

# Public policy making in zimbabwe

[Psychology](#), [Psychotherapy](#)



For the past ten years, Zimbabwe has been riddled with economic stagnation as well as being the subject of political instability, thus that been the reason why many companies and countries have turned a blind eye as concerns investing. Once known as the bread basket of Africa, Zimbabwe has the ability to rise up again especially with the internationally accepted new government of Unity were the two major political parties, ZANU PF and MDC have come together to work as one for the betterment of the country and to fulfil the needs of the people.

There has been little to no investment in Zimbabwe as many pulled out during the past decade. Foreign investment is when a company invests financially in a country abroad, whether in the form of portfolio investments which include shares, stock and bonds, or in the form of direct investment where locally based operations are owned and controlled by the foreign investing corporation. Such investments are controlled by laws known as International trade laws. International Trade law includes the appropriate rules and customs for handling trade between countries or between private companies across country borders.

Most countries are part of a body that has made an agreement for trading internationally. Zimbabwe is part of several including UNICTRAL (United Nations Commission on International Trade Law), BIPPA (the Bilateral Investment Promotion and Protection Agreement) and COMESA (the common Market for Eastern and Southern Africa). Zimbabwe's local body, governing foreign investment is the Zimbabwe Investment Authority with approval necessary from the Reserve Bank of Zimbabwe and Registrar of companies.

The extract below shows the depths to which the Zimbabwean economy had fallen. Foreign Direct Investment Statistics 52. Zimbabwe Net Investment Flows 1998-2007 (US\$ million) | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | | Direct Investment | 436 | 50 | 16 | 0 | 23 | 4 | 9 | 103 | 40 | 69 | | Portfolio Investment | 11 | 21 | -1 | -68 | -2 | 4 | 2 | | | | Source: IMF, UNCTAD, Ministry of Finance

However, what is common is that Africa is the one continent that most global capitalist powers compete for due to its vast resources and wealth, examples being of Nigeria and its oil, The Congo, Zimbabwe, South Africa and Botswana for their diamonds and precious stones as well as many other aspects such as Tourism. Zimbabwe to one of the Wonders of the world, and some people like investing in tourism, but over the past decade they decided not to. Countries would have loved to do that for reasons such as the 2010 world cup but in as much as opportunities arise, if a country is not politically and economically stable, it becomes almost obsolete to even the most interested investors.

Zimbabwe economic situation was is dismal, having the “ largest peacetime drop [in GDP] ever recorded” ([http://www. state.gov/e/eeb/rls/othr/ics/2009/117167. html](http://www.state.gov/e/eeb/rls/othr/ics/2009/117167.html)) at roughly 50%. The Economist Intelligence Unit (in the USA) estimates that 12. 8% of the GDP dropped in just one year- 2008. The inflation rate is the highest in the world, officially estimated at about 231 million percent in July last year. Unofficially however, inflation rates of the Zimbabwean dollar are said to be hundreds of billions if not quadrillions; and this is only the tip of the ice berg. The reasons why foreigners had pulled out were because of: the instability that was brought about after the land return programme • political instability - divisions

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between the two parties and how that affected the country • Economic sanctions - these can cripple a whole economy and country • the breakdown of the stock exchange • the non transparency of the companies and their involvement with government • high taxes • unprofitable economic environment • inflation that started in the thousands and ended in the millions • the laws and regulations governing foreign investment • limited protection for foreign investors in some cases • corruption

The biggest problem the country was facing is that the rule of law no longer exists in the country. Instead, numerous government policies were ill formed and passed. Some that totally nullifies the power of law and order and in some cases, human rights. Currency exchange is a crucial part of foreign trade, the government's Conversion and Transfer Policies were uncertain and changed unexpectedly several times. This has put a constraint on business planning and operations and most companies would much rather not risk making great losses because of a sudden adverse change in policies.

The government of Zimbabwe had been known to disregard any judgments passed against them by international arbitrators, making the country a place full of lawlessness, dangerous and too risky to invest in. For example in 2005 “ a group of Dutch farmers whose farms were seized under the land reform program took their case to the International Centre for Settlement of Investment Disputes (ICSID), demanding that the Zimbabwean government honour the BIPPA between the Netherlands and Zimbabwe. Although the government “ acknowledged that the farmers had been deprived of their land without payment of compensation” they disputed the US\$30million

claim by the farmers. A decision is yet to be reached. A policy amendment Constitutional Amendment 17, enacted in 2005, removed the right of landowners whose land had been acquired by the government to challenge the acquisition in court. To increase foreign investment the government's priority should be to restore the rule of law and order.

Restore the people's faith in the power and fairness of the judicial administrations and government of Zimbabwe. They can do this by honouring their agreements with other countries and renouncing past policies that contradict initial agreements. It would be messy but the country itself is already in a bad state. Righting the wrongs is therefore being an important part of reviving the nation's economy. Nepotism, favouritism, victimization, and discrimination would have to be seen as no longer existent in the country to make investors feel once again confident and safe investing Zimbabwe.

According to the 'best available surveys' "only 7% [700 000 people] of the nation's population is employed in the formal sector," otherwise there is 80% unemployment in the formal sector. Most qualified workers have fled the country in search of greener pastures. The government rightly expects foreign investors to maximize use of local managerial and technical personnel. But in my opinion it is the government's responsibility to ensure that such personnel are available.

Their policy making should therefore first focus on educating and catering for its people so they are available and up to international standard when foreigners come to invest and need workers. The government should make

policies that direct a lot more funding into the Educational sector of the country – which was once very well respected and recognised. Those way investors would find more ready, capable and qualified locals to employ. The government should improve the health sector by injecting funds to pay doctors and nurses well.

