate of 35 percent. For joint ventures in the form of build, own, operate and transfer (BOOT) and build operate and transfer (BOT), investors will not pay tax for the first five years after which they will pay tax at the rate of 15 percent per annum. Investors within the mining sector exporting 50 percent of output enjoy reduced corporation tax of 20 percent and receive import duty exemption on imported capital goods.

Research and Development

Due to financial constraints, the government does not subsidize research and development programs nationally.

Performance Requirements

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.

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.

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.

Data Storage

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.

It is not clear if the government requires foreign IT providers to turn over source code and/or provide access to surveillance.

6. Right to Private Ownership and Establishment

Zimbabwean law guarantees the right to private ownership although the government has increasingly not respected this right in practice. Since 2000, the government has 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

Real Property

Interests in residential and commercial properties in cities are enforced although this is not the case with agricultural land. Mortgages and liens do exist for urban properties although liquidity constraints have led to a drop in the number of mortgage loans. The World Bank's 2015 Doing Business Report ranked Zimbabwe 94 out of 189 countries in terms of registering property. The recording of mortgages is generally reliable. With regard to agricultural land, the government provides and protects use rights of indigenous people and it is currently in the process of developing new 99-year leases that will guarantee use, with the government retaining ownership of all agricultural land.

Intellectual Property Rights

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 limits its ability to enforce these obligations. Pirating of videos, music, and computer software is common.

It does not appear that the government enacted new IP related laws or regulations over the past year. The country does not publish information on the seizures of counterfeit goods.

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/.

Resources for Rights Holders

For a list of local lawyers, see: http://harare.usembassy.gov/attorneys_zimbabwe2.html

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8. Transparency of the Regulatory System

The government's official policy is to encourage competition within the private sector, but the bureaucracy within regulatory agencies lacks transparency, and corruption within the regulatory system is believed to be rampant.

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 25 percent 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).

It is not apparent that nongovernmental organizations or private sector associations manage informal regulatory processes.

9. Efficient Capital Markets and Portfolio Investment

Zimbabwe's stock market currently has 67 publicly-listed companies, but just 14 of them account for over 80 percent of total market capitalization, which stood at USD 4.6 billion on March 24, 2014. 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) rose slightly from USD 351 million in 2012 to USD 373 million in 2013. 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 the beginning of 2015, two local institutions surrendered their banking licenses to the RBZ while a third was placed under curatorship by the central bank. 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 USD 100 million injection from the African Export Import Bank (Afrexim Bank) to revitalize Zimbabwe’s inter-bank lending market.

Money and Banking System, Hostile Takeovers

The Reserve Bank of Zimbabwe (RBZ) believes that the banking sector is generally stable in spite of a harsh operating environment characterized by high credit risk and liquidity constraints. As of December 2014, the sector had 19 operating institutions, comprising 14 commercial banks, one merchant bank, three building societies and one savings bank. A total of 13 out of 19 operating banking institutions complied with the prescribed minimum core capital requirements.

The level of non-performing loans improved somewhat from 20 percent in September to 16 percent by December 2014 largely due to the closure of two banks during the fourth quarter of 2014 and a general improvement in the quality of loans in a few banks.

According to the central bank, the total deposits (excluding interbank deposits), rose from USD 3.9 billion in January 2014 to USD 4.4 billion by December 2014. The growth largely reflected the liquidity inflows related to the tobacco selling season.

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.

OECD Guidelines on Corporate Governance of SOEs

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 USD 6,000 per month to try to 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.

Sovereign Wealth Funds

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.

OECD Guidelines for Multinational Enterprises

The government is not an adherent to the OECD Guidelines for Multinational Enterprises and has not advocated for adherence to the United Nations Guiding Principles on Business and Human Rights.

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.

While the laws to combat corruption exist, enforcement of the laws is weak as the law enforcement agencies lack the political will and resources to do their job effectively.

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.

Although the government has stated its intention to implement a domestic initiative called the Zimbabwe Mining Revenue Transparency Initiative (ZMRTI), it has made little progress in implementing the initiative.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

While Zimbabwe signed the United Nations Convention against Corruption on February 20, 2004 and ratified the treaty on February 20, 2007, it is not party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

Although Zimbabwe's Constitution allows for the establishment of the Zimbabwe Ant-Corruption Commission, it is currently not constituted.

Transparency International

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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.

Bilateral Taxation Treaties

Zimbabwe does not have a bilateral taxation treaty with the United States.

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. Anecdotal evidence shows widespread youth unemployment as the country continues to churn out graduates without any meaningful employment growth. As a result, most end up joining the informal sector estimated at over 94.5 percent of the workforce.

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 encourages foreign investors to make maximum use of Zimbabwean management and technical personnel.

The country's labor laws make it very difficult for employers to adjust employment in response to an economic downturn. Not only are employers required to pay severance pay, but the dispute resolution process takes a long time.

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 suppress and 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. The General Secretary of the General Agriculture and Plantation Workers' Union of Zimbabwe (GAPWUZ) was allegedly forced into exile following threats received for reporting violations of farm workers' rights. 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.

The government is a member of the International Labor Organization (ILO) and has ratified all eight core conventions protecting worker rights. Nonetheless, the country continues to be subject to ILO supervisory mechanisms for gaps in law and practice that are in consistent with these conventions. Practices that severely limit workers' rights to freely associate, organize, and hold labor union meetings remain uncommon. Many provisions of certain laws, including the Public Order and Security Act (POSA) and the Criminal Law Act -- known to repress basic civil liberties and trade union rights -- impose prison sentence entailing compulsory labor on persons who peacefully express certain political dissents.

Child labor in agriculture and mining remains a cause of concern. Although relevant statistics are unavailable, the Government's 2011 Child Labor Survey report released in 2013 concluded that the worst forms of child labor are increasing. The 2008 ILO-IPEC Survey indicated that a fully 87 percent of children surveyed were self-employed.

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

As part of efforts to attract foreign direct investment, the government expressed its desire to reform the labor laws and make them flexible. However, progress in reforming the laws is slow.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

The government promulgated legislation creating Export Processing Zones (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

	Host Country Statistical source*		**USG or international statistical source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2013	13,490	2013	13,400	www.worldbank.org/en/country

Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2012	N/A	2012	(D)	BEA data available 3/19/14 at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	2012	N/A	2012	N/A	BEA data available 3/19/14 at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2013	N/A	2014	N/A	

*Zimbabwe National Statistical Agency
(D) Indicates suppressed information to avoid disclosure of data of individual companies and thus making it unavailable.

Table 3: Sources and Destination of FDI

IMF Coordinated Direct Investment Survey data are not available for Zimbabwe.

Table 4: Sources of Portfolio Investment

IMF Coordinated Portfolio Investment Survey data are not available for Zimbabwe.

19. Contact for More Information

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