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## LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| AIS | Automotive Investment Scheme |
| AG | Attorney General's Office |
| APDP | Automotive Production Development Programme |
| CBU | Completely Built - Up Units |
| CKD | Completely Knocked Down |
| EMA | Environmental Management Agency |
| ESAP | Economic Structural Adjustment Programme |
| FDI | Foreign Direct Investment |
| GDP | Gross Domestic Product |
| MIAZ | Motor Industry Association of Zimbabwe |
| MIDP | Motor Industry Development Programme |
| OEMs | Original Equipment Manufacturers |
| OGIL | Open General Import Licence |
| PI | Production Incentive |
| PSI | Pre-Shipment Inspection |
| RBZ | Reserve Bank of Zimbabwe |
| SAZ | Standards Association of Zimbabwe |
| SI | Statutory Instrument |
| SKD | Semi Knocked Down |
| SMEs | Small and Medium Enterprises |
| VAA | Vehicle Assembly allowance |
| VIC | Vertically Integrated Companies |
| WMI | Willowvale Motor Industries |
| ZMIDP | Zimbabwe Motor Industry Development Policy |
| ZIMASSET | Zimbabwe Agenda for Sustainable Social and Economic Transformation |

# FOREWORD

The Zimbabwe motor industry which has been in existence for over 50 years, has historically proved to be a strategic sector in terms of meeting motor vehicle needs of the economy. The motor industry of any economy, the world over, is viewed as a measure of technological development of that economy, hence the rationale of coming up with the Zimbabwe Motor Industry Development Policy. Over the past decade, the Zimbabwe motor industry witnessed an influx of pre-owned vehicles, resulting in some equipment at the motor assembling plants lying idle, thereby affecting production of vehicles in the process.

The Zimbabwe Motor Industry Development Policy (2017 - 2030) is therefore designed to take the local motor industry to the next level by promoting local assembly and exports of motor vehicles into the region and the rest of the world, in line with the Zimbabwe Agenda for Sustainable Socio Economic Transformation (ZIMASSET) as well as increasing capacity utilisation of car assemblers from the current levels of less than 10% to 100% of installed capacity. The policy framework will also promote utilisation of available local raw materials and components/ parts in the vehicle assembling process and will enable the industry to re-equip and replace obsolete machinery through technology transfer ventures, thereby shielding the industry against unfair competition and stimulating local demand.

In recognition of the significance of the local motor industry to the country's economy, in terms of employment creation, value addition, contribution to the country's GDP, the Zimbabwe government remains committed to the resuscitation of the industry which it regards as strategic by putting in place the necessary supportive policy infrastructure.
Once this local motor industry has been developed, the component manufacturers and other down-stream industries will benefit from the value chain activities having been generated in the process.

Honourable Dr. M.C Bimha (MP)
**MINISTER OF INDUSTRY, COMMERCE AND ENTERPRISE DEVELOPMENT**

## 1.0 THE VISION

1.1 To spearhead the revival of the motor industry sector in Zimbabwe.

## 2.0 OBJECTIVES OF THE ZMIDP

2.1 The overall objectives of the Zimbabwe Motor Industry Development Policy are:

2.1.1 To encourage both local and Foreign Direct Investment (FDI) in the local automotive assembly and components manufacturing from 0% to 10% of total Foreign Direct Investment by 2030;

2.1.2 To promote local assembly and exports of motor vehicles and to look at exports into the region from 0% to 50% of total local production by 2030;

2.1.3 To increase capacity utilisation of car assemblers from the current levels of less than 10% to 100% of installed capacity by 2030;

2.1.4 To develop the automotive industry to an extent whereby it becomes a significant contributor to GDP, Exports and Government Revenues;

2.1.5 To create employment and investment opportunities in the downstream industries;

2.1.6 To promote utilisation of available local raw materials and components/ parts in the vehicle assembling process from 10% to 40% by 2030;

2.1.7 To re-equip and replace obsolete machinery through technology transfer ventures; and

2.1.8 To shield the industry against unfair competition and stimulate local demand.

## 3.0 RATIONALE FOR MOTOR INDUSTRY DEVELOPMENT POLICY

3.1 Since the demise of the Vertically Integrated Companies (VIC) policy, no successive policies were created to guide the development of the motor sector. It is against this background that this policy has been crafted to provide guidance and thus revive the sector.

## 4.0 EXPECTED OUTCOMES

4.1 Increased employment levels by 70% during the first year of policy implementation. Thereafter, there will be an annual increase in employment of 10% over a three-year period before tailing off to a marginal increase.

4.2 Improved contribution to GDP and exports by the motor sector of up to 20%.

4.3 Increased investment in automotive assembling and component manufacturing.

4.4 Increased utilisation of local components from the current 10% to 40% by 2030.

4.5 Increased rate of technology transfer in the sector.

## 5.0 ANTICIPATED BENEFITS

5.1 Currently, the motor industry is not exporting but envisages improving its contribution to exports to 20% by 2030. This will be possible in the event that Joint Ventures are established to resuscitate our local assemblers.

5.2 The policy is envisaged to increase investment in automotive assembly by attracting new entrants into CKD and SKD assembling. It is also expected to increase the utilization of local components from the current 10% to 40% by 2030 and increase the rate of technology transfer in the sector. The component manufacturing sector is also expected to rise with the revival of the motor industry.