Qualified health workers flee Zimbabwe as soon as they get the chance in search of better, more consistent work environments. With well paid doctors and health personnel the country could avoid crises like the cholera outbreak in 2008 and ensure a safe physical environment. In all this however, Zimbabwe's government has made efforts to improve foreign investment. They have created foreign trade zones and processing ports. Benefits include 5 year tax holiday, duty free importation of raw materials and capital equipment for use in the EPZ.

There is a requirement to export 80% of production in these zones however so this makes the offer less attractive to foreign investors. The government should consider reducing the stipulation in order to attract more investors. After the formation of the Government of National Unity, there was increased support from the international world on how to come up with a sound political framework and policy formulation that could encourage foreign investors, and true to form, the two parties have been trying to work with each other so as to do so.

South Africa and Botswana, although closer to home than the usual British and American investors, have already started investing in the mining and farming sectors, with notable billionaires such as Patrice Motsepe of South

Africa playing a crucial part in the field. The goals business sector itself is pushing for: 1. Transparency in business and transactions 2. Sustainable taxes for investors 3. Regulatory laws that also work favourably for foreigners 4.

Strict function and control of the 49% foreign ownership and 51% Zimbabwean ownership - where even those that are foreigners and own 49% are allowed to make Zimbabwean colleagues, their managers and CEO's for the sole issue of trust among many things. Such partnerships are being encouraged. The stock market for one is back on track, especially with the use of the US dollar and South African rand which is making the market stable and opening up the incentive of investing as there is no longer inflation after the current none use of the Zimbabwean dollar.

For the mean while, it is not being used although it has not been eradicated as it will be back in use once the environment is permitting. The policies government makes should firstly, show that the country is serious about attracting foreign investment - at the moment, it looks like South Africa, Egypt, Ghana and Nigeria are the only serious ones. Countries like Botswana, Uganda and Kenya are countries that are coming up and under observation in the mean time.

Secondly the policies should market Zimbabwe as aggressively as other regions of the world - because as of now there is need for a supportive business framework such as transportation and communications infrastructures, trained or trainable human resources, and equitable trade and employment practices. Thirdly they should be aimed at demonstrating to

investors the opportunity cost of not investing in Zimbabwe. Previously the government has certain policies in place, formed and implemented under a dictator regime; In 2008 the government introduced an Indigenization Act that mandates, over time, 51 percent indigenous ownership of businesses.

The government reserves several sectors for local investors. Under current laws, foreign investors wishing to participate in these sectors may only do so by entering into joint venture arrangements with local partners. The foreign investors are allowed to own 35 percent of the operation. The following industries face these restrictions; • Agriculture/Forestry; Primary production of food and cash crops, Primary horticulture, Game, wildlife ranching and livestock, Forestry, Fishing and fish farming, Poultry farming, Grain milling, Sugar refining. Transportation; Road haulage, Passenger bus, taxis and car hire services of any kind, Tourist Transportation, Rail operations. •

Retail/wholesale trade; including distribution, Barber shops, hairdressing and beauty salons, Commercial photography, Employment agencies, Estate agencies, Valet services, Manufacturing, marketing and distribution of armaments, Water provision for domestic and industrial purposes, Bakery and confectionary, Tobacco packaging and grading post auction, Cigarette manufacturing. Source: ([www.nationsencyclopedia.com/economies/africa/zimbabwe/foreign-investment](http://www.nationsencyclopedia.com/economies/africa/zimbabwe/foreign-investment)).

The government needs to recognise that this may not be adequate enough incentive for investors. They should therefore reevaluate and review their policies in some areas to encourage foreigners to invest. The percentages given to foreigners may prove unprofitable to a large conglomerate looking to run a company based in Zimbabwe. They would rather invest in a place where returns can



be maximized, and the government should therefore allow foreigners a larger percentage of the business. The Government of National Unity has taken this into consideration and opened its door to all country stakeholders in 2009 to be part of the new policy making process, this included miners, lawyers, pastors, NGO's and many other diverse groups. This reflected the positive determination of Zimbabweans and the government to get back on reinvest itself bigger and better. Our president was quoted at a mining conference to attract foreign investors who are sceptical about Zimbabwe's respect for property rights following the disruptions on commercial farms and a raft of controversial indigenisation laws; Because it is capital intensive, the mining sector requires regional and international partners who can bring in the necessary capital, mining technology and management expertise to complement local resources," Mr Mugabe told about 200 foreign investors. " On its part, the government is committed to ensuring that the policy environment is stable, predictable and sufficiently attractive to guarantee investors good returns on their investment. "

Investors and locals alike look forward to the growth our economy will experience because of the new policies being put in place and the effort of our Government of National Unity is making to involve all stakeholders and uphold those laws. References: ? <http://allafrica.com/stories/200909180530.html> ? <http://www.allbusiness.com/trade-development/trade-development-> ? [NationsEncyclopedia.com](http://www.NationsEncyclopedia.com) ? [www.zimtrade.co.zw](http://www.zimtrade.co.zw) ? [www.zia.co.zw](http://www.zia.co.zw) ? <http://www.state.gov/e/eeb/rls/othr/ics/2009/117167> ? [www.hg.org/trade.html](http://www.hg.org/trade.html) ? [en.wikipedia.org/wiki/United\\_Nations\\_Commission\\_on\\_International\\_Trade\\_Law](http://en.wikipedia.org/wiki/United_Nations_Commission_on_International_Trade_Law)

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