



Zimbabwean President Emmerson Mnangagwa at the World Economic Forum in Davos, Switzerland, in January 2018.

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THANACHAIARY/NEWSCOM

Zimbabwe's Revival

New President Supports Economic Drive | BY KERRY DIMMER

Within weeks of becoming President of Zimbabwe, Emmerson Mnangagwa made it clear that he is the man that will drive the revival of the country's economy.

"My government is committed to open Zimbabwe up to investment by building a free and transparent economy which benefits Zimbabweans and is welcoming to outsiders," he said.

Mnangagwa no doubt realizes how difficult this task will be. And to maintain the level of optimism that followed the ousting of Robert Mugabe – who was responsible for introducing the land reforms that ultimately led to the

collapse of the once fertile land, its economy and currency – he will need to prove progress on his statement – and quickly – which is why he has to hit the ground running.

In that context, Mnangagwa has given assurances that foreign investment will be safe in Zimbabwe, and will be introducing reforms to facilitate this. However, it's a hard journey, with almost four Mugabe decades of country mismanagement haunting him, inclusive of corruption, some US\$1.8 billion debt to multilateral lenders like the World Bank alone, 85 percent unemployment, hyperinflation, to name a few concerns. But at least he has opened the door.

INVESTMENT WITH RISKS

So, is now the time to invest in projects in Zimbabwe? The answer lies in an individual investor's appetite for risk, said William Attwell, practice leader, sub-Saharan Africa at Frontier Strategy Group.

"For those that have operated in the sub-Saharan region's riskier markets for years and are willing to continue along that path, then yes, this is a great time because assets are relatively cheap and because such risk-takers can benefit from first-mover advantages, particularly if they are seeking to sell to under-served customer segments."



THIS PAGE: The inauguration of Zimbabwean President Emmerson Mnangagwa at the National Sport Stadium in Harare on November 24, 2017. CREDIT: BELAL KHALED/NURPHOTO/SIPA USA/NEWSCOM

But, Attwell warned, those seeking to invest must do their homework. “Companies can certainly capture the opportunities in Zimbabwe if they base their market entry or expansion plans on realistic assessments of the scale and nature of demand from the target segments, while taking care to identify and build relationships with the right local partners,” he said.

“While it is advisable to stay clear of sectors where political interests are involved, having a strong government relations function is nevertheless important for success, so you have a good idea of new opportunities that are opening up.”

Moreover, he added, that Mnangagwa is very eager to attract foreign investment, meaning there is scope for proactive companies to influence the policy agenda by engaging with government, something that would further enhance the opportunity landscape. That landscape will include sectors like agriculture, manufacturing, consumer goods and retail, technology and infrastructure.

Availing itself is South Africa’s Guma Group, having signaled its intention to invest some US\$1.2 billion in information technology and infrastructure, the impact of which Attwell said is “enough to move the investment dial into positive territory, proving as well that the appetite is certainly there.”

REFORMS STILL NEEDED

Attracting investment on a larger scale is, however, going to require extensive reforms to reduce the risks international companies face, and improve the operating environment while also addressing systemic difficulties, such as the liquidity crisis, all of which hinders business transactions. This translates into larger projects, particularly infrastructure, remaining on hold for the time being, except of course for those longtime-awarded commissions being undertaken by the Chinese, such as the Kariba South Power expansion.

It’s a positive though that in comparison to the rest of the region, Zimbabwe’s logistics environment is relatively developed featuring an extensive highway network, as well as rail and air links.

“The capacity is there,” Attwell confirmed, “though the overriding challenge has been that without adequate funds, maintenance has been poor, leaving much of it to decay.

“According to World Bank estimates, 80 percent of Zimbabwe’s road networks – which include critical arteries linking Harare and other major towns and cities to ports such as Beira in Mozambique and Durban in South Africa – are in need of rehabilitation, so I expect this will be a major focus for

infrastructure spending in the future. In terms of sourcing logistics suppliers, there are several service providers with a strong local presence, as well as South African and international logistics operators.”

MINERALS’ POTENTIAL

Bertling Logistics, with various offices in South Africa, Kenya and Mozambique, is ready to offer multiple routings to cover the whole of Zimbabwe, said Lars Greiner, business development manager.

“Particularly for exports of minerals given we anticipate seeing the mining sector opening up fairly soon, the development of new mines, and upgrade/refurbishment of existing infrastructure,” Greiner said.

The Zimbabwe Investment Authority’s announcement that the mining sector has produced the highest number of recent projects, chimes with the fact that global prices for several of Zimbabwe’s mineral exports (platinum and chrome) are on the rise. Minerals account for more than half of Zimbabwe’s export earnings.

“Certainly, logistics firms and their service providers would do well to assess the scale of higher demand for transport services required to help export mineral products and make decisions around adding additional capacity accordingly,” Attwell said.



LOCALS GETTING AHEAD OF THE HERD

While foreign investors contemplating Zimbabwe sit on the fence – many waiting on the outcome of a national election anticipated later this year – local logisticians are not.

Freight World, a wholly owned Zimbabwean shipping, forwarding and Customs-clearing organization, had been steadily growing its business until a liquidity crunch in 2015. Reverting back to its original growth trajectory is what is now being projected.

Ben Mukandi, Freight World's executive chairman, anticipates this increase to become more pronounced during the forthcoming year, "especially as Zimbabwe reintroduces itself to the global village. Our government is doing its best to engage the international community, and provide a more conducive business platform for investors.

"Internally our government is looking at revamping our rail network and to elevate the steel industry to become the largest in Africa. There has also been massive investment made by international organizations in mining, solar and hydroelectricity," Mukandi said.

Geographically, he continued, the company is in a good position to distribute cargo to other parts of Africa, especially given its bonded warehouse resource, and Mukandi has visions of Zimbabwe becoming the distribution hub into Central and sub-Saharan Africa "sooner or later."



THIS PAGE: Zimbabwean and Chinese workers work on the site of Kariba South Power Station expansion project in Kariba, Zimbabwe, Nov. 14, 2014.

CREDIT: XINHUA NEWS AGENCY/NEWSCOM

Bertling has put plans in place to allow it to operate and carry cargoes of all nature into the country, and looked at a variety of routings in order to counter any potential surge.

"The massive requirement for growth and the related need for power and its generation, and mining, are likely to drive the project market in Zimbabwe, if the country continues to open up," Greiner said.

"The fact that links to South Africa have not been further developed and that South African ports have become among the most expensive in the world, without significant increases in productivity, coupled with developments in Beira and Nacala ports, likely means that eventually cargoes through Mozambique will provide huge opportunities for Zimbabwe. And not just for the import of project and breakbulk cargoes, but also for the export of bulk and large contain-

erized parcels of minerals.

"We believe Mozambique will prove to be the more effective route for Zimbabwe, although if the large volumes anticipated materialize, Mozambique and South Africa will be required to achieve acceptable transit times," Greiner said.

This is a pertinent point given that the transit times from South Africa through Beit Bridge have become onerous over the past decade, both from a time and corruption perspective. "This has to come under close scrutiny and be addressed to alleviate congestion and other anti-competitive practices that exist at this crossing," Greiner said. **BB**

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