5.3 Successful implementation of the policy will help the sector to become a major driver of broad based economic growth in Zimbabwe. This would also help ensure that the motor industry value chain is enhanced for the attainment of economies of scale.

5.4 The policy has buy in from key players in the sector who include the motor vehicle assemblers, importers and component manufacturers.

## 6.0 SUCCESSFUL IMPLEMENTATION OF THE POLICY

6.1 To ensure fulfilment of the overall objective of the policy which is to resuscitate and revive the once vibrant motor industry sector, Government will work closely with all stakeholders in the motor industry sector.

6.2 Government will also create an enabling environment through appropriate policy interventions.

6.3 The Ministry of Industry and Commerce will continuously engage other relevant Government Ministries/ Departments in coming up with appropriate interventions to revive the motor industry sector.

6.4 In terms of implementation of the policy, an implementation matrix will accompany the policy. The implementation matrix will clearly specify the key action plans for the policy, timeframes and responsible implementing stakeholders.

## 7.0 BACKGROUND

7.1 The motor industry in Zimbabwe has been in existence for over 50 years, and has historically proved to be a strategic sector in terms of meeting motor vehicle needs of the economy, employment creation, value addition and contribution to GDP and being an accurate barometer of technological development of the domestic economy. Over the past years, the industry has however, lost its dominance in supplying the local market with its automotive requirements.

7.2 In the mid 1980's, the Government instituted the “Vertically Integrated Companies (VIC) policy” for the motor industry based on the assembly plants being totally responsible for vehicle imports and the development of local content. In the early 1990's the introduction of the Economic Structural Adjustment Programmes (ESAP) heralded the demise of the VIC policy. The situation was exacerbated by continual vehicle shortages brought about by lack of foreign currency.

7.3 No new policy was introduced and, in fact, import controls were left wide open resulting in the proliferation of vehicle imports, particularly used vehicles. Numerous spare parts distributors sprang up offering inferior quality spares further worsening the situation.

7.4 Around 1995 the assembly plants were given some protection and encouragement by Government allowing vehicle kits to be imported duty free. As a result vehicle models were rationalised. This increased economies of scale and encouraged local content development leading to increased employment.

7.5 During the period 2000 to 2017, the country experienced economic challenges. This period also witnessed a shift in government policy that reduced import duty for Completely Built-Up units (CBU). The duties were reduced to a level where they no longer countered the heavy subsidies enjoyed by neighbouring countries. This resulted in a shift from locally assembled vehicles to imported CBU vehicles and an influx of imports of second hand vehicles at the expense of the local assemblers and local component manufacturers.

7.6 Statistics indicate that motor vehicle imports gobbled a huge amount of foreign currency averaging US$500 million per year during the period 2009 to 2014. The main contributor to the import bill was the growth in the second hand vehicles.

Table 1 below shows annual second hand motor vehicle imports for the period 2006 to 2016.

**Table 1: Annual value of Second Hand Motor Vehicle Imports**

| Year | Value (US$) |
|---|---|
| 2006 | 114,541,655 |
| 2007 | 207,416,624 |
| 2008 | 158,556,748 |
| 2009 | 300,324,291 |
| 2010 | 933,812,314 |
| 2011 | 845,374,631 |
| 2012 | 894,889,293 |
| 2013 | 483,621,505 |
| 2014 | 477,865.899 |
| 2015 | 345,757,063 |
| 2016 | 240,311.411 |

Source: ZIMSTAT

7.7 Globally, wherever there is a mature motor industry that has thrived, Government has banned the importation of second hand vehicles in order to support growth in the local motor industry and thus create jobs locally. In the case of Zimbabwe, there are currently no controls or restrictions on the importation of pre-owned vehicles. Used cars and trucks are currently being imported into Zimbabwe by small independent dealers and individuals either for private use or for re-sale.

7.8 Zimbabwe's market for new vehicles thus shrunk over the years from the highest levels of over 20 000 units per year in 1997 to less than 3 500 units in 2016. Table 2 below shows the Zimbabwe national sales figures of new and second hand vehicles.

