

Zimbabwe

RISK & COMPLIANCE REPORT

DATE: February 2017

| Executive Summary - Zimbabwe | |
|---|---|
| Sanctions: | EU & US Financial and Arms embargo |
| FATF list of AML Deficient Countries | No |
| Higher Risk Areas: | US Dept of State Money Laundering assessment Supporter of / Safe Haven for International Terrorism Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues) (Average Score) |
| Medium Risk Areas: | Weakness in Government Legislation to combat Money Laundering Compliance with FATF 40 + 9 Recommendations |
| <p>Major Investment Areas:</p> <p>Agriculture - products: corn, cotton, tobacco, wheat, coffee, sugarcane, peanuts; sheep, goats, pigs</p> <p>Industries: mining (coal, gold, platinum, copper, nickel, tin, diamonds, clay, numerous metallic and nonmetallic ores), steel; wood products, cement, chemicals, fertilizer, clothing and footwear, foodstuffs, beverages</p> <p>Exports - commodities: platinum, cotton, tobacco, gold, ferroalloys, textiles/clothing</p> <p>Exports - partners: China 21.1%, South Africa 15.1%, Democratic Republic of the Congo 12.1%, Botswana 10.8%, Italy 4.6% (2012)</p> <p>Imports - commodities: machinery and transport equipment, other manufactures, chemicals, fuels, food products</p> <p>Imports - partners: South Africa 51.9%, China 10% (2012)</p> | |

Investment Restrictions:

The government's priority sectors for foreign investment are manufacturing, mining, and infrastructure development. In 2008, the government introduced the Indigenization Act, which requires that "indigenous Zimbabweans" own at least 51 percent of all enterprises. In March 2010, the government issued regulations to implement the Indigenization Act.

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. Foreign investors may not own more than 35 percent of the operation. These rules apply to the following industries:

Agriculture

- 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, taxi, and car hire services
- Tourist transportation
- Rail operations

Retail and 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

. 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. For precious metals and precious stones, 25 percent of the shares must be

transferred to the state without compensation and a further 26 percent is required to be owned by the state or by 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 Precious Stones Trade Act to focus on diamonds in order to enforce, among other things, the 100 percent government ownership of diamonds, immediate separation of diamond mining and marketing activities and the promotion of value addition through the prohibition of exports of unpolished diamonds.

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Section 1 - Background

The UK annexed Southern Rhodesia from the [British] South Africa Company in 1923. A 1961 constitution was formulated that favored whites in power. In 1965 the government unilaterally declared its independence, but the UK did not recognize the act and demanded more complete voting rights for the black African majority in the country (then called Rhodesia). UN sanctions and a guerrilla uprising finally led to free elections in 1979 and independence (as Zimbabwe) in 1980. Robert MUGABE, the nation's first prime minister, has been the country's only ruler (as president since 1987) and has dominated the country's political system since independence. His chaotic land redistribution campaign, which began in 2000, caused an exodus of white farmers, crippled the economy, and ushered in widespread shortages of basic commodities. Ignoring international condemnation, MUGABE rigged the 2002 presidential election to ensure his reelection. In April 2005, the capital city of Harare embarked on Operation Restore Order, ostensibly an urban rationalization program, which resulted in the destruction of the homes or businesses of 700,000 mostly poor supporters of the opposition. President MUGABE in June 2007 instituted price controls on all basic commodities causing panic buying and leaving store shelves empty for months. General elections held in March 2008 contained irregularities but still amounted to a censure of the ZANU-PF-led government with the opposition winning a majority of seats in parliament. MDC opposition leader Morgan TSVANGIRAI won the most votes in the presidential polls, but not enough to win outright. In the lead up to a run-off election in late June 2008, considerable violence enacted against opposition party members led to the withdrawal of TSVANGIRAI from the ballot. Extensive evidence of violence and intimidation resulted in international condemnation of the process. Difficult negotiations over a power-sharing government, in which MUGABE remained president and TSVANGIRAI became prime minister, were finally settled in February 2009, although the leaders failed to agree upon many key outstanding governmental issues. MUGABE was reelected president in June 2013 in balloting that was severely flawed and internationally condemned.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Zimbabwe is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 25 February 2015

Since June 2011, when Zimbabwe made a high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies, Zimbabwe has made significant progress to improve its AML/CFT regime. Zimbabwe has substantially addressed its action plan at a technical level, including by: adequately criminalising money laundering and terrorist financing; establishing adequate procedures to identify and freeze terrorist assets; establishing a financial intelligence unit; ensuring financial institutions are aware of and comply with their obligations to file suspicious transaction reports in relation to ML and FT; and ratifying the Terrorist Financing Convention. The FATF will conduct an on-site visit to confirm that the process of implementing the required reforms and actions is underway to address deficiencies previously identified by the FATF.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Zimbabwe was undertaken by the Financial Action Task Force (FATF) in 2016. According to that Evaluation, Zimbabwe was deemed Compliant for 11 and Largely Compliant for 9 of the FATF 40 Recommendations.

