MANUFACTURING INDUSTRY

The engine of economic growth

Private enterprise in general, and industry in particular, will be the engine of economic growth in a new Zimbabwe. Accordingly, the major focus of policy is to create an economic and socio-political environment that entrenches a vibrant mixed-market economy in the country, provides existing businesses with the confidence to maintain and expand their enterprises, and encourages foreign direct investment.

The MDC government will remove price controls and reverse the coercive indigenization proposals recently adopted. A full investigation into all major transactions involving alleged patronage and corruption in any form will be undertaken and, if substantiated, reversed.

The manufacturing sector is in a serious crisis, characterized by:
- A serious failure to supply goods and services demanded by consumers.
- Drastic declines in industrial output.
- Serious declines in investment to maintain and expand production capacity.
- Serious and persistent decline in employment numbers in the industry.
- Serious underutilization of production capacities throughout the sector.
- Serious foreign-exchange shortages that, in the main, constrain production.
- Declines in the volumes of manufacturing exports.
- Reduced supplies of domestically produced raw materials to industry.
- Drastic declines in the volumes of raw material, plant and equipment, and spares imports.
- Serious declines in national savings in real terms.
- A burgeoning shortage of skilled personnel in the industry.

Consistent with the establishment of a market economy, private entrepreneurs will make decisions regarding investment, production and pricing with the objective of making a sound return on their investment. The major role of government will be to aid and encourage the private sector by providing incentives and the required supporting infrastructural facilities.

The establishment of a vibrant enterprise economy will be underpinned by an unwavering commitment to:
- The safety and security of individual and corporate property rights.
- Opening industry to foreign direct investment and the unfettered repatriation of dividends.
- The repeal of all statutes that inhibit the establishment and maintenance

of a socio-economic environment conducive to the sustained growth and development of the industrial sector.

In committing itself to this policy environment, it is crucial for private enterprise to ensure that they:

- Operate within acceptable corporate governance practices.
- Maintain healthy and safe working environments.
- Ensure sustainable use of natural resources.
- Guarantee fair returns to all stakeholders, especially labour.
- Cultivate a high moral and social conscience that is consistent with acceptable sound labour relations and a sense of social justice.
- Support programmes that mitigate the impact of HIV and AIDS with a view to prolonging the productive lives of their employees.
- Comply with environmental regulations, including filing Environmental Impact Assessments for major new businesses.

Any viable enterprise economy has to be driven by a cadre of entrepreneurs who are nurtured specifically for this purpose. Accordingly, it is a major objective of this programme to identify and develop the entrepreneurial capacities needed to make Zimbabwe an industrial hub in southern Africa.

Major goals of policies affecting the manufacturing sector

The major goals for the manufacturing sector include the following:

- The creation of a predictable policy environment that stabilizes the wider economy and creates opportunities for sustained economic growth and development.
- The mobilization of substantial domestic and international human and material resources required to resuscitate and rehabilitate industry so that it plays its rightful role in the development of the country.
- The implementation of programmes that remove all forms of economic dualism in the economy in general and in the rural areas in particular.
- The establishment of an industrial structure that reduces the sector's dependence on imports.
- The establishment of an industrial structure capable of manufacturing some of the capital goods demanded by both the domestic and export markets in contiguous countries. This will be based on the beneficiation of local materials and supported by an international programme aimed at expanding the entrepreneurial skills of local citizens.
- Ensuring that industry plays its critical role of generating the requisite employment opportunities that are commensurate with the skills and technological aspirations of the people of Zimbabwe.

- Ensuring that primary industries beneficiate, to the fullest extent possible, the country's primary products with a view to improving national incomes through value-addition.
- Continuous enhancement of the technological capacity of industry to manufacture products that are competitive at home and abroad.

Industry Development Targets

Policy prescriptions must be predicated on what the nation wants to achieve in any given period. Accordingly, the short-term plan will be to:

- Restore confidence and stabilize the sector to enable it to operate viably and to supply the goods and services demanded by the nation.
- Restore output and productivity to pre-1999 levels.
- Restore employment levels to pre-1999 levels.
- Achieve a strong and sustained increase in exports of manufactured goods.
- Ensure that manufacturing's contribution to GDP reaches at least 25 per cent.
- Restore production capacity from the current low utilization levels.