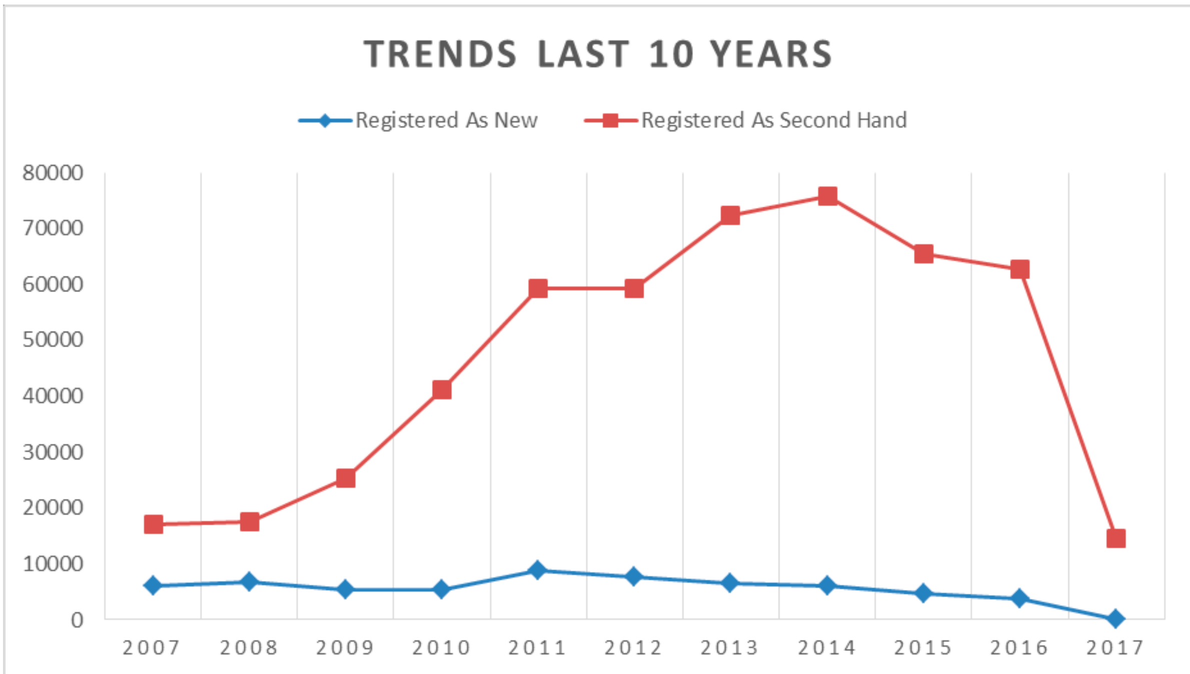
Table 2: Sale of New and second hand Passenger Vehicles

| Year | New Vehicles | | Second hand vehicles | | Total Vehicles | Ratio of New to used |
|---|---|---|---|---|---|---|
| | Absolute | % | Absolute | % | | |
| 2007 | 6,155 | 27% | 17,023 | 73% | 23,178 | 36.16 |
| 2008 | 6,759 | 28% | 17,565 | 72% | 24,324 | 38.48 |
| 2009 | 5,358 | 18% | 25,254 | 82% | 30,612 | 21.22 |
| 2010 | 5,272 | 11% | 41,139 | 89% | 46,411 | 12.82 |
| 2011 | 8,754 | 13% | 59,362 | 87% | 68,116 | 14.75 |
| 2012 | 7,704 | 12% | 59,181 | 88% | 66,885 | 13.02 |
| 2013 | 6,456 | 8% | 72,300 | 92% | 78,756 | 8.93 |
| 2014 | 5,978 | 7% | 75,862 | 93% | 81,840 | 7.88 |
| 2015 | 4,751 | 7% | 65,500 | 93% | 70,251 | 7.25 |
| 2016 | 3,860 | 6% | 62,619 | 94% | 66,479 | 6.16 |
| 2017 | 145 | 1% | 14 ,470 | 99% | 14,615 | 1.00 |

Source: Central Vehicles Registry

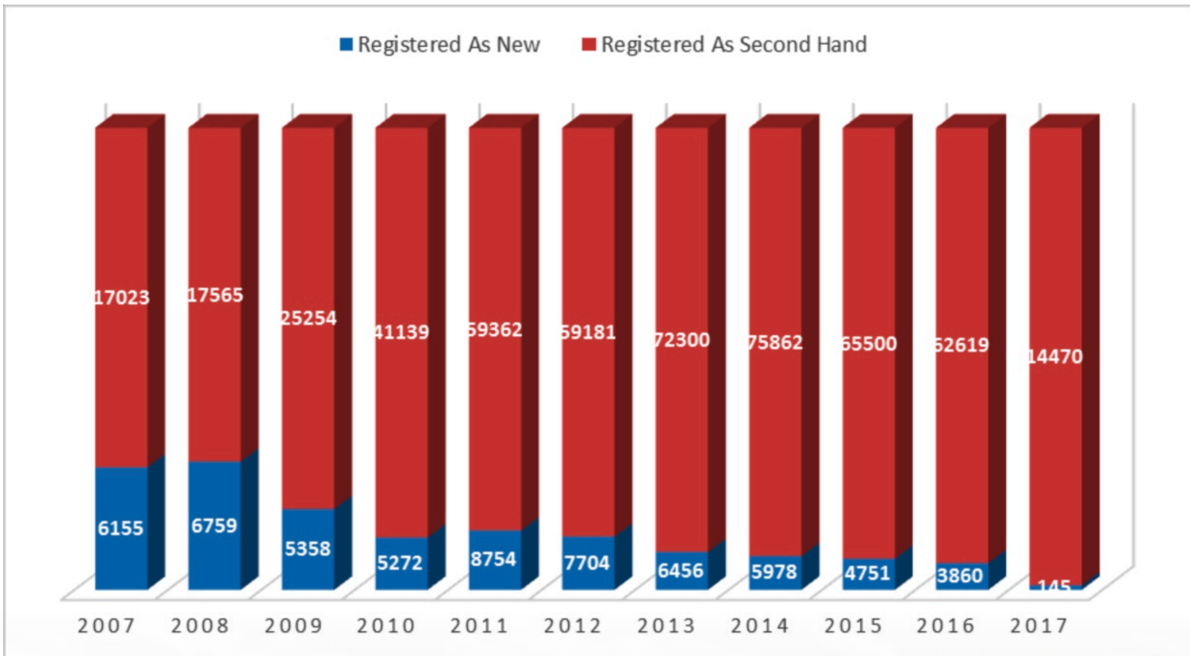
<u>N.B</u> Please note that the figures for 2017 are from January to March.