Key Findings from latest Mutual Evaluation Report (2016):

Zimbabwe has a relatively new AML/CFT regime following the recent comprehensive review of its legal and institutional framework. Implementation of the new measures is emerging.

Zimbabwe has assessed and identified ML/TF risks in the NRA report which was released a few weeks before the on-site visit, and therefore too soon to impact on understanding of risks. Generally, the understanding of the risks is generic and fragmented. While the FIs particularly large banks and FIs with affiliation to international financial groups have a better understanding and modest mitigation controls, the other FIs and DNFBPs showed little or no understanding of ML/TF risks.

Zimbabwean laws do not require FIs and DNFBPs nor the company's registry to establish and verify the identity of a beneficial owner except in circumstances where a customer carries

out a transaction classified as prescribed transaction. The FIs and, to a limited extent, the DNFBPs apply general basic CDD requirements but have limited understanding of the beneficial ownership requirements. In general, some FIs and the rest of the DNFBPs are yet to appreciate the concept of verification of the identity of a customer using independent, reliable sources of information.

Overall, Zimbabwe has a cross-cutting issue of low resources capacity, which has negatively affected the implementation of the AML/CFT measures by competent authorities.

Competent authorities have demonstrated a good national cooperation and coordination in the preparation of the NRA and the AML/CFT Strategy. There is however limited information on practical implementation of the coordination and cooperation measures against ML.

The quality and use of financial intelligence is less developed largely due to expertise and resources constraints to conduct, (i) proper analysis of reports by the BUPSM Unit and, (ii) parallel financial investigations to identify potential ML/TF cases by the Police and other LEAs.

There are no feedback mechanisms from the BUPSM Unit to reporting institutions on the reports filed, on the one hand, and on the Police and other LEAs' use of financial intelligence or other relevant information from the BUPSM Unit to initiate or support ML/TF cases, on the other hand.

There is little evidence on the use of financial intelligence from the BUPSM Unit to carry out ML investigations and prosecution.

Zimbabwe has not yet prioritised application of seizure and confiscation measures on property involving illegal proceeds as policy at national level. As a result, there is insignificant cases of seizure and confiscation of property related to ML and TF.

Zimbabwe regards TF as low risk and has demonstrated a good understanding of TF risks in the country.

The authorities demonstrated a good national cooperation and coordination when they investigated a suspected financing of terrorism case in which financial intelligence was prioritised to identify the movements of funds involved and successfully complete the investigation.

The legal and regulatory framework for registration and licensing as well as monitoring of the NPO sector is less developed, owing to a number of deficiencies and resources constraints at the NPO regulator. There has been no outreach to the NPO sector and the regulator has not yet identified the NPOs which pose high TF risk with a view to apply proportionate monitoring controls. Despite this, the national security agencies and specialised terrorism units have demonstrated a good understanding of the vulnerabilities facing the sector and with the cooperation of the NPO regulator have put in place mitigating controls to monitor the NPOs suspected of terrorism-related activities

Zimbabwe has a sound legal and regulatory framework to implement targeted financial sanctions in respect of UNSCRs 1267 and 1373. FIs have a good understanding of the requirements and, as such, have put in place adequate procedures and processes to apply the lists issued by the BUPSM Unit on the customers and transactions. The DNFBP sector showed very little awareness of the UNSCRs requirements.

Zimbabwe has no specific legal or regulatory measures to implement targeted financial sanctions in respect of proliferation financing.

Supervisors are in the process of developing a risk-based approach supervision framework following the recent release of a NRA findings. Generally, AML/CFT supervision of FIs and DNFBPs in Zimbabwe is less developed. Only the BUPSM Unit has carried out supervision of banks and recently started carrying out joint inspections with the non-bank supervisors, as they develop their own capacity. There has been no supervision of DNFBPs as the focus of the authorities was on FIs. No sanctions have been issued by the supervisors for noncompliance with AML/CFT requirements.

There is no adequate legal and regulatory framework to obtain and maintain beneficial ownership information on legal persons and arrangements. No comprehensive and sufficient risk assessment of ML/TF risks has been conducted on companies. The Registrar has no supervisory capacity including ensuring that the information it obtains and keeps, is accurate and up-to-date.