In the medium to long term, industrial development will be aimed at:

- Ensuring that market forces play the central role not only in determining the nature, breadth and depth of investment in the sector but also in all pricing decisions for goods and services.
- Facilitating the expansion of industrial infrastructure to enable it to adequately service existing and new industrial concerns.
- Facilitating the expansion of micro-lending institutions so that small and informal business opportunities are fully exploited throughout the economy.
- Encouraging value-addition in rural areas, with a special focus on developing non-traditional activities.
- Introducing a corporate tax structure that is consistent with the need to achieve high levels of investment in this sector and is regionally competitive.
- Facilitating the creation of a viable capital goods industry in the country.

Policy Objectives

In view of the issues facing industry and the targets the sector must achieve in the short to medium term, it is imperative that a compendium of policies be introduced to achieve the objectives outlined above.

The immediate objective of Zimbabwe's industrial policy will be to restore the vitality and dynamism of the country's manufacturing enterprise. This requires the creation of a stable policy environment, the full restoration of investor confidence, and the establishment of the reliable industrial infrastructure that is needed to underpin industrial supplies and deliveries into both the domestic and international markets.

The major thrust of industrial policy will be the establishment of a competitive, modern society that facilitates high levels of economic growth and provides opportunities to all Zimbabweans to enhance their living standards. Special attention will be directed to the historically marginalized groups (especially women) with the objective of ensuring their full participation in the production processes.

These objectives will be achieved through the following:

- The establishment of a business environment and culture of entrepreneurship that adequately rewards people for taking risks. The objective will be to facilitate the ability to initiate a business venture in 48 hours.
- Implementation of an integrated industrial development programme that encourages the beneficiation of the country's domestic raw materials and attracts and motivates the latent resources existing in both the rural/peasant communities and other sectors of the economy.
- Development and expansion of industrial infrastructure around known domestic resources through the provision of support infrastructure such as energy, railways and road networks, water, telecommunication facilities, housing and housing infrastructure.
- The establishment of an investment climate that ensures that the economy achieves levels of foreign direct investment sufficient to modernize the country's production technologies and skills.
- Beneficiating the country's primary products, adding value to agricultural and mineral raw materials, and promoting the exploitation of value chains and systems, thereby strengthening sectoral linkages as well as linkages between firms.
- A comprehensive industrial training programme, set up by government in conjunction with the private sector, at home and abroad to widen the industrial skills base of the country. Such programmes will be targeted at all levels of the labour force with the objective of creating a work ethos that is consistent with increased productivity, improved product quality, and the development of entrepreneurs.
- A sustained increase in investment levels resulting from industry mounting export-promotion programmes and re-orienting their production and marketing programmes to wider markets in SADC and COMESA and to other consumers worldwide. Export-promotion policies and incentives that are industry or sub-sector specific will be devised to underwrite the success of the programme.
- A 'Buy Zimbabwe' campaign, introduced in association with the private sector, to expand the domestic market for quality locally produced goods.
- Planned macro-economic and monetary policies that will permit greater access to foreign exchange and the payment of dividends and debt-service charges.

- Awareness programmes aimed at achieving and sustaining the competitiveness of Zimbabwean products in regional and international markets, intensified through incentives, advocacy and education, and by accessing the requisite technology.
- Encouraging the private sector to work closely with the Productivity Centre, the Scientific Industrial Research and Development Centre (SIRDC) and other institutions of higher learning and research to turn research ideas into products.
- Major new industrial investments, which will be considered for special incentives and conditions when they are proposed to the government. Such special conditions will have to receive full public and parliamentary approval.
- The strengthening of the IDC's role as an industrial incubator and partner for new industrial ventures, its existing subsidiaries being sold off and the resources released by such sales used to promote new ventures.
- Special incentives introduced to encourage businesses to ensure that indigenous persons and previously disadvantaged groups fully participate in acquiring equity in new and existing industries.
- A review of the Companies Act and the operations of the Zimbabwe Stock Exchange to ensure that both measure up to best international practice.

The Zimbabwe Iron and Steel Corporation

ZISCO is an important and very substantial investment by the State. It has been poorly managed over many years and has also been the target of serious corruption. The MDC government will, with immediate effect, take steps to replace ZISCO's existing Board of Directors and instruct the new board to undertake the following:

- A complete review of the status of all the corporation's operations and its overall financial situation.
- A review of all senior staff positions and make appropriate changes.
- Prepare proposals for the consideration of government as to how the corporation might be rehabilitated.
- Examine all possible options regarding the future of ZISCO, including the sale of the assets to a suitable investor and continued operation by existing stakeholders.
- Make appropriate recommendations to government as to how the board would like to proceed.

