

# **NATIONAL INDIGENISATION AND ECONOMIC EMPOWERMENT**

**2011**

## **TOURISM AND HOSPITALITY INDUSTRY**



**INDIGENISATION TRAIN IS IN MOTION, IT CAN NOT BE STOPPED**

## **TABLE OF CONTENTS**

<b>1.</b>	<b>Preamble</b>
<b>2.</b>	<b>Introduction</b>
<b>3.</b>	<b>Terms of Reference</b>
<b>4.</b>	<b>Definition of key terms</b>
<b>5.</b>	<b>Methodology</b>
<b>6.</b>	<b>Findings</b>
<b>6.1</b>	<b>Overview of Zimbabwe Tourism and Hospitality Industry:</b>
	<b>Description of the current status of the industry</b>
<b>6.1.1</b>	<b>Current Status</b>
<b>6.1.2</b>	<b>Top ten Source Markets-Zimbabwe(2008/09)</b>
<b>6.1.3</b>	<b>Hotel Capacities by region(2008/09)</b>
<b>6.1.4</b>	<b>Lodge occupancies(2008/09)</b>
<b>6.2</b>	<b>Ownership Ratios in the Tourism and Hospitality Sector</b>
<b>6.2.1</b>	<b>Accommodation</b>
<b>6.2.2</b>	<b>Access/Transport</b>
<b>6.2.3</b>	<b>Activities</b>
<b>7.</b>	<b>Recommendations</b>
	<b>7.1 Minimum Net Asset Value Thresholds</b>
	<b>7.2 Lesser Shares, Maximum Thresholds</b>
	<b>7.3 Barriers/Challenges to Indigenisation and Economic Empowerment</b>
	<b>7.4 Recommended Policies to Overcome Barriers</b>
	<b>7.5 Sector Specific Indigenisation and Economic Empowerment Strategies to be considered by NIEEB.</b>
<b>7.</b>	<b>Summary</b>
<b>8.</b>	<b>Conclusion</b>

## **9. Tourism and Hospitality Charter**

### **1. PREAMBLE**

In 2007, the Parliament of Zimbabwe passed the Indigenisation and Economic Empowerment Act (Chapter 14:33). The Act formally came in to operation on 17 April 2008 following the President's assent.

The Act was augmented by the Indigenisation and Economic Empowerment General Regulation published in 2010 (Statutory Instrument 21 of 2010 (hereinafter referred to as "the Regulations")

The Tourism and Hospitality Sectorial Committee (hereinafter referred to as "the Committee") was appointed in terms of Section 5A of the Regulations, as amended by Statutory Instrument 116 Of 2010. Section 5 empowers the Minister to appoint Sectoral Committees for various sectors of the economy. The function of each sectoral Committee is to make written recommendations to the Minister on matters set out in section 5A (4) of the Regulations, which matters are captured in the Terms of Reference.

## **TERMS OF REFERENCE**

### **1.1** The Committee's Terms of Reference were:

- a) To give advice to government on the following issues:-
  - The appropriate net asset value threshold above which a business in the sector is required to comply with the Regulations
  - The lesser shares, maximum periods and weightings to be assigned to socially desirable objectives referred to in Section 5(4)(a),(b),and (c), of the regulations (Indigenisation and economic empowerment credits for services or developments undertaken by businesses in the sector to the benefit of the community);and
  - Policies to overcome specific barriers and challenges to the indigenization in the Tourism and Hospitality Sector.
- b) Recommend sector specified indigenization and economic empowerment strategies for consideration by the National Indigenisation and Economic Empowerment Board.
- c) To develop sector specific Charters as provided for in the Indigenisation and Economic Empowerment Act and,
- d) Any other duties as assigned by the Minister in furthering the interests of the mandate.

### **1.2** According to the Terms of Reference, the Committee automatically dissolves upon completion of the task and submission of the sectoral report. The completion date is the 30<sup>th</sup> of September 2010, unless otherwise extended by the Minister.

## 2. DEFINITIONS OF KEY TERMS

**Tourist:** A visitor who stays at least one night in a collective or private accommodation in the country visited (Recommendations on Tourism Statistics – WTO/United Nations – 1993).

**Visitor:** Any person who travels to a country other than that in which he/she has his/her usual residence but outside his/her usual environment for a period not exceeding 12 months and whose main purpose of visit is other than the exercise of an activity remunerated from within the country visited (recommendations on Tourism Statistics - WTO/United Nations – 1993).

**Same – day visitor:** A visitor who does not spend the night in a collective or private accommodation in the country visited.

**Arrivals:** All data refer to arrivals and not actual number of people travelling. One person visiting the same country several times during the year is counted each time as a new arrival. Likewise the same person visiting several countries during the same trip is counted each time as a new arrival.

**Receipts:** These figures exclude receipts for International transport

### **3. METHODOLOGY**

The Tourism and Hospitality Sector is government led but private sector driven as shown below by the institutional framework.

In carrying out its mandate, the Committee consulted and received input from the following three clusters of stakeholders which are:

- Ministry of Tourism and Hospitality Industry
- Zimbabwe Tourism Authority and,
- The Private Sector.

#### **4. INTRODUCTION**

According to the United Nations World Tourism Organization (UNWTO) Barometer, tourism is the world's fastest growing industry at 6% growth rate, generating US\$ 1.2 trillion globally in terms of revenue and 935 million tourist arrivals. Tourism is now recognized the world over as a catalyst and stimulant for the general economic development of a country or region. The Southern African region is abundantly endowed with natural, cultural, historical and contemporary tourism products, yet the regional tourism sector remains largely underdeveloped, its massive potential begging to be untapped.