Zimbabwe has a sound framework for provision of MLA and other forms of international cooperation. However, these measures have been applied on predicate offences only and not on ML and TF cases.

Risks and General Situation

Since the last Mutual Evaluation in 2007, Zimbabwe underwent a comprehensive review of its AML/CFT regime. This exercise led to a number of new laws and amendments to the Mutual Evaluation Report of Zimbabwe-September 2016 existing legislations to strengthen the regime. Before this process, the primary legislations underpinning the AML/CFT regime were; Criminal Law (Codification and Reform) Act, 2006, Serious Offences Act, 2001 and the Bank Use Promotion and Suppression of Money Laundering Act, 2002. In 2013, Zimbabwe passed the Money Laundering and Proceeds of Crime Act (MLPC Act) which is a composite legislation criminalising money laundering (ML) and terrorist financing (TF). The Act also provides for provisional and confiscation measures, preventative measures and supervision responsibilities, and sanctions for failure to comply with obligations and commission of ML and TF offences.

Although Zimbabwe has strengthened its AML/CFT legal framework, the country has low institutional capacity to implement the new measures. The majority of the Financial Institutions (FIs), Designated Non-Financial Businesses and Professions (DNFBPs) and the Competent Authorities are still in the early stages of developing and implementing their policies, procedures and processes to take into account the new framework.

Zimbabwe has no measures in place to implement proliferation financing requirements.

Zimbabwe completed a National Risk Assessment (NRA) in July 2015, and has identified five predicate offences generating the most proceeds, as follows: smuggling, illegal dealings in precious stones, corruption, fraud and tax crimes including externalisation of currency (in that order). The NRA showed that 16 predicate crimes contributed about USD 1.8 billion in 2013. This was estimated at 13 percent of Gross Domestic Product (GDP) in 2013. There were some ML cases investigated and prosecuted arising from some of the predicate offences.

The general ML risk situation in Zimbabwe changed during the period of hyperinflation which resulted in structural changes to the economy, as follows:

- Zimbabwe introduced a multi-currency system in 2009 in which nine currencies¹ became legal tender in place of the Zimbabwean Dollar (ZWD) which had collapsed. Botswana Pula, the South African Rand (ZAR) and the United States of America Dollar (USD) are widely used. The USD is the settlement currency for international transactions and central securities depository systems. Following the introduction of the multi-currency system, the authorities identified increase in criminal activities with organised cross-border characteristics mainly to conversion of foreign currencies, in particular, transactions involving the ZAR and the USD.
- Zimbabwe experienced significant rise in inflows of remittances mainly from Botswana and South Africa as well as the USA and the United Kingdom due to the substantial increase in emigration. The official estimated figure was 5.9 percent of GDP in 2013.
- The economy has become cash-intensive and informal following the collapse of the ZWD which had eroded public confidence in the formal financial sector. This means that the transactions conducted in cash and outside of the formal sector are not being recorded and therefore difficult to monitor by the authorities.

The NRA identified “externalisation of currency” (i.e. sending currency out of Zimbabwe without formal approval from the Exchange Control Department of the Reserve Bank of Zimbabwe) as a major concern. The main typologies observed were, (i) individuals who physically carried cash across the borders, (ii) and legal entities transferring funds to foreign jurisdictions using personal or non-business accounts to avoid detection.

Among the existing FIs, the NRA has identified the banking sector (based on materiality and links with the global financial sector) as the most exposed to risks of ML and proceeds of associated predicate crimes. The most vulnerable DNFBPs to ML and proceeds associated predicate crimes are precious stones and metals dealers, lawyers and the real estate sectors. Cash couriers largely use informal, unregulated foreign currency changers to convert proceeds. Botswana Pula, South African Rand and the United States of America Dollar are the currencies which are widely used in the illegal transactions.

The legal regime on terrorism and terrorism financing is contained in the Suppression of Foreign and International Terrorism Act and the MLPCA. The NRA concluded that the risk of TF in the country is low considering a number of factors including risk level in the region, understanding of TF threats and risks by relevant competent authorities and FIs’ risk assessments and absence of known TF or terrorism cases in the country.

US Department of State Money Laundering assessment (INCSR)

Zimbabwe was deemed a Jurisdiction of Primary Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Zimbabwe is not a regional financial center, but it does face problems related to money laundering and corruption. Serious financial crime in Zimbabwe generally appears in the form of various violations of exchange control rules; underground banking; cross-border crime; organized syndicates, both domestic and international; non-transparency in diamond production receipts; and increased cooperation among criminal networks and links with legal business activity, resulting in corruption and bribery.