**Figure 1: Trends in second hand and new vehicle imports (2007 – 2017)**




Source: Central Vehicles Registry

**Figure 2: Graphical representation of second hand and new vehicle imports (2007 – 2017)**




Source: Central Vehicles Registry[1]

[1] Statistics for 2017 are from January to March

**Exports Statistics**

7.9 Over the years, WMI exported 15 units a year to Mozambique, Zambia and Malawi. The company found it difficult to compete in export markets with South African products because of the production and export incentives afforded to South African manufacturers by their government.

**Pre-Shipment Inspection (PSI)**

7.10 The Pre-Shipment Inspection (PSI) policy for importation of second hand vehicles will be adopted by Government. This entails the mechanical and structural inspection of the second-hand vehicles at source such that vehicles that fail to meet the set standards are not allowed into the country. The inspection will be performed in accordance with national environmental, safety and international standards. This will minimize the risk of unsafe and sub-standard vehicles entering the country thus ensuring the health, safety and environmental protection of people.

7.11 The benefits of Pre-Shipment Inspection include; enhancement of safety as PSI will enable detection of any mechanical defects that could jeopardise the imported vehicle's road worthiness. PSI will also prevent importation of second hand vehicles that have radiation or other defects that could have a negative impact on the environment and gives the assurance that a vehicle is in good and optimal condition. Ultimately, PSI results in cost savings as importation of vehicles with mechanical defects is prevented.

7.12 Countries that have adopted PSI include Kenya, Mozambique, Tanzania and Zambia. Zimbabwe is expected to implement Pre-shipment Inspection on second hand vehicles.

## 8.0 STRUCTURE OF THE MOTOR INDUSTRY

The Zimbabwe Motor sector consists of the following major segments:-

### 8.1 Motor Vehicle Assemblers

The Ministry of Finance and Economic Development (MoFED) has Statutory Instruments (SIs) in place that define assemblers. An assembler has to be registered in line with Schedule II of Section 5 of SI 13 of 1999 and SI 169 of 2004. Currently, the sector consists of two motor vehicle assemblers, Willowvale Motor Industries and Quest Motors and two bus assemblers, Deven Engineering and AVM Africa. Willowvale Motor Industries based in Harare closed in September 2012 and has since resumed production following a joint venture investment with BAIC of China and a local partner, Astol. Quest Motor Corporation is operating in Mutare. Deven Engineering and AVM Africa are both located in Harare and are operational.

### 8.2 Franchise Holders/ CBU Importers

This segment consists of companies that have been appointed by international OEMs to be franchise holders for the Zimbabwe territory. These companies import completely built up vehicles (CBUs) and retail these directly and/or through appointed car dealers. The franchises involved include Toyota, Nissan, Mitsubishi, VW, Landrover, Isuzu, Mercedes Benz, Hyundai, Ford, Great Wall, Peugeot etc.

### 8.3 Car Dealers

This segment consists of companies that deal in both brand new and second hand imported and locally produced vehicles. There are over 40 such companies with the bulk of them located in Harare and Bulawayo. Some of the prominent car dealers are Croco Motors, Amtec, AMC, Royal Car Sales, Kenmac Motors, Hillside Motors, Prism Motors, Nyamidzi Motors, Mike Harris Car Sales, Belgravia Motors and Momentum Services.

### 8.4 Component Manufacturers

The component manufacturers segment consists of companies that provide parts used by the motor vehicle assemblers and also by car dealers in the after-market sales service. Component manufacturers include companies such as Auto Tyres Zimbabwe (formally Dunlop) which manufactures tyres and Chloride Zimbabwe which manufactures batteries. A majority of companies in this sub-sector such as PG Industries in Zimbabwe, Battery World Pvt Ltd, Brake and Clutch , All Metal Founders (Pvt) Ltd, Afri Safety Glass and RTO Engineering, to mention but a few, have since closed due to the problems encountered by assemblers. Revival of local assembly would lead to the resuscitation of the component manufacturing segment.

### Overview of Component Manufacturers

8.5 Zimbabwe used to have a vibrant componentry manufacturing sector supplying batteries, tyres, glass, springs, paint and chemicals among other things to the motor industry sector. Most players in the sector closed down or down sized, with a few still operating at low capacity.

8.6 The componentry manufacturing sector has the potential to produce motor components such as rubber belts, filters, spark plugs, body parts, rims, tyres, batteries, electrical wiring, bolts, exhausts, plastic bottles for engine coolant and water, glass, seats, brake pads and other process materials. This would also entail use of some local raw materials such as steel and platinum leading to value addition and beneficiation.

8.7 The componentry manufacturing segment used to include manufacturers of brakes and brake related components such as Brake and Clutch and All Metal Founders (Pvt) Ltd that have closed.

8.8 Trailers are being manufactured by AVM Africa (Pvt) Ltd, Brown Engineering, Monarch Steel and Deven Engineering, to name but a few.