Tourism is one of the biggest employer and single largest contributor to world GDP and reached its peak in 1999 when it reached 9.9%. In Zimbabwe, tourism has over the years, contributed around 6, 8% of the country's GDP. The potential for a higher growth and contribution remains significant as the country is endowed with strong attractions such as Victoria Falls, which is one of the wonders of the World. Tourism is one of the world's top growing industries with immense potential to positively impact on the economy and the livelihoods of the host community. In Zimbabwe, although the tourism sector faced a downward trend since 2000, the year 2007 was a turning point for the sector. Tourist arrivals bounced back into the recovery path and the country received over 2.5million visitors and receipts improved to US\$365 million. Tourism is currently contributing 6.5% to GDP, an increase from 2.5% in 2000. The tourism sector currently employs close to 300 000 people, directly and indirectly, which translates to 8.8% contribution to national total employment. The tourism sector has shown that it is indeed a strategic sector of the economy, as it has successfully managed to excel at a time when the major drivers were struggling to survive under the turbulent economic environment.

## **5. FINDINGS**

### **OVERVIEW OF THE TOURISM AND HOSPITALITY SECTOR**

This section gives an overview of the Zimbabwean Tourism and Hospitality sector. This was done by looking at where the industry is today, where we want it to be, its contribution to the economy, an analysis of the ownership ratios in the sector and the top ten source markets.

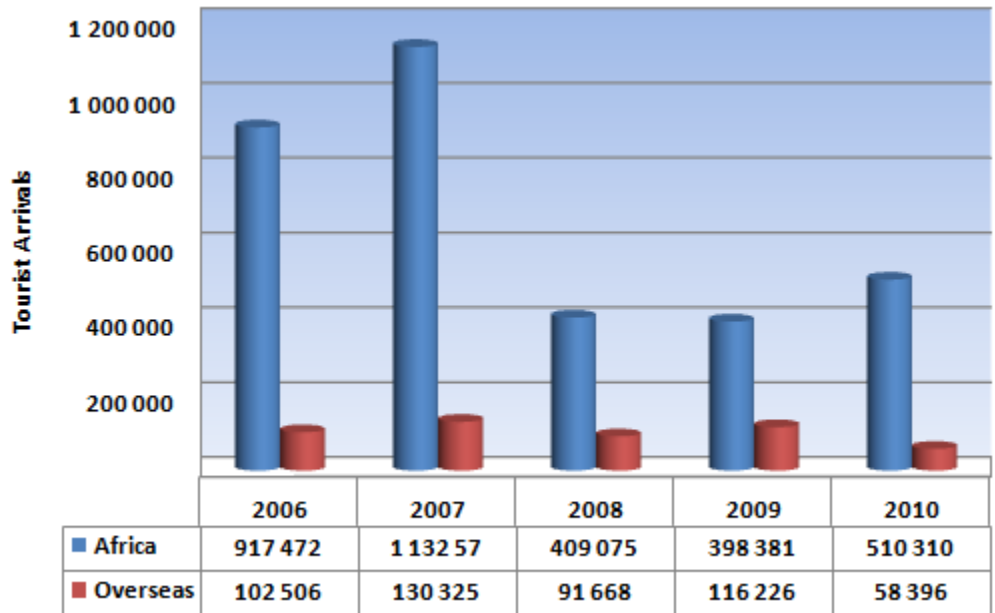
The sector is on a recovery path from the decline experienced in 2008 and is set to contribute more to the economy. In 2008, Zimbabwe recorded a decline in arrivals due to safety, negative perceptions in source markets and economic instability. The years 2009 and 2010 recorded an upward trend in tourist arrivals, which is expected to continue over the plan period.

In line with the trends in global tourist arrival, Zimbabwe recorded a 11% increase in tourist arrivals in 2010. The effects of the 2010 World Cup in June 2010 contributed to the increase in tourist arrivals to certain extent.

The market share for the overseas market stood at 10% in 2010. Europe contributed significantly to the overseas market arrivals in 2010 having contributed 39% of the overseas market despite having a 50% decline in tourist arrivals. The Americas has the second largest overseas market share (28%) after Europe.



Mainland Africa had a 28% increase in arrivals from 398 382 in 2009 to 510 310 in 2010. This was largely due to an increase in arrivals from some of Zimbabwe’s regional markets



including South Africa and Botswana. Arrivals from South Africa, Zimbabwe’s largest regional market rose by 88% during the

period under review. The increase was particularly notable in the months of May and June 2010.

**Trend of Foreign Tourist Arrivals, Africa vs. Overseas 2006 – 2010**

SOURCE: Department of Immigration & Control

- Of the 568 706 tourists received by Zimbabwe in 2010, Africa contributed 90% followed by the Americas (3%), Europe (4%), and Asia (2%).

- The Oceania contributed 1% while Middle East contributed less than 1%.

## **TRANSPORT**

Transport plays a catalytic to key sectors of the economy including tourism. Accordingly, the provision of integrated, seamlessness, safe and adequate transport infrastructure and services is critical to tourism facilitation and development as they enhance destination access. The various transport sub sectors that are important to tourism include air, road, rail, and inland water shipping services. The state of affairs of each of the sub sectors is discussed below.

### **Air Transport**

Air transport plays an important role in providing destination access to international, regional and domestic tourism traffic. On the regional and international scene destination access is provided by the national carrier Air Zimbabwe as well as regional airlines namely South African Airways, BA Comair, Kenya Airways, Ethiopian Airways, Angolan Airline (TAAG), Air Malawi and Zambezi Airways. Exchange of traffic rights between Zimbabwe and other countries is governed by the International Civil Aviation Organisation (ICAO) protocols and conventions and Bilateral Air Services Agreements (BASA) which among other things provide for reciprocal treatment of airlines between the two or more countries as per BASA. With the ownership, Zimbabwe has no control over regional or foreign airlines as they are governed by laws of countries in which they are based. Figure below shows the number of regional and international airlines into Zimbabwe from 1990-1999, 2000 and 2010.