Regulatory and enforcement deficiencies in Zimbabwe's AML/CFT regime expose the country to illicit finance risks, but there are no reliable data as to the actual extent of the problem. Commercial banks, building societies, moneylenders, insurance brokers, realtors, and lawyers in Zimbabwe are all vulnerable to exploitation by money launderers. Nearly all transactions in Zimbabwe are carried out with either the U.S. dollar or the South African rand.

The United States, Canada, Australia, and the EU have imposed targeted financial sanctions and travel restrictions on some political leaders and a limited number of private companies and state-owned enterprises for complicity in human rights abuses or for undermining democratic processes or institutions in Zimbabwe. Effective November 1, 2014, the EU lifted Article 96 restrictions, which previously limited EU development assistance to Zimbabwe. Currently, the EU maintains active restrictions against President Mugabe, Grace Mugabe, and Zimbabwe Defense Industries, and an arms embargo. The EU reviews its restrictions annually. Although the EU delisted the Zimbabwe Mining Development Corporation (ZMDC) and the Minerals Marketing Corporation of Zimbabwe (MMCZ) from its list of sanctioned entities in September 2013, the United States maintains sanctions on the ZMDC and MMCZ.

Do financial institutions engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: NO

Criminalization of money laundering:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES **civily:** YES

Know-your-customer (KYC) rules:

Enhanced due diligence procedures for PEPs: Foreign: YES **Domestic:** YES

KYC covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, bureaux de change, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 355: January 1 - October 31, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, bureaux de change, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

money laundering criminal Prosecutions/convictions:

Prosecutions: Not available

Convictions: Not available

Records exchange mechanism:

With U.S.: MLAT: NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Zimbabwe is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body.

Enforcement and implementation issues and comments:

The Government of Zimbabwe sometimes abuses AML legislation for political purposes. Widespread corruption impedes the proper implementation of Zimbabwe's AML/CFT regime. Although several reform-oriented ministers from the opposition party are no longer in the government, Parliament's 20 portfolio committees, including some chaired by opposition members of parliament, continue to offer opportunities for oversight of the executive branch.

Due primarily to production in the Marange diamond fields, Zimbabwe is the world's sixth largest producer of diamonds by volume. Yet Zimbabwe's diamond revenue is non-transparent. There have been reports of collusion between some mining companies and members of the military and secret police. In a form of trade and service-based laundering, management of the mining companies also presented grossly inflated procurement receipts for mining equipment and other materials and, according to government reports, pocketed the difference. The Ministry of Finance has promised to tighten controls in future legislation and to enhance the revenue authority's oversight of the production and sale of diamonds. Ultimate responsibility for this legislation lies with the Ministry of Mines and Mining Development. The ministry has not yet produced a draft act, but the Minister of this department has promised to improve accountability within the diamond mining sector.

Regulation and enforcement in the financial sector is weak, mainly due to a lack of trained regulators and financial crimes investigators. Regulatory and law enforcement agencies lack the resources and capacity to effectively combat money laundering. Many financial institutions are unaware of – or simply fail to comply with – their obligations to file STRs. During the period under review, Zimbabwe's Financial Intelligence Unit (FIU) noted improved cooperation between itself and the law enforcement agencies.

Zimbabwe's framework to freeze terrorist assets has yet to be proven effective. Financial institutions typically receive information related to UN designations from private sources or companies rather than from the government.

Between January and October 2015, the FIU referred eight cases to relevant law enforcement agencies for further investigation. The outcomes of 2013, 2014, and 2015 investigations and prosecutions are still pending.

The Money Laundering and Proceeds of Crime Act (MLPCA) of 2013 brought amendments to the Bank Use Promotions and Suppressing of Money Laundering Act, Building Societies Act, Criminal Matters (Mutual Assistance) Act and the Asset Management Act.

The MLPCA widens the applicability of the Criminal Matters Act (CMA), which deals with mutual legal assistance and appears to assist the investigation and prosecution of terrorist financing. However, this has not yet been demonstrated. While the MLPCA removes key legal impediments to mutual legal assistance, only effective implementation of the CMA will demonstrate its effectiveness. The MLPCA also bars citizens from dealing with shell banks.

Zimbabwe has made some progress in improving its AML/CFT regime. The FIU is fully operational and there have been political commitments to continue the development of anti-money laundering countermeasures. Zimbabwe should ensure that implementation of the MLPCA is underway, combat widespread corruption that permeates government and commerce, and take steps to investigate and prosecute money launderers.