8.9 Automotive glass products such as windscreens, side glass and backlight used to be produced by PG Industries in Zimbabwe which has since closed.

8.10 The tyre sector is faced with unfair competition from second hand tyres which are selling in Zimbabwe at three times cheaper than new tyres. The second hand tyres originate from South Africa, China and Japan. Tyres are being manufactured by Auto Tyres Zimbabwe.

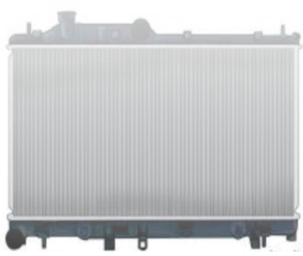
8.11 Batteries used to be manufactured by Battery World (Private) Limited, Art Corporation and Trimtex Engineering which have since closed. Currently, only Chloride Zimbabwe (Pvt) Ltd is producing batteries and has invested in advanced technologies for the production of maintenance free batteries which are currently in demand. The battery sub-sector is currently producing 18 000 batteries per month, against a local monthly demand of 25 000 batteries.

8.12 Gear Boxes used to be produced by RTO Engineering, Japan Auto Trading and Benbar Tromps that have since closed down.

8.13 Automotive Paints used to be manufactured by Astra Holdings, Millchem and Dulux but the companies have since stopped making the products due to the decline in local assembly. .

8.14 Radiators, seat frames, canopies, roll bars, tonneau and carpets used to be produced by Headway Enterprises, Karina Textiles, and Radiator and Tinning that have since closed.

8.15 The coach building sub sector covers manufacturers of box bodies for pickups, buses, ambulances, wheel arches, van drop side bodies, and taut liners. The players in this sector are AVM Africa, Quest Motor Manufacturing and Deven Engineering. These companies are operating at very low capacity of around 10%. This is largely attributed to the challenges and constraints facing the local vehicle assembling industry which has a vertical linkage with this sector.



## 9.0 CHALLENGES FACING THE MOTOR INDUSTRY

9.1 The Zimbabwe motor vehicle industry has been affected by challenges that have had an effect of downsizing of companies and downstream industries. Investments in the value chain of the sector have been affected by the lack of vibrant local manufacturing entities within the assembling process.

9.2 The reduction in duties during the period 2000 to 2013 exposed the industry to unfair external competition from highly subsidised imports from South Africa.

9.3 Foreign currency shortages also prevented the industry from investing in new technology.

9.4 Whilst there is a directive that all Government institutions including Parastatals should purchase their vehicle requirements from local assembly plants, this directive has not been adhered to.

9.5 The demise of the motor industry was exacerbated by the significant reduction in duty levels which resulted in the influx of second hand vehicles.

9.6 Investment in the sector is also inhibited by the high costs of doing business in Zimbabwe.

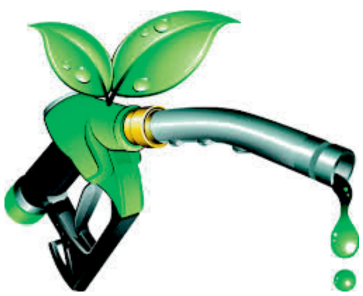
9.7 Lack of financing from banks because of liquidity challenges has also constrained local demand.

9.8 Industry did not introduce affordable entry level models and was not strong enough to face competition from an influx of reasonable second hand vehicles.

## 10.0 CONSUMER VIEWS

10.1 A vibrant transportation system servicing all the sectors of the economy is at the nerve centre of any economy. Consultations with consumers revealed that consumers require affordable cars. Consumers prefer second hand vehicles because of low disposable incomes, lack of affordable car purchase financing schemes and issues of affordability and variety.

10.2 Consumers also require motor vehicle finance schemes. Financial institutions will be encouraged to come up with financing structures that offer solutions for the average Zimbabwean consumer.



## 11.0 REGIONAL BENCHMARKING

**11.1** Most countries with vehicle markets similar to or larger than South Africa ring fence their automotive industries with significantly higher tariffs and governments provide substantial support to their industries, recognizing the benefits of the sector to a country's economy. Each employment opportunity in the manufacturing sector normally supports a multiple of jobs elsewhere in the economy.

11.2 The automotive industry in South Africa is regarded as a strategic asset. The Motor Industry Development Programme (MIDP) was implemented with effect from 1 September, 1995 to reshape the future direction of the South African automotive and associated industries.

11.3 Since the introduction of the MIDP, significant structural changes have taken place in the South African automotive industry. The sector has grown in stature to become the leading manufacturing sector in the country's economy. Other industries, due to their strong linkages with the automotive industry, have also benefited from the growth in the automotive sector. Input industries that have benefited include aluminum, chemicals, electronics, leather and textiles, platinum group metals, plastics, rubber, steel, machinery and equipment, as well as service industries such as engineering, logistics, tooling and others such as financial, wholesale, retail and advertising.

11.4 The MIDP has to a large extent achieved its stated objectives and, in general, its contribution to the domestic automotive industry has been regarded as positive. Key achievements under the MIDP between 1995 and 2012 include a significant increase in vehicles and component exports, capital expenditure by OEMs, investment in human capital, local production and employment. At the inception of the MIDP in 1995 local vehicle production was around 200 000 vehicles per year but has since increased to around 600 000 units per year.