Flights into Zimbabwe 1995-2005	Flights into Zimbabwe 2005-2010	Flights into Zimbabwe 2010
1. Air Austral (Reunion) (2000)	1. Air Botswana	1. Air Botswana
1. British Airways	2. Air Malawi	1. Air Malawi
1. Air France (1997)	3. Air Namibia	1. Air Namibia
4. Austrian Airlines (2000)	4. TAAG Angolan Airlines	4. TAAG Angolan Airlines
5. Bulgarian Airlines	5. BA/Comair	5. BA/Comair
6. Cameroon Airlines (2000)	6. Ethiopian Airlines	6. Ethiopian Airlines
7. KLM (1999)	7. Kenya Airways	7. Kenya Airways
8. Luftansa German Airlines (2000)	8. SA Airlink	8. SA Airlink
9. Qantas (2000)	9. South African Airways	9. South African Airways
10. Sun Air (South Africa) (1998)	10. Zambezi Airlines	10. Zambezi Airlines
11. Swissair (1999)	11. Martinair Cargo	11. Martinair Cargo
12. Uganda Airways (2000)	12. Zambian Airways	12. SA Cargo
13. Air Mauritius (2004)	13. British Airways	
14. Ghana Airways (2002)	14. LAM Mozambique Airlines	
15. Egyptair (2004)	15. TAAG Angolan Airlines	
16. Ethiopian Airlines		
17. Air Tanzania (2004)		

18.Air Kenya/Regional Air		
19.Zambian Airways		
20.Aero Zambia(2000)		
21.TAAG Angolan Airlines		
22.LAM Mozambique Airlines		
23.Emirates Cargo		
24.DAS Air		
25.MK Cargo		
26.Phoebus Apollo Cargo		

In an effort to compliment Air Zimbabwe, government licensed a total of 28 prospective indigenous players to provide scheduled passenger services as at March 2010. Out of these only Fly Kumba took to the skies but unfortunately had to cease operations due to among other things high operational costs.

### **Road Transport Services**

Road transport is crucial because it facilitate intermodal transfers. In other words it enables transfer of passengers to and from airport and railway station transfers to hotels and vice versa. With respect to tourist traffic, ground road transport services are provided by taxi operators, car hire companies and tour operators. Details concerning each of the afore-sighted operators are given below.

### **Car Hire Companies**

Overall, Zimbabwe has 18 car hire firms which have a total fleet of 90 vehicles. Of these firms 82% is black Zimbabwean owned, 18% is corporate Zimbabwe owned and the balance is white and black Zimbabwean partnership owned. As a build up towards the FIFA 2010 World Cup held in South Africa, a significant number of operators failed to take advantage of the Statutory Instrument 46 of 2009 to upgrade/modernise and expand their fleets due to lack of access affordable project finance.

The car hire companies category is a lucrative business opportunity for indigenous players as it boards on assets that most ordinary Zimbabweans can afford.

### **Ownership Structure**

<b>Group</b>	<b>No of people</b>
Black Zim	14
White Zim	0
Corporate Zim	3
Black and White Zim	1

### **Tour Operations**

The total number of tour operators currently stands at 67 of which 73% are black Zimbabwean owned, 9% is corporate Zimbabwean owned and the balance is split between white Zimbabweans and Chinese. The fleet types range from basic, semi-luxury and luxury buses. In terms of geographical distribution, tour operators are concentrated in Harare, Bulawayo and Victoria Falls. Other centres either have thin services or no services permanently positioned, for example Mutare, Nyanga and Chiredzi. These areas are competitive tourist destination and with improvement in tourism business indigenous players should take advantage to invest in these areas.

### **Ownership Structure**

<b>Group</b>	<b>No of people</b>
White Zim	11
Black Zim	49
Chinese Zim	1
Corporate Zim	6

### **Non-consumptive Safari Operators**

Non-consumptive Safari operators provide photographic safari services. To access the desired photographic safari sites they use specialised vehicles. To date a total 47 operators are registered operators. Out of these 65%, 19% and 13% white Zimbabwean, black Zimbabwean and corporate Zimbabwean owned respectively. The balance is owned on the account of white and black Zimbabwean partnership.

### **Ownership Structure**

<b>Group</b>	<b>No of operators</b>
White Zim	31
Black Zim	9
Corporate Zim	6
Black and White Zim	1

### **Rail Transport Services**

Three companies (one Zimbabwean and two South African) provide special tourist trains or safari trains in Zimbabwe. These are Rail Leisure which is a Strategic Business Unit (SBU) for the National Railways of Zimbabwe (NRZ) and Rovos and Shongololo both of which are South African companies. The South African companies provide services in Zimbabwe through inter-railway agreements with the NRZ. Given the nature of the business these safaris trains are normally run during peak seasons normally as group package tours. Services are currently restricted on selected routes namely Bulawayo-Dete/Hwange-Victoria Falls and Bulawayo Plumtree.

### **Boats and House Boats**

Cruise boats and houseboats are largely owned by non-indigenous people who account for (70%) ownership and black Zimbabweans own (30%).

### **Ownership Structure**

<b>Group</b>	<b>No of operators</b>
Black Zim	8
Corporate Zim	7

White Zim	17
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## Accommodation

Group	No of Operators
Black Zim	190
Corporate Zim	52
Foreign	1
Indian Zim	7
White Zim	107
Black and White Zim	1
Foreign and black Zim	1

Many of the operators do not own the premises but they provide accommodation services through leasing the premises. Buildings are capital intensive. The sector is largely indigenous as indicated above.

## Hotel Room Capacities by Region 2009/2010

### Share in Hotel Rooms

Key players in the Hotel business are African Sun, Rainbow Tourism Group, Cresta Hospitality, Regency Group of Hotels, DZimbabwe Hotels.

The above figure shows the ownership ratios in the accommodation sub sector between indigenous and non-indigenous Zimbabweans in the major cities and resort areas.