Current Weaknesses in Government Legislation (INCRS Comparative Tables):

According to the US State Department, Zimbabwe does not conform with regard to the following government legislation: -

Report Large Transactions - By law or regulation, banks and/or other covered entities are required to report large transactions in currency or other monetary instruments to designated authorities.

Ability to freeze assets without delay - The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations)

EU White list of Equivalent Jurisdictions

Zimbabwe is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Zimbabwe is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report:

No report available

US State Dept Trafficking in Persons Report 2014 (introduction):

Zimbabwe is classified a Tier 3 Country. This is a country whose governments does not fully comply with the TVPA's minimum standards, and: a) the absolute number of victims of severe forms of trafficking is very significant or is significantly increasing; b) there is a failure to provide evidence of increasing efforts to combat severe forms of trafficking in persons from the previous year; or, c) the determination that a country is making significant efforts to bring themselves into compliance with minimum standards was based on commitments by the country to take additional future steps over the next year

Zimbabwe is a source, transit, and destination country for men, women, and children subjected to sex trafficking and forced labor. Women and girls from Zimbabwean towns bordering South Africa, Mozambique, and Zambia are subjected to prostitution in brothels that cater to long-distance truck drivers on both sides of the borders. Some victims of sex trafficking are subsequently transported across the border to South Africa where they suffer continued exploitation. Zimbabwean men, women, and children are subjected to forced labor in agriculture and domestic service in the country's rural areas, as well as domestic servitude and sex trafficking in cities and towns. Family members recruit children and other relatives to travel from rural areas to cities, where they are subjected to domestic servitude or other forms of forced labor after arrival; some children, particularly orphans, are lured with promises of education or adoption. Children are forced to labor in the agricultural and mining sectors or to carry out illegal activities, including drug smuggling. Additionally, the practice of ngozi, or giving of a family member to another family to avenge the spirits of a murdered relative, creates a vulnerability to trafficking. The individuals given to the wronged family, often girls, are sometimes forced to labor for, and/or marry a member of the new family.

Zimbabwean men, women, and children migrate to South Africa, where some are forced to labor for months on farms, construction sites, or in mines without pay before their employers report them to authorities for deportation. Much of this migration to South Africa is seasonal. Many Zimbabwean women and some children willingly migrate to South Africa, often with the assistance of taxi drivers who transport them to the border at Beitbridge or nearby. Some of the migrants are then transferred to criminal gangs that subject them to violent attacks, rape, deception, and, in some cases, forced prostitution in Musina, Pretoria, Johannesburg, or Durban. Zimbabwean women and men are lured into exploitative labor situations in Angola, Botswana, Mozambique, the United Arab Emirates, Malaysia, Nigeria, South Korea, and South Africa with false offers of employment in agriculture, construction, information technology, and hospitality; some subsequently become victims of forced labor, and some women become victims of forced prostitution. Women and girls are also lured to Zambia, China, Egypt, the United Kingdom, and Canada and subjected to sex trafficking. There has been an increase in reports of trafficking cases involving Zimbabwean women lured to China

under the pretense of professional and hospitality-sector jobs; reports indicate some of these women are subjected to sex trafficking.

Men, women, and children from countries including Bangladesh, Somalia, India, Pakistan, the Democratic Republic of the Congo, Malawi, Mozambique, and Zambia are transported through Zimbabwe en route to South Africa; some of these migrants are trafficking victims. Women and children from border communities in neighboring countries are subjected to trafficking in Zimbabwe for exploitation in prostitution and forced labor, including domestic servitude. Zambian boys are subjected to prostitution in Zimbabwe. South Asians are victims of forced labor in Zimbabwe and South Africa following fraudulent recruitment as part of mining investment schemes through which they become indebted to a trafficking ring. Chinese nationals are reportedly forced to labor in restaurants in Zimbabwe. Chinese construction and mining companies reportedly employ practices indicative of forced labor, including verbal, physical, and sexual abuse, and various means of coercion to induce work in unsafe or otherwise undesirable conditions.

The Government of Zimbabwe does not fully comply with the minimum standards for the elimination of trafficking and is not making significant efforts to do so. During the reporting period, it acceded to the 2000 UN TIP Protocol, issued temporary regulations that criminalize certain human trafficking crimes, and initiated two prosecutions. Government efforts to investigate and prosecute trafficking offenses and convict traffickers remained weak. The government provided no law enforcement statistics on investigations of suspected forced labor and sex trafficking crimes during the reporting period and continued to lack laws that criminalize all forms of trafficking. Parastatal organizations were complicit in trafficking, and official corruption was rampant. The government made minimal efforts to protect trafficking victims, instead relying on non-governmental organizations to identify and assist victims. It has yet to create a national action plan to combat human trafficking as mandated by the January 2014 temporary regulations.