11.5 The MIDP ended on 31 December 2012 and was succeeded by the Automotive Production Development Programme (APDP), with effect from 1st January, 2013.

11.6 The vision is to double vehicle production in South Africa by 2020 to 1.2 million vehicles per annum, pushing the country's automotive industry up to an anticipated global market share of over 1%. The increase in market share will trigger additional interest and investment and generate additional export business. The APDP seeks to shift the emphasis away from an export focus to one that emphasizes value addition and scale in the production of vehicles.

11.7 The APDP consists of four pillars that drive the programme; Tariffs: South Africa imposes import duties on both CBUs and vehicle components as a form of protection for locally produced vehicles and components (25% on light vehicles and 20% on original equipment components). Vehicle Assembly Allowance (VAA): South Africa issues duty-free import credits to local car manufacturers referred to as the Vehicle Assembly Allowance (VAA). The VAA is calculated as a percentage of the ex-factory price of a light vehicle produced in South Africa multiplied by the import duty rate for the class of vehicle. This incentive is aimed at increasing local production.

11.8 Production Incentive (PI): This incentive is in the form of duty-free import credits and is calculated as 50% of the value added multiplied by the component duty rate. Automotive Investment Scheme (AIS): provides for a taxable cash grant of 20% of the value of qualifying investment in productive assets by light motor vehicle manufacturers and 25% of the value of qualifying investment in productive assets by component manufacturers and tooling companies.

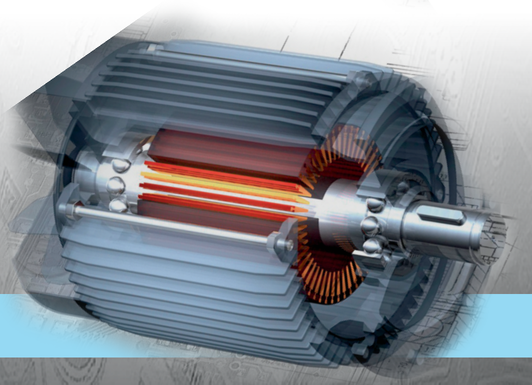
11.9 South Africa has maintained high duty rates on imports of motor vehicles which has provided adequate protection for its local industry. South Africa has further banned importation of second hand vehicles.

## 12.0 COMPARATIVE ADVANTAGES OF THE MOTOR INDUSTRY

12.1 Zimbabwe's motor assembly sector has a comparative advantage over its neighbours (other than South Africa) as it already has two existing assembly plants and two existing bus manufacturers that are operational. The motor industry sector needs high investment and huge capital outlay and this creates a barrier for new entrants.

12.2 The country has a fairly developed component manufacturing subsector that feeds into the assembly plants even after the demise of some of the component manufacturers. A vibrant ZMIDP would unlock value chains as there would be demand in the local componentry sector. Potential exists to produce up to 40% of motor vehicle components locally. Zimbabwe can leverage on these value chains by supplying the region with components.

12.3 Given the existence of the motor industry in Zimbabwe for more than 50 years, the country has a pool of experienced personnel that have been developed over the years.



## 13.0 INCENTIVES FOR THE SECTOR

13.1 There will be need to introduce duty rebate on components imported for local production when the finished vehicles are re-exported. Appropriate fiscal incentives will be required to assist the Motor Industry Development Policy (MIDP) to be a leader in local assembly of vehicles.

13.2 Facilitation of ease of doing business.

13.3 Maintain the CBU import duty levels to counter the South African APDP incentives. Prospective investors, among other things, will compare the duty payable on CBU exports into Zimbabwe with local assembly fees to inform their decision whether to have their brands produced locally or exported to Zimbabwe as CBU units.

13.4 Facilitate the Special Economic Zones for the motor industry sector to develop exports in the sector.

13.5 Encourage banks to introduce facilities that offer financial schemes to stimulate local demand.

13.6 Attract investments to allow for production of a variety of models through contract assembly.

## STRATEGIES

**14.0** The Zimbabwe Motor Industry Development Policy will be based on five strategies;

- Assembly of Semi Knocked Down (SKD) and Completely Knocked Down (CKD) kits;
- Government Support;
- Control on second hand imports;
- Categorisation and regulation of the motor industry;
- Development of the motor industry value chain and clusters; and
- Addressing the issue of variety

## 14.1 STRATEGY 1: Completely Knocked Down (CKD) and Semi Knocked Down (SKD) Assembly

### 14.1.1 Measure 1: Completely Knocked Down (CKD) Policy

The CKD policy shall apply as in Statutory Instrument 13 of 1999. The level of breakdown would be as enumerated under Second Schedule of Section II of the same statutory instrument.

Import duty on Completely Knocked Down (CKD) kits is zero percent. Government will maintain the duty at 0% with the exception of components which could be substituted with locally produced components that meet the specifications of the vehicle manufacturer. Any such component that is locally available and imported as part of a CKD kit will be subjected to the duty rates as per the general tariff schedule.

### 14.1.2 Measure 2: Semi Knocked Down (SKD) policy

The SKD policy shall apply as in Statutory Instrument 136 of 2016. The level of breakdown would be as enumerated under Second Schedule of Section II of the same statutory instrument.