## Visitor Activity

Attractions are the fundamental element in determining whether tourism activities will thrive in a particular location. Zimbabwe boasts of some of Africa's most fascinating

attractions like the mighty Victoria Falls, the Great Zimbabwe Ruins, wildlife which includes the ‘Big Five’ and a distinctive cultural heritage. Activities are a draw-card to tourist visiting a destination. In addition, their presence provides downstream benefits to a community through employment creation and entrepreneurial opportunities through the service providers that exist or arise as a means to service the activities.

### List of activities

The activities include the following

(i) Bunge Jumping (ii) Canoeing (iii) Scenic flights (iv) River-boating (v) White water rafting

(vi) Elephant drives (vii) Heritage/monuments tours (viii) Boat cruising (viii) Walking safaris

### Ownership Structure

Activity	Group	No of operators	Percentage ownership
Game Drives	Black Zim	65	59%
	White Zim	46	41%
Walking Safaris	Black Zim	64	64%
	White Zim	36	36%
Canoeing	Black Zim	6	33%
	White Zim	12	67%
Boat Cruise	Black Zim	14	82%
	White Zim	3	18%
Elephant Rides	Black Zim	0	0%
	White Zim	2	100%



Fishing Safaris	Black Zim	3	60%
	White Zim	2	40%
Rafting	Black Zim	2	33%
	White Zim	4	67%
Dinner Cruises	Black Zim	3	100%
	White Zim	0	0%
Bunji Jumping	Black Zim	0	0%
	White Zim	1	100%
Jet Boats	Black Zim	3	60%
	White Zim	2	40%
Fixed Wing	Black Zim	0	0%
	White Zim	3	100%

From the table above, the average percentage shareholding for activities in the tourism sector is 44% for the indigenous players and 66% for non-indigenous players. The business interests in these are by far niche markets which require more capital. Government can help indigenous players who lack capital to invest in such areas through setting up a dedicated empowerment fund.

### **Travel Agencies**

The travel agency business is a low cost business. The table below shows that the majority of the travel agencies are run by indigenous Zimbabweans.

<b>Group</b>	<b>No of operators</b>
Black Zim	66
Black and White Zim	2

Chinese Zim	1
Corporate Zim	3
Indian Zim	4
White Zim	27

### Conference Organizers

The indigenous players dominate as they are 50% of conference organisers. The table below shows the ownership structure of the sub sector.

Group	No of Operators
Black Zim	4
Black and White Zim	1
Corporate Zim	2
White Zim	1

### Restaurants

In the restaurant service indigenous players own 49% of the restaurants and non-indigenous players owning 30% of the restaurants.

Group	No of people
Black Zim	82
Chinese Zim	4
Corporate Zim	24
Indian Zim	2

Mozambican	1
Portuguese Zim	2
White Zim	50

### **Camps and Camping Sites**

<b>Group</b>	<b>No of Operators</b>
White Zim	19
Black Zim	4
Corporate Zim	4
Black and White Zim	1

### **Curio Shops**

In this category both indigenous and non-indigenous players own 34% of the shops.

<b>Group</b>	<b>No of People</b>
Indian Zim	1
Black Zim	13
Corporate Zim	11
White Zim	13

### **Hunting Operators**

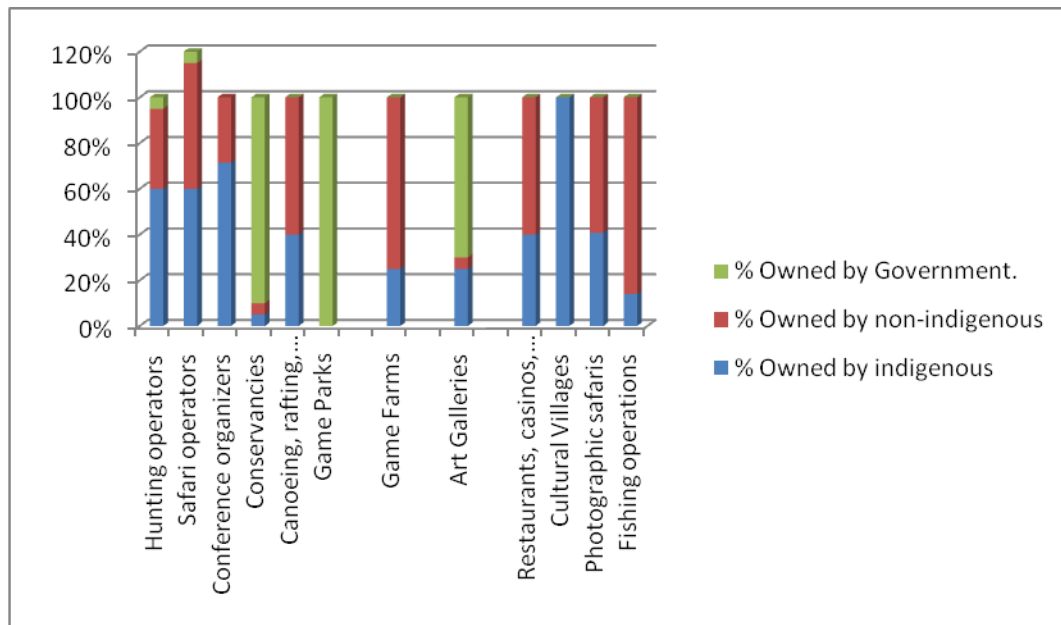
Non-indigenous players dominate in this category with 60% ownership. Indigenous players own 30% of the hunting safaris.