Latest US State Dept Terrorism Report

Zimbabwean government agencies routinely provided assistance by conducting investigative inquiries, traces, and border checks of individuals thought to be threats to U.S. government facilities or personnel. Zimbabwe's continued economic decline, however, has had a detrimental impact on local law enforcement and national security elements responsible for implementing and coordinating counterterrorism efforts. The Suppression of Foreign and International Terrorism Bill, enacted in August 2007 to combat terrorism and mercenary activities in Zimbabwe, was redirected to suppress opponents of Zimbabwe's political leaders and policies. Although generally cooperative, Zimbabwean law enforcement officials have been reluctant to take or recommend actions that would be seen as pro-American. This has undermined efforts to foster greater cooperation.

EU legislation

Arms

The main EU legislation regarding Zimbabwe is [Council Regulation \(EC\) No 310/2002](#). It has been in force since 18 February 2002.

The Regulation provides for an arms embargo and ban on export of equipment for internal repression, as well as a number of other sanctions. In February 2004, the embargo was renewed by [Common Position 2004/161/CFSP](#) and modified by [Council Regulation \(EC\) No 314/2004](#). This regulation introduced prohibitions on the granting, selling, supply or transfer of technical assistance related to military equipment.

Financial

In 2002 the European Union imposed restrictive measures, including among other matters, a freeze on the assets of selective members of the Government of Zimbabwe and individuals associated with them.

Current EU regulations

- [27.03.2013 – Council Regulation \(EU\) No 298/2013](#)
- [21.02.2012 – Commission Implementing Regulation \(EU\) No 151/2012](#) Amended Annex III to Council Regulation (EC) No 314/2004
- [23.02.2011 Commission Regulation \(EU\) No 174/2011](#) Amended Annex III to Council Regulation (EC) No 314/2004
- [25.02.2010 Commission Regulation \(EU\) No 173/2010](#) Amended Council Regulation (EC) No 314/2004 concerning certain restrictive measures in respect of Zimbabwe
- [21.03.2009 Corrigendum to Commission Regulation \(EC\) No 77/2009](#) Amended Annex III to Council Regulation (EC) No 314/2004
- [17.02.2009 Corrigendum to Commission Regulation \(EC\) No 77/2009](#) Amended Annex III to Council Regulation (EC) No 314/2004
- [26.01.2009 Commission Regulation \(EC\) No 77/2009](#) Amended Annex III to Council Regulation (EC) No 314/2004
- [08.12.2008 Commission Regulation \(EC\) No 1226/2008](#) Amended Annex III to Council Regulation (EC) No 314/2004
- [23.07.2008 Commission Regulation \(EC\) No 702/2008](#) Amended Annex III to Council Regulation (EC) No 314/2004
- [02.07.2007 Commission Regulation \(EC\) No 777/2007](#) Amended Annex III to Council Regulation (EC) No 314/2004

- [16.04.2007 Commission Regulation \(EC\) No 412/2007](#) Amended Annex III to Council Regulation (EC) No 314/2004.
- [02.03.2007 Commission Regulation \(EC\) No 236/2007](#) Amended Annex III to Council Regulation (EC) No 314/2004.
- [01.08.2005 Commission Regulation \(EC\) No 1272/2005](#) Amended Annex III to Council Regulation (EC) No 314/2004.
- [15.06.2005 Commission Regulation \(EC\) No 898/2005](#) Amended Annex III to Council Regulation (EC) No 314/2004.
- [19.02.2004 Council Regulation \(EC\) No 314/2004](#) Replaced Council Regulation (EC) No 310/2002. The measures included a ban on technical assistance, financing and financial assistance related to military activities, a ban on the export of equipment which might be used for internal repression, and the freezing of funds and economic resources of members of the Government of Zimbabwe and of any natural or legal persons, entities or bodies associated with them.
- [18.02.2002 Council Common Position 2002/145/CFSP \(PDF 98KB\)](#) Concerning restrictive measures including a visa ban on certain individual members of the Government of Zimbabwe and persons associated with them, and an asset freeze.

OFAC (US) Sanctions

On March 7, 2003, as a result of actions and policies by certain members of the government of Zimbabwe, and its supporters to undermine democratic institutions and processes in Zimbabwe, President Bush issued Executive Order 13288 imposing sanctions against specifically identified individuals and entities in Zimbabwe. On November 23, 2005, the President issued a new Executive Order superseding E.O. 13288. The new Executive Order (E.O. 13391) expands the list of sanctions targets to include immediate family members of any designated individual of the Zimbabwe sanctions, as well as those persons providing assistance to any sanctions target. Providing statutory authority for these sanctions is the International Emergency Economic Powers Act ("IEEPA"), the National Emergencies Act and sections 301 of title 3 of the United States Code.