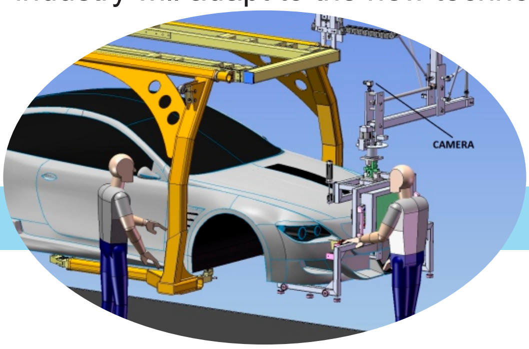
1. Motor vehicle kits imported in SKD form shall attract duty.
2. The local content principle shall apply as under CKD policy.
3. Failure to meet local content criterion will attract CBU duties.
4. A five year moratorium will be given to SKD assemblers to migrate to CKD assembly.

### 14.1.3 Measure 3: Research and Development

The sector is encouraged to engage in research and development to improve on quality and models. In view of the mandatory blending on biofuels, the Motor Industry Development Policy therefore, requires that both locally assembled and imported vehicles comply with the blending policy.

Zimbabwe's road network requires both commercial and passenger vehicles that can withstand the dynamics of the terrain. Local assemblers and importers are expected to produce and import vehicles that withstand the terrain.

Noting the global developments in the motor sector of migrating towards solar and electrical powered vehicles from fossil fuels, it is expected that the local industry will adapt to the new technologies by 2050.




## STRATEGY 2: Government Support

**14.2.1** Government will be encouraged to source from local producers/assemblers. Education and awareness campaigns will be conducted to conscientise the public on benefits of buying locally assembled vehicles.

**14.2.2** Government to mobilise affordable long term lines of credit.

**14.2.3** Government to come up with a package of export incentives for local assemblers to encourage exports.

**14.2.4** Government and motor industry players to negotiate with banks for customer funding to stimulate local demand.

**14.2.5** Government to come up with tax incentives on locally produced vehicles.

**14.2.6** Establishment of Special Economic Zones for local assemblers.

**14.2.7** Government to introduce production incentives tied to local content used.

**14.2.8** Government to put in place tariff adjustments on the vehicle specifications as given in the corresponding Statutory Instrument.

## STRATEGY 3: Control of Second Hand Imports

**14.3** The strategy seeks to balance the importation of second hand vehicles against the production of a variety of locally produced vehicles.

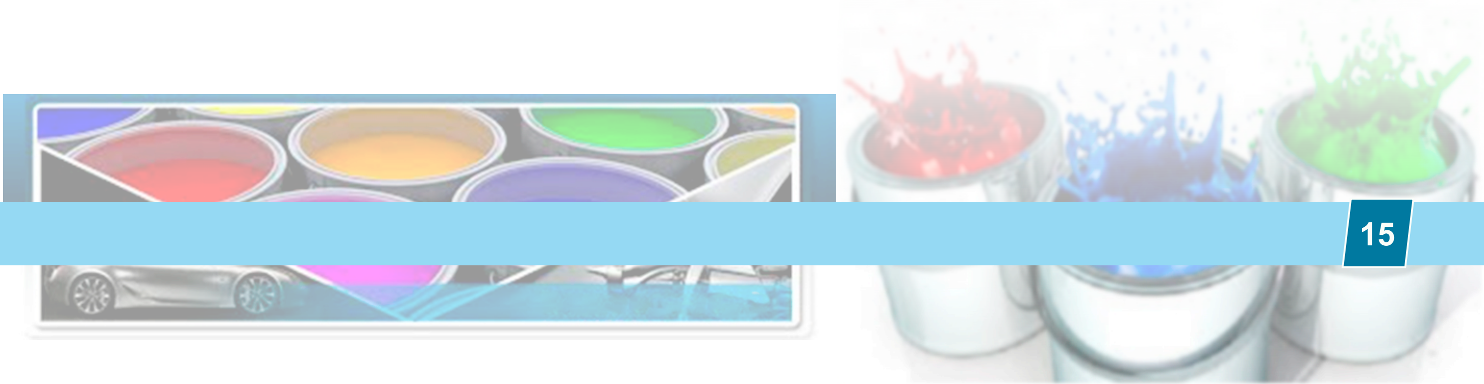
**14.3.1 Measure 1: Imposition of surtax**

A gradual approach will be adopted to reduce second hand vehicle imports into the country through use of duty combined with surtax. See appendix I for surtax rates.

The policy aims to grow the market for new vehicles, and once the market for new vehicles has grown as it is envisaged, it will create its own pool of second hand vehicles, thereby eliminating the need to import from outside.

**14.3.2 Measure 2: Conformity to standards and Pre-shipment Inspection**

Government will adopt a Pre-Shipment Inspection (PSI) policy with standards that should be met by imported second hand vehicles such that vehicles that fail to meet the quality standards are not allowed into the country. The inspection which will be conducted at source by an international company in accordance with set local and international standards.



### 14.3.3 Measure 3: Registration of Franchise holders

All new vehicles to be imported through registered Franchise Holders only and other non-registered franchise holders will attract additional surtax, import permits and other measures.