<b>Group</b>	<b>No of Operators</b>
Black and White Zim	3
Black Zim	19
Corporate Zim	3
Indian Zim	1
White Zim	40

**Table XII: Activities**

<b>Activity</b>	<b>% owned by indigenous</b>	<b>% owned by non-indigenous</b>	<b>% owned by Government.</b>
Hunting operators	60%	35%	5%
Safari operators	60%	55%	5%
Conference organizers	-	-	-
T.F.C.A	5%	5%	90%
Canoeing, rafting, cruising, bungee jumping, horse riding, golf.	40%	60%	-
Game Parks	-	-	100%

Game Farms	25%	75%	0
Art Galleries	25%	5%	70%
Restaurants, casinos, event planning, theme parks, open air entertainment, liquor board	40%	60%	-
Cultural Villages	100%	-	-



**Fig XIII: Ownership Ratios in Activities**

In the activities sub-sector, government has majority control on game parks (100%), T.F.C.A (90%) and art galleries (100%). Quite a sizeable number of indigenous Zimbabweans are taking part in hunting and safari operations. Non-indigenous players are however dominating in activities such as canoeing, rafting, cruising, bungee jumping, horse riding and golf. The above lines of business have been traditionally a preserve of whites. This explains why the indigenous people lack the necessary exposure. There is need for knowledge transfer and the inculcation of the right attitudes and mentality so that blacks

can participate in this line of business. Restaurants, casinos, event planning, theme parks, open air entertainment, liquor board are currently not classified as activities under tourism and hospitality. The majority of the players (60%) are non-indigenous.

## 1. Recommendations

### 1.1 Recommended appropriate minimum net asset value thresholds: By Sub-Sector

The net asset values in the tables that follow are based on the extent of capital intensiveness of the subsector. The other consideration that was taken into account in pegging the thresholds was the issue of attracting both foreign and local investors. The **lower the threshold**, the greater the opportunities for indigenous players, as it removes barriers to entry.

**Table XIV: Accommodation**

Facility	Asset Value
Lodges	500 000
Safari Camps	200 000
Self Catering	200 000
Camping Facilities	20 000

**Table XV: Accommodation: Hotels according to grades**

Number of Stars	Total Estimated Value	Recommended Threshold
1	3 million	1 million
2	6 million	2.5 million

3	10 million	5 million
4	15 million	7.5 million
5	65 million	10 million

The net asset value for hotels was arrived at after considering the cost of building a standard hotel. For camping facilities, all what one needs is a braai stand and ablution facilities. This explains why the net asset value for camping facilities was pegged at USD20, 000.

**Table XVI: Access/Transport**

<b>Mode</b>	<b>Net Asset Value</b>
Aircraft – 20 plus seater	\$10 million
Other types of air transport	\$500 000
Rail Transportation	\$500 000
Road Transportation	\$500 000

Minimum threshold for operating an airline with carrying capacity of 15 passengers is USD30 million. Operating a four seater aircraft is USD3.5 million.

A list of owners of those in the aviation industry is attached. However, there may be need for physical check to ascertain current availability and operational status.

**Table XVII: Activities**

<b>Activity</b>	<b>Net Asset Value</b>	<b>Gross Turnover</b>	
Conference organizers	US500,000	US500,000	
Hunting operators	US500,000	US500,000	
Tour operators	US500,000	US500,000	
Safari operators	US500,000	US500,000	
Game parks, farms, art galleries, cultural villages	US500,000	US500,000	
Canoeing, rafting, cruising, bungee jumping, horse riding, golf	US500,000	US500,000	
Restaurant, take-away, casinos,	US500,000	US500,000	
Casinos	US500,000	US500,000	
Night clubs	US500,000	US500,000	
Event planning, theme parks, Open air entertainment	US500,000	US500,000	
Liquor Outlet	US500,000	US500,000	

Hunting operations in Zimbabwe are divided into two categories of land, that is state land and private land. The largest land category is state land. Here both hunting and safari operations are as per current records, 75% owned by indigenous people, 5% by government, and 20% by non-indigenous. However, indications on the ground on the same land category show a domination of non-indigenous which may mean either the indigenous are fronts or that the non-indigenous are merely managers. On private land, this is now almost 50-50 if we take into account the wild life based land reform policy which the Ministry of Environment and Natural Resources has begun to implement. The Policy has opened up opportunities to indigenize conservancies through legislative compliance as inclusive hunting quotas are being issued to players who have agreed on management plans with indigenous players.



Constraints are that the hunting skills are still with whites. Markets are still connected to whites since most hunters are from overseas where marketing is on a one-on-one basis. Both government and the private sector need to have a deliberate thrust in skills transfer. **Licensing laws, processes and procedures also need to be carefully looked at.**

The fishing activities are also a sub-sector to be looked at. Ownership terms, by permit – 80% is indigenous and 20% non-indigenous but operationally due to financial and equipment access on the ground, there is a tendency of blacks leasing their rights to whites.

The higher of either the **Net Asset Value or the Gross Turnover should be considered as the benchmark of the threshold for each of the activities listed above.** By their very nature, the values of activities are intangible, yet in most instances they attract very high turnover. Some businesses might be operating on very minimum assets but getting huge turnovers. In this type of business, success or popularity largely depends on the individual's intellectual property or goodwill.

## **7.2 Recommended lesser shares, maximum periods and weightings to be assigned to**

### **Socially desirable objectives.**

As a general rule, all companies should be required to contribute a certain percentage of their turnover to the communities which they are operating under. As such, no credits should be awarded for social responsibilities. The aspect of evaluating the community development projects will be cumbersome and subject for abuse and misrepresentation. **All companies should therefore comply with the 51% indigenization within 5 years as enshrined in the Indigenization statutes.**

The process of indigenization should be aggressively pursued, 5 years sounds like eternity for the masses. In order to encourage compliance, there is therefore need to give incentives to those who have fully indigenized. As such, incentives such as tax-credits, duty free importation, and government support, are options that can be considered between now and the five year compliance deadline.

### **7.3 Barriers/challenges to indigenization and economic empowerment in the**

#### **Tourism sector**

##### Infrastructural Development

Tourism relies on the existence and smooth functioning of other infrastructure such as roads, rail and services such as provision of water and access to communication. Such infrastructure is not well developed in tourism resort areas such as Gonarezhou where government has earmarked indigenous Zimbabweans to invest in camp sites. The lack of developed infrastructure means locals cannot get the best out of any intended investment and is thus an impediment to indigenization efforts.