FOSTERING INDUSTRIAL CLUSTERS

The MDC government will encourage the creation of industrial clusters as a strategy to encourage the development of strong industrial linkages and the optimization of efficiencies. Under this policy companies will be encouraged to work together to optimize their output, use of technologies and economies of scale. Local authorities and all public enterprises will be encouraged to give such cluster activities their maximum support. Particular areas for industrial clusters are believed to include the following.

Steel

ZISCO is the backbone of Zimbabwe's heavy industry and must be afforded the latitude to make business decisions without undue encumbrances from government. It will be required to improve the quality and expand the range of its products.

This will be followed by the planning of all ancillary industrial and commercial activity that might be required to support the plant and its upstream (supply and servicing) and its downstream (transport and further beneficiation) needs. These might include the coking plant and the establishment of a stainless-steel plant as well as processing units for special steel sections. In addition the cluster would incorporate all the major supply industries – coal, electricity and transport, as well as the local authority in terms of housing and amenities.

Spinning, Textiles and Clothing

Zimbabwe is the largest producer of raw cotton in Africa and has considerable additional potential in this area. The MDC government will promote the establishment of industrial clusters around existing centres of cotton processing and textile and clothing production.

Cotton ginners will be encouraged to offer cotton lint to local manufacturers at market or export-parity prices. Cotton seed will be sold locally on the same basis and exports of the same discouraged. Clusters will be encouraged to specialize and to target key domestic, regional and international markets for their products. The goal will be the manufacture of top-quality textiles and clothing for niche markets.

Maintenance Clusters

A cluster for the maintenance of railway wagons and locomotives will be established in Bulawayo and designed to meet regional needs for such activity. This will link up with international manufacturers for technology and spares support as well as for financial investment and participation.

Wood Products and Furniture

The MDC government will pursue strategies to increase the output of both soft- and hardwood forests in the Eastern Highlands and Matabeleland, respectively. These supplies of timber will form a major source for the expansion in the wood-products industry.

In complementing these activities, training in the wood-product and furniture industries will be intensified at all appropriate tertiary institutions. Further processing of wood products in industrial clusters will be facilitated and encouraged to deal with primary products such as sawn timber and all its by-products. This will include the processing of wood chips for the paper industry in both domestic and export markets.

The Motor Industry

At present, the domestic market for motor vehicles is very small. Furthermore, the expertise and infrastructure to manufacture a variety of motor vehicles is limited. Motor assembly on its own is also unlikely to yield significant value-added to imported components. Accordingly, in the interim, Zimbabwe will have to import its requirements of sedan vehicles either 'on wheels' or in the form of second-hand vehicles.

However, the country has the requisite potential to assemble a limited range of commercial vehicles, and a niche market could be established for these in the region and elsewhere. Production and assembly would need to be organized on a basis that allows the production of a finished product that is competitive in quality and price at home and in the contiguous markets.

With two existing assembly plants – one in Harare and the other in Mutare – it is suggested that these be brought into two industrial clusters and that these clusters be encouraged to initiate the production of a range of inexpensive commercial vehicles for local distribution and export in the region. Local content would be gradually increased as production capacity was established. In developing this vital industry, a strategy would be to form viable partnerships with international corporations in the industry.

The Mining Industry

The mining industry has considerable potential for growth and this will have to be supported by industry and commerce with a wide range of supply and services. Key mining centres will be encouraged to form clusters of industrial and commercial firms predicated on meeting the needs of the industry. This will include the production of mining machinery, the import, supply and maintenance of specialized equipment and plant, as well as fabrication and civil engineering. In addition, government will encourage the private sector to seek and establish alliances with other relevant partners to beneficiate the country's mineral ores so as to widen industrial output, provide employment and improve incomes.

Micro-enterprise Development

It is recognized that over half of all economic activity at present takes place in the informal and small-enterprise sector. Every effort will therefore be made to encourage this sector to develop to its full potential. Accordingly a full review of all legal constraints and restrictions will be made, with a view to providing space for these organizations and individuals to operate from and protecting them from exploitation and corruption.