## STRATEGY 4: Categorisation and regulation of the motor industry

**14.4.1** Regulation of the sector is through a Statutory Instrument.

## STRATEGY 5: Development of the motor industry value chain and cluster

**14.5** The strategy is aimed at developing a vibrant component value chain and facilitating linkages between assemblers and Small and Medium Enterprises (SMEs). The following measures will be adopted to support the component sub-sector:

**14.5.1** Introduce duty on commercial trucks imported with drop side bodies, van bodies, flat beds and trailers.

**14.5.2** Re-introduce duty on the importation of luggage trailers once local assembly commences.

**14.5.3** Remove duty on raw materials for componentry production to reduce manufacturing costs.

**14.5.4** Increase duty on imports for products that can be locally produced.

**14.5.5** Set up quality standards that should be met by imported goods such that imported products that fail to meet the quality standards should not be allowed into the country.

**14.5.6** Set Standards for locally produced components.

**14.5.7** Mandatory 10% use of local components. The local content level is subject to change depending on fairness on the level of duties applied.

## STRATEGY 6: Addressing the issue of variety

**14.6.1** The local industry has comparative advantage in the production of pick-up trucks, i.e. single cabs and double cab trucks. To deal with the issue of choice and variety, local assemblers will be allowed to grow their economies of scale in the pick-up truck segment and the rest of the other types of vehicles which are not produced locally will be imported.

**14.6.2** The current rate of duty for non-pickup trucks will be maintained whilst duty rates for pick-ups will be increased to offer protection for the industry to grow. Local assembly plants will offer contractual assembly to all brands at competitive assembly fee charges. This will afford all the brands access to local assembly facilities. Local assembly plants will ensure the assembly of affordable entry level vehicles for the lower end of the market.

## MOTOR INDUSTRY DEVELOPMENT POLICY IMPLEMENTATION MATRIX (2018-2030)

| STRATEGY | ACTIVITIES | TIME-FRAME | RESPONSIBILITY |
|---|---|---|---|
| **1. CKD and SKD Assembly** | Review of CKD and SKD Statutory Instruments (SI 13 of 1999 if need arises and SI 136 of 2016) | By December 2018 | MICED<br>MoFED<br>Attorney General's Office<br>MIAZ |
| **2. Government Support** | a) Encourage procurement of vehicles by Government departments and Parastatals as per Cabinet Circular 16 of 2011. | By December 2018 | MICED<br>Office of the President and Cabinet |
| | b) Gazetting Statutory Instrument regulating how procurement of motor vehicles by Government departments will be done. | By December 2019 | MICED<br>MoFED<br>Attorney General's Office |
| | c) Mobilize long term lines of credit for assemblers | On-going throughout the plan period | MICED<br>MoFED<br>RBZ<br>Bankers Association of Zimbabwe<br>Assemblers |
| | d) Facilitate availability of Nostro Funding from the Reserve Bank of Zimbabwe | Ongoing throughout the plan period | MICED<br>MoFED<br>RBZ |
| | e) Developing export incentives for assemblers through consultation with stakeholders | By December 2021 | MICED<br>MoFED<br>Assemblers |
| | f) Engage banks for customer funding | By December 2019 | MICED<br>Motor Vehicle Assemblers<br>MoFED |

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|---|---|---|---|
| | g) Come up with tax incentives for locally produced vehicles to stimulate demand | By June 2019 | MICED<br>MoFED |
| | h) Establishment of motor vehicle sector Special Economic Zone | By December 2021 | MICED<br>MoFED<br>Assemblers<br>Component – manufacturers |
| **3. Control of second hand imports** | a) Gazette Statutory Instrument on surtax on second hand vehicle imports | By December 2018 | MICED<br>MoFED<br>Attorney General's Office<br>MIAZ |
| | b) Develop standards for the motor vehicle sector | By December 2019 | MICED<br>Standards Association of Zimbabwe<br>Assemblers |
| | c) Develop pre-shipment inspection policy | By December 2019 | MICED<br>Standards Association of Zimbabwe<br>EMA |
| | d) Registration of franchise holders | By December 2018 | MIAZ<br>MIC |
| **4. Categorisation and Regulation of the motor industry** | Develop Statutory Instrument to regulate the sector | By December 2019 | MICED<br>Attorney General Office<br>MIAZ<br>MoFED |
| **5. Development of the motor industry value chain and cluster** | a) Submit recommendation to Ministry of Finance for introduction of duty on commercial trucks with drop side bodies, Van Bodies, Flat beds, Trailers | By December 2019 | MICED<br>MIAZ<br>MoFED |
| | b) Submit recommendation to Introduce duty on luggage trailers | By December 2019 | MICED<br>MIAZ<br>MoFED |

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| | | | |
| | c) Submit recommendations on removal of duty on raw materials for component manufacture, bus bodies, van bodies, trailers, dropside bodies, flat beds | By December 2019 | MICED<br>MIAZ<br>MoFED |
| | d) Review motor vehicle components on CBCA list | By December 2018 | MICED<br>SAZ<br>MIAZ |
| | e) Implement mandatory 10% use of local components | By June 2019 | MICED<br>MIAZ<br>MoFED |
| **6. Addressing the issue of variety** | Increase the duty on pickup trucks | By December 2019 | MICED<br>MIAZ<br>MoFED<br>Assemblers |

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