##### Lack of Markets

The success of tourism relies on the existence of and one's ability to access markets for the service being provided. Hunting markets for example are highly specialized and require a great deal of networking and goodwill. Indigenous people who have benefited from hunting concessions and safaris can not reap maximum benefits due to lack of access to markets. In the end, the professional hunters remain the biggest beneficiaries of the resources they do not own because they have access to the markets.

##### Lack of skills

While indigenization stresses on transfer of ownership of resources to indigenous people, there is no corresponding transfer of skills to the indigenous beneficiaries. Any empowerment process that does not consider the importance of skills is half baked. Safari operators who benefited under the land reform program but do not have the necessary skills will not realize the full benefits of empowerment drive.

##### Institutional Arrangements

There are sectors where government has opened up to indigenization such as hunting but institutional arrangements continue to impede the empowerment process. A case in point is the role of the Zimbabwe Professional Hunters Association in the training of professional hunters. The association remains largely owned by powerful white farmers who set licensing requirements that frustrate the progression of indigenous people in the hunting profession. Another classical example is the tax component, particularly in the airline

industry were 52% goes towards taxes. The more we indigenize, the more we accelerate the brand.

#### Financial Muscle/Capital

While government's indigenization drive avails opportunities for empowerment, most locals do not have enough funds at their disposal to fund acquisitions in foreign companies. The indigenization law stipulates that 51% of shares should be in the hands of locals but not many people have the ready funds to acquire such stakes in existing companies. Banks also remain largely incapacitated to fund the empowerment drive.

#### Incentives and Policies

Government has put in a number of policies and incentives to promote investment such as the promulgation of Tourism Development Zones. These contain a number of incentives to be enjoyed by potential investors such as tax holidays. However, the information is not readily available and not much effort is put in place to reach out to the populace.

#### Policy Inconsistencies and Reversals

Policy inconsistencies and reversals also hamper indigenization. The government of Zimbabwe promulgated S.146 which allowed new investors in the motor vehicle to import vehicles duty free. The policy allowed more indigenous people to invest in the sector but before the policy could bear fruit it was suspended summarily. Policy inconsistencies are an anathema to investment and have stalled the empowerment drive.

### **7.4 Recommended policies to overcome identified barriers.**

#### Transfer of skills

There is need to put in place a deliberate policy where companies that mentor indigenous people and assist in knowledge and skills transfers can be given credits recognized at law. There is need to ensure Tourism as a subject is incorporated into the school's curriculum to assist in the development of skills required for the development of the sector. In addition, there is need to capacitate tourism tertiary institutions, hotel schools, culinary schools, and offer tailor made training courses for game rangers, hunters, etc. that meet the emerging

trends in the industry. Programs such as ZIMHOST need to be capacitated and revived as they are a key component of the skills importation process in the tourism sector.

### Infrastructure Development

Government should channel funds for the development of infrastructure in Tourism Development Zones to provide impetus for development. The development of infrastructure is a key enabler to the successful running of businesses by indigenous people.

### Market Development

There is need to set aside a budget for extensive marketing campaign to rebrand Zimbabwe. Furthermore, there is need for capacity building among the indigenous beneficiaries of resources in the Tourism Sector to ensure they are able to develop and retain markets. However, it should be noted that networks and partnerships are key to the process. Indigenous people need to pool resources together to invest in marketing activities.

### Financing

There is need for a pro-active plan to improve bilateral relations so that funding filters downstream. As such, a combination of market and product/brand will unlock funding. There has been a proposal to introduce an empowerment levy on business. In letting up the quantum of this levy there is need to consider the fact that tourism businesses are under a burden of various other levies and tariffs as follows:

- 2% Tourism Levy
- 15% Value Added Tax
- Pay as you earn
- Liquor licenses
- ZBC/TV licenses
- Fuel tax
- Airport tax
- Boat, canoes, and rafts tax
- Helicopter tax
- ZTA operating and renewal fees
- Parks operating fees and permits

The quantum and levies are too high in the tourism sector compared to those in the region. Instead of imposing an empowerment levy on all operating businesses, a penalty fee

should be charged to none compliant organizations from effective date of compliance until they comply.

#### Policy Review and Re-alignment

There is need to review policy framework and alignment of legislation contradictions and duplication of service. ZIA, local authority, ZTA, PARKS, Water Authority, ZESA, BAS must all work together for the common good of tourism.

### **7.5 Recommended sector specific indigenisation and economic empowerment strategies for consideration by NIEEB**

Strategies to be pursued and implemented should be in congruent with the fundamental principles that underpin the overall NIEEB strategic plan.

There is need to grow the Industry

For the Tourism and Hospitality Industry to grow, both public and private sector need to be deliberate, intentional, and consistent in saying and doing things that augur well on safety. Government must be proactive in improving relations with the market source.

The other way of growing the Tourism and Hospitality Industry is by way of synchronizing legislation so that new players can find it relatively easy to enter the market. In doing this, our check should be the region first and foremost then look beyond.

Thirdly, investment incentives must apply both for the international investor as well as for the local investor. Again, we need to compete with the region. The Committee looked at two possible incentives for complying sectors. First is at procurement level. None must enjoy government business, contract, tender, concessions, hunting, until they comply. Secondly, there should be a duty regime that gives incentives for those in full compliance.

Broad based participation

Broad based empowering can be attained in the hospitality and tourism area by ensuring that the following policy measures are implemented from the onset:

#### Community Trusts to operate at natural resource level

It has been observed that all tourism related activities that occur in a natural resource area, should also create value for the resident community. From that perspective Community Trusts could be registered by having at least 10% shareholding in the natural resource while the investor (whether external or internal) will enjoy the other shareholding at natural resource level as well. Government will issue the permit, as and when the above procedures are complied with.