This fact sheet provides general information about the Zimbabwe sanctions program imposed by the new Executive Order and administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC").

PROHIBITED TRANSACTIONS - Executive Order 13391 prohibits U.S. persons, wherever located, or anyone in the United States from engaging in any transactions with any person, entity or organization found to: 1.) be undermining democratic institutions and processes in Zimbabwe; 2.) have materially assisted, sponsored, or provided financial, material, or technological support to these entities; 3.) be or have been an immediate family member of a sanctions target; or 4.) be owned, controlled or acting on behalf of a sanctions target. Persons, entities and organizations referenced in Annex A of the Executive Order are all incorporated into OFAC's list of Specially Designated Nationals (SDNs). Prohibited transactions include, but are not limited to, exports (direct and indirect), imports (direct and indirect), trade brokering, financing and facilitation, as well as most financial transactions.

Attempts to evade or avoid these sanctions are also prohibited. These prohibitions also extend to any person, organization or entity found to be owned, controlled or acting on behalf of any Zimbabwe entity included on the SDN list.

Under the Executive Order, U.S. persons are also required to block any property of any Zimbabwe Specially Designated Nationals that is in the United States, that comes into the United States, or that comes under the control of a U.S. person wherever located. The term property includes, but is not limited to, money, checks, drafts, bank accounts, securities and other financial instruments, letters of credit, bills of sales, bills of lading and other evidences of title, wire transfers, merchandise and goods. Blockable property also includes any property in which there is any interest of a Zimbabwe SDN, including direct, indirect, future or contingent, and tangible or intangible interests.

Foreign branches and representative offices of U.S. companies, as well as U.S. branches and representative offices of foreign companies are considered U.S. persons for purposes of these prohibitions.

Transactions that do not involve any of the Zimbabwe SDNs, or any person or entity believed to be owned, controlled or acting on behalf of a Zimbabwe SDN are not prohibited by the new Executive Order.

Bribery & Corruption

| Index | Rating (100-Good / 0-Bad) |
|--|---------------------------|
| Transparency International Corruption Index | 22 |
| World Governance Indicator – Control of Corruption | 7 |

Corruption and Government Transparency - US State Department

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.

Section 3 - Economy

Zimbabwe's economy is growing despite continuing political uncertainty. Following a decade of contraction from 1998 to 2008, Zimbabwe's economy recorded real growth of roughly 10% per year in 2010-11, before slowing in 2012-13 due poor harvests and low diamond revenues. The government of Zimbabwe faces a number of difficult economic problems, including infrastructure and regulatory deficiencies, ongoing indigenization pressure, policy uncertainty, a large external debt burden, and insufficient formal employment. Until early 2009, the Reserve Bank of Zimbabwe routinely printed money to fund the budget deficit, causing hyperinflation. Dollarization in early 2009 - which allowed currencies such as the Botswana pula, the South Africa rand, and the US dollar to be used locally - ended hyperinflation and reduced inflation below 10% per year, but exposed structural weaknesses that continue to inhibit broad-based growth.

Agriculture - products:

corn, cotton, tobacco, wheat, coffee, sugarcane, peanuts; sheep, goats, pigs

Industries:

mining (coal, gold, platinum, copper, nickel, tin, diamonds, clay, numerous metallic and nonmetallic ores), steel; wood products, cement, chemicals, fertilizer, clothing and footwear, foodstuffs, beverages

Exports - commodities:

platinum, cotton, tobacco, gold, ferroalloys, textiles/clothing

Exports - partners:

China 21.1%, South Africa 15.1%, Democratic Republic of the Congo 12.1%, Botswana 10.8%, Italy 4.6% (2012)

Imports - commodities:

machinery and transport equipment, other manufactures, chemicals, fuels, food products

Imports - partners:

South Africa 51.9%, China 10% (2012)

Banking

Zimbabwe's banking system is surprisingly functional considering the economic crisis that has enveloped the country over the last few years. But its fragility has been exposed by the bankruptcy of several banks during the last years and the country's dependence on the

willingness of foreign banks to maintain their branches in Zimbabwe.

Stock Exchange

The first stock exchange in Zimbabwe opened in Bulawayo in 1896. The present exchange, The Zimbabwe Stock Exchange only opened up to foreign investment in 1993.