Special interest groups like women, youths and the disabled could be taken care as part of the reserve quota, which could be 5%

#### Public listing of companies

Broad based ownership could be enhanced by publicly listing the tourism ventures. The listing can be done by means of an IPO or reverse takeovers within the listing arrangements. Caps or limits can be put on the number of shares that can be owned by an individual.

#### **Core ownership of assets with Government**

**It has been established that Government owns almost 100% of the game parks and natural resources through the department of natural parks and the mining of environment.** Government can release or cede part of its ownership of these assets to indigenous Zimbabweans through an arrangement like BOOT (Built Operate Own and Transfer) or BOT (Built Operate and Transfer)

The other resource that could be co-owned by Government and the indigenous population includes lodges and conservancies through Natural Parks.

### Employee share ownership programs (Trusts)

Tourism related entity to be indigenized should have an ESOP (Employee Share Ownership Scheme) as part of its shareholding structures. This will solve a lot of labor related problems and give employees security, stability and reason for working hard and staying longer on their jobs. This implies that everyone who works for the organization will be a shareholder and those varices is the level of participation.

### Sustainability

Sustainability is interpreted as the ability to create a lifelong thriving and in the tourism industry, without, without upsetting the ecological systems or posing any potential hazards to the environment. Therefore, striking equilibrium between nature and humans and the need to survive with each other and through each other, forms some of the underlying principles of sustainability. Issues of capacity building are of paramount importance especially at grass-roots level. Every operator in a natural preserve area should be asked to come up with a sustainability program of action or strategies.

### Affirmative Action

Affirmative action will be naturally observed and enhanced, basing on the implementation of broad based empowerment programs. Affirmative action will imply giving preferential treatment to women, youths and special groups. This will naturally imply that Board and top management representation or mix should demonstrate affirmative action.

### Fairness

Basically fairness implies that the local community should benefit and participate in the economic activities around them that are tourism related. In the process of ensuring that fairness prevails, prejudices should not occur and punish the investor who is bringing value and foreign currency to our macro-economic environment. The media should assist in achieving fairness by having good investigations before publishing an article, and making balanced statements. This view point came from the realization that of the fact that Tourism is Rumor Sensitive. Any careless of misguided report can lead to cancellation of bookings as experienced before leading to frustration and loosing of the much needed revenue in foreign currency.

## Transparency

Transparency is one of the core values that NIEEB will abide by during the implantation of its programs or execution of strategies. Gaps in ownership, management skills, capacities and financial resources have been noted. Appropriate organizational development interventions will be done to close those gaps in a transparent and consistent manner in line with the policy framework on indigenization and economic empowerment.

## Economic Growth

Broad based participation in economic activities implies that more players are being involved in the wealth creation processes thereby fostering economic growth and reducing the retardation, sabotage or failure. In essence, the introduction of more players in the socio-economic activities will break cartels, hoarding and general monopolistic or oligopolistic tendencies associated with an environment that has fewer economic players. Other economic benchmarks include Bumiputra concept in Malaysia, SME concept in India and the Chinese Business Model.

## Accelerated rural development

NIEEB's policies and strategies will not achieve any meaningful transformation if it ignores the rural population which comprises at least 70% of Zimbabwean population.

It is from this background that infrastructure and capacity building should target rural areas where genuine empowerment is desperately needed. Tourism related products and services are predominantly in the natural resource areas, which are mostly rural areas.

Therefore, there is a lot of merit that investment should be put where the need and potential is for us to reap huge returns in terms of value creation and socio economic transformation.

## Good Corporate Governance



In tourism and hospitality sector, goodwill is of paramount importance in terms of marketing of the products and the generation of good cash inflows. A lot indigenous entrepreneurs in the sector have not yet developed the “name” and or “muscle” required to unlock value. Therefore issues of governance are of paramount importance to develop the attributes that are required for example, a significant indigenous entrepreneurs have hunting concessions, but are struggling to unlock value due to lack of goodwill and or capacity.

Mentoring of indigenous entrepreneurs on issues of governance by the well established known players is of paramount importance if locals are to gain the “Icons Share” in the three (3 As) of tourism. Tailor made courses, seminars and conferences on best practices of corporate governance in tourism should be planned for and well funded. Again, the fiscus is losing a lot of revenue as a substantial number of operators are doing business informally. Formality is required as well planned graduation provider for the players to move from informal to formal and small, medium to large entity is required.

Value Addition at source

Again, accelerated rural development can be achieved if stakeholders embrace the principles of value addition at source.

Value addition at source implies further processing or engaged in manufacturing of products where the resources are being extracted. If oak is being harvested in Lupane, then furniture and other tourism artifacts should be manufactured in Lupane and five values to the local community. Consequently, technical colleges, management development programs and training should be one of those respective rural and growth point areas.

## 2. Summary

The tourism sector in Zimbabwe has and is still playing a pivotal role in human capital development. According to World Travel and Tourism Council, 43,000 of Zimbabwe’s industry jobs (Tourism and Travel Direct), accounted for 4.4% of total employment of the country. The contribution of the Travel and Tourism economy to employment is expected to rise to 112,000 jobs, 10.4% of total employment or 1 in every 9.6 jobs by 2019.

In order to develop a sound tourism industry, all industries to do with accessibility stand to impact the tourism sector of the country or vice versa. Access to attractions in Zimbabwe is constrained by lack of comprehensive infrastructure. Sufficient financing for new construction, expansion and refurbishment of facilities and other infrastructure should be supported by financial institutions and local policies.

In the recent past, the lack of sufficient funding has seen most of the roads in Zimbabwe deteriorating to a point where they are not navigable and need urgent attention. This has led to a decline of visitors travelling by road to most of the attractions.

Because of the potential cost effectiveness of rail as a major form of affordable transport for local tourists and those from surrounding countries based on volumes, it is necessary to exploit the potential that lies in rail travel as has been the case in the developed world. World trends highlight the shift of tourists to destinations closer to home as a result of the global financial crisis. There is a dire need for infrastructure and logistics improvement with a long term plan of purchasing modern carriages to make NRZ of world class standards. In early 2000, NRZ introduced the luxurious Blue trains to compete with other regional trains but the blue train has since dilapidated and should be resuscitated in order to benefit from the regional market.

Access to technology is paramount for tourism growth in this global era. The convenience of information and cost effective travel is absolutely necessary in influencing the choice to visit an area.

The fixed network is experiencing major problems due to electricity outages which in turn result in a disrupted service and impacts on internet services which is largely on the dial up platform and is very slow in connecting. This effectively hinders business communications country wide loss of business to the tourism industry as most of the regional arrivals rely on telecommunications to make their bookings to these resorts.

#### Education and Skills Enhancement

In order to maximize the returns of trainings in the tourism sector, private companies can create opportunities for skilled employment by encouraging staff development and specialized training in hospitality services to maintain competitiveness.

Synergies with local training institutions such as Hospitality Training Academy (HTA), Hotels School, HEXCO and strategic links with other international tourism centers of excellence will play a pivotal role in upgrading skills to a level that is competitive with the rest of the world.

### **3. Conclusion**

This submission shows beyond any doubt that the Tourism and Hospitality Industry plays a pivotal role in aiding the socio, economic and political fortunes of a country – Zimbabwe is no exception to this. As such, indigenization has not come at a better time than now. However, we feel as a Committee those five years for compliance is just too much for that masses/people to wait. The *Indigenization Train* is already in motion; the time is now for our people to be empowered.

### **4. Charter for Tourism and Hospitality Industry**

The Charter shall be effective with effect from the 1<sup>st</sup> October 2010

1. The Principles of the Charter: This Charter shall be premised on the following fundamental principles:

- Good Corporate Governance
- Development of a highly competitive and sustainable Tourism Product which places reliance on the natural endowments and attractions
- Equal opportunities for all including gender sensitive ownership and participation in the economy by indigenous Zimbabweans
- Acceleration or rural development to achieve the goals of poverty alleviation in line with the millennium MDG's
- Promotion and development of environmental protection methods and application of world standard conservation methods.

2. Objectives of the Charter: The objectives of the Charter are to:

- Promote ethical business conduct
- Promote equitable access to the wealth of the economy by indigenous Zimbabweans
- Enhance employee and management stakeholder ship in business
- Promote sustainable use of local products and promotion of value addition throughout the supply chain.
- Promote the creation of new products and packages
- Promote skills and knowledge transfer through training and mentorship

- Promote and increase management control of Tourism Enterprises
- Facilitate compliance with local regional and international standards.
- Promote compliance with all co operating partners at local regional, bi lateral and multilateral levels incl UNWTO rules and guidelines.

3. Code of Ethics: In order to achieve the objectives stated above all stakeholders should abide by the following rules

Corporate Governance:

- All businesses to commit to the following elements
  - Regular Board Meetings
  - Ensure Board representation at Board Level
  - Appoint appropriately qualified people to the Board
  - Ensure Board complies with best standards and practices
  - Regular reports of Board to shareholders
- All business must encourage employee/ management participation in decision making processes by implementing schemes such as ESOP
- Business electing to list on the stock exchange shall create a class of shares offered and tradable exclusively by indigenous Zimbabweans, provided always that the full particulars of the entity trading and principal beneficiary of each transaction shall be disclosed (refer to Securities ACT)
- Every business shall ensure there is no cross ownership that concentrates control in few individuals at the expense of broad participation
- Transparency in equity valuations

Behavioral Responsibility

- Applaud principles of fairness, honesty sincerity transparency and accountability
- Seek for fair economic return
- Abide by code of conduct as defined in the Tourism ACT

Employment Responsibility

- Subscribe to equal employment opportunity
- Prepare annual employment returns in compliance with EMCOZ and ILO rules and guidelines.

Safety and Health Responsibility

- All business to create a safe and health working environment for employees

Environmental Responsibility

- All businesses to subscribe to best environmental standards and work closely with EMA
- All business to promote conservation of energy and identifying alternate and other efficient energy sources such as solar bio diesel etc

Legal Responsibility

- Businesses to abide by the law and rules and regulations in line with the Tourism ACT
- All business shall register with professionally recognized relevant organization  
Social Responsibility
- All businesses shall contribute to communities they serve and operate from
- All business shall contribute towards conservation of cultural values i.e. languages , music dance art and craft  
Monitoring and Evaluation
- Databases for monitoring and evaluation shall be maintained and regularly updated
- An annual report shall be prepared on compliance to the Charter

### **Committee Members**

#### **Membership of the Tourism and Hospitality Sectoral Committee is as Follows:**

Dr. E. Gwaradzimba:	NIEEB Director (Chairing)
Dr. S. Munyeza:	Group Chief Executive – African Sun
Mr. E. Fundira:	President – Zimbabwe Council of Tourism
Mrs. C. Mtasa:	Group Chief Executive – Rainbow Tourism Group
Mrs. L. Dhlamini:	Provincial Administrator – Mat-North
Rev. T. Munaki:	Co-Director – Hunnington Retreat Center
Bishop Malaba:	Secretary General – Affirmative Action Group
Mr. D. Runyowa	Dep. Director – Ministry of Tourism & Hospitality
Mr. A. Jeremiah:	NIEEB
Ms. E. Marowanyanga:	Ministry of Youth Dev, Indi and Empowerment
Ms. Mudzamiri:	Ministry of Tourism and Hospitality
Mrs. Chitagu:	Ministry of Tourism and Hospitality
Mr. Gotora:	National Parks
Mrs. Situma:	Zimbabwe Tourism Authority
Mr. H. Nkala	Arena Investments