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. Totalling 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 RBZ 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.

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.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

Mixed legal system of English common law, Roman-Dutch civil law, and customary law

International organization participation:

ACP, AfDB, AU, COMESA, FAO, G-15, G-77, IAEA, IBRD, ICAO, ICRM, IDA, IFAD, IFC, IFRC, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, NAM, OPCW, PCA, SADC, UN, UNAMID, UNCTAD, UNESCO, UNIDO, UNISFA, UNMIL, UNMISS, UNOCI, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

Subject to certain limited exclusions, Zimbabwean residents are subject to exchange controls. However, currently (since the beginning of the dollarization period) the exchange controls are relaxed to the extent that one can export dividends and profits without a hiccup. Non-residents are excluded from the ambit of exchange controls except when it comes to investing in securities listed on the Zim Stock Exchange.

The Zimbabwean Authorities are in the process of introducing controls over ownership of companies in almost every sector. The target is that each local company should be owned 51% by indigenous persons and foreigners can only own up to 49%. The major thrust has been in the mining sector where large resources of precious minerals like diamonds and gold have been discovered. Investors can negotiate their way through the Zimbabwe Investment Authority and the Ministry of Youth Empowerment and Indigenisation.

Treaty and non-treaty withholding tax rates

The Income Tax Act subjects a number of payments to withholding tax at source. These are as follows:

| | Normal Rate of tax % | Double Taxation Agreements | | | | Notes 1 |
|--|-------------------------------|----------------------------|---------|-------------|--------|------------|
| | | UK | Germany | Netherlands | Sweden | |
| | | % | % | % | % | |
| Non-Resident Tax on Dividends (NRST) | | | | | | |
| Companies listed on the Zimbabwe Stock Exchange | 10 | 5 | 10 | 10 | 15 | 2,5 |
| Other companies | 15 | 5 | 10 | 10 | 15 | 2,5 |
| Non-Resident's Tax on Interest (NRTI) (Repealed with effect from 30 September 2009) | | | | | | |

| | Normal | Double Taxation Agreements | | | | Notes |
|---|----------|----------------------------|---------|-------------|--------|-------|
| | Rate of | UK | Germany | Netherlands | Sweden | 1 |
| | tax % | % | % | % | % | |
| Non-Resident's Tax on Fees (NRTF) Includes director's fees accruing to non-residents | 15 | 10 | 7,5 | 10 | 10 | 5 |
| Non-Resident's Tax on Remittances (NRTR) This applies to branch operations only and applies to expenses allocable to the Zimbabwe operation | 15 | 20 | 20 | 20 | 20 | 6 |
| Non-Resident's Tax on Royalties (NRTRoy) | 15 | 10 | 7,5 | 10 | 10 | 5 |

Notes

- 1) Other existing Double Taxation Agreements include Norway, South Africa, Bulgaria, Mauritius, Canada, Poland, France and Malaysia.
- 2) Payable by all non-resident persons, including companies. For the lower rate to apply, the non-resident shareholder must hold a minimum of 25% of the Zimbabwe Company's shares.
- 3) This tax is final.
- 4) Taxpayers who are over the age of 55 years are exempt on the first USD 250 per month.
- 5) Due date is within 10 days after the date of payment or accrual, whichever is earlier.
- 6) Due date is within 10 days of the remittance of the allocable expenditure.
- 7) Due date is within 10 days of the end of the month following the month of payment.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

| | Lower Risk | Medium Risk | Higher Risk |
|---|-----------------------------------|---------------------------------------|-----------------------------------|
| FATF List of Countries identified with strategic AML deficiencies | Not Listed | AML Deficient but Committed | High Risk |
| Compliance with FATF 40 + 9 recommendations | >69% Compliant or Fully Compliant | 35 – 69% Compliant or Fully Compliant | <35% Compliant or Fully Compliant |
| US Dept of State Money Laundering assessment (INCSR) | Monitored | Concern | Primary Concern |
| INCSR - Weakness in Government Legislation | <2 | 2-4 | 5-20 |
| US Sec of State supporter of / Safe Haven for International Terrorism | No | Safe Haven for Terrorism | State Supporter of Terrorism |
| EU White list equivalent jurisdictions | Yes | | No |
| International Sanctions UN Sanctions / US Sanctions / EU Sanctions | None | Arab League / Other | UN , EU or US |
| Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network | >69% | 35 – 69% | <35% |
| World government Indicators (Average) | >69% | 35 – 69% | <35% |
| Failed States Index (Average) | >69% | 35 – 69% | <35% |
| Offshore Finance Centre | No | | Yes |

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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