Hand-in-Hand Initiative
Zimbabwe

Presentation of Investment Cases
Rome Investment Forum

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Hon. Deputy Minister of Lands Agriculture Fisheries Water Rural Development

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Country Context
Socio-Economic Indicators
Overview of the Zimbabwe’s Agriculture Sector
National Priorities & Guiding Policies

National Development Strategy 1 (NDS1)
Eradicating Poverty and making Zimbabwe an upper Middle-Income country by year 2030

National Agro Food Systems Transformation Strategy
Institutionalizes collaborative Partnerships & Coordination around Agro-Food Systems

National Food and Nutrition Security Policy
Enhancing the Country’s Food and Nutrition Security Status
Country Objectives & Targets (2025)

**Productivity**: To improve crop and livestock productivity and raise the gross agriculture production value to US$8.2 billion; from US$5.2 billion in 2020

**Trade**: To treble agriculture trade through improved market access and competitiveness of agriculture commodities on the domestic and export markets through quality produce and value addition.

**Incomes**: To raise per capita income for farmers to the upper middle-income level of $4 000 – 12 000

**Poverty**: Halve the level of Poverty in Zimbabwe

**Sector Growth**: At least 6% annual agriculture sector growth

**GDP Contribution**: 18%

Sector Challenges & Constraints

- Increasing Population
- Climate Change
- Low Agriculture Productivity
- Low Investments
- Declining Agriculture Contribution to the Economy
- Rising Food Prices

Country Indicators

**Population**: 15 178 979

**Poverty head Count Ratio**: 38.3%

Source: World Bank, 2021

**Agriculture Land**: 4 000 000 hectares
Global Economic Performance Indicators

World Bank Enabling Business of Agriculture (EBA) Index,

Global Competitiveness Index Zimbabwe 2023

44.24%

2023 Global Competitiveness Report (GCR), World Economic Forum

Easy of Doing Business in Zimbabwe

Source: World Bank
Geo - Spatial Analysis
Agronomic & Potential
High Potential Micro-regions

7 Micro-Regions with High Agronomic and Economic Potential

Stochastic frontier analysis FAO-HiH task force (2021)
Policy Framework and Enablers for Investment in Zimbabwe
Government of Zimbabwe
Initiatives Towards Investment Promotion

**Fiscal and Policy Incentives**

**Processing Tax Incentive:** Reduced Tax for processing companies which exports - Between 20 to 15% depending on proportion of exports

**Special Economic Zones (SEZ):** SEZs are aimed at promoting value addition including food processors and manufactures

**Special Initial Allowance:** 25% of cost from year one and the next 3 years for SMEs.

**Farmers Special Deductions:** Farmers are allowed special deductions over and above the normal deductions. Examples include expenditure on fencing, clearing and stumping land, sinking boreholes, wells, aerial and geophysical surveys.

**One Stop Investment Centre**

Farmer Subsidy Programmes to stimulate demand for agriculture mechanized services.

**Government Operated Investment De-Risking Instrument.**

**Proximity to the port:** Approximately: 300Km from the nearest port Beira, Mozambique
Other Investment Enablers

Digital Technology

- Mobile Network Coverage 81.08%
- Mobile Operators
- 4G and LTE network and a functional data center

Financial Enablers

- Multi Currency System up to year 2025 but US$ is major dominating currency
- Local and International Banks
- Profit and Dividend Repatriation
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Presentation of Investments Cases
Summary of Investments

**Investment Case 1**
Smallholder Micro-Irrigation Systems
Investment Target: $743 Mill

**Investment Case 2**
Local Tractor Assembly Plant
Investment Target: $81 Mill

**Investment Case 3**
Decentralised Smallholder Mechanization Hubs
Investment Target: $101 Mill

Public Investment
Government Commitment
$18.2 Mil

Development Finance required
$10 Mil

Private Sector Investment
$925.0 Million

Micro-Regions
7

Enabling public infrastructure
Credit Guarantee and De-risking

Smallholder farmers capacity development through training and farmer organisations

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Ongoing Engagements
Commitments & Collaborative Partnerships

United Arab Emirates
Commitment $350,000

Commitment $20 million tractor Facility

Commitment $20 Million - Zimbabwe Emergency Food Production Project

Commitment

Partnership

Enabling Business of Agriculture (EBA)

Partnership

Food Loss Reduction

Partnership

Hand-in-Hand Initiative
Investment Case 1

Smallholder Micro-Irrigation Systems
Smallholder Irrigation Systems

INVESTMENT OUTLAY

Total: $743M:
- Public Sector: Borehole Drilling Rigs
- Catalytic Investment: SHF Subsidies to access solar pumps

SMALLHOLDER FARMERS

Total: 2.3Mil

MICRO-REGIONS & SCALE

7 Micro-Regions

Implementation Modality

Development of Communal Irrigation Schemes and Boreholes. Solar pumping and conveyancing equipment to smallholder farmers.

DEMAND & SUPPLY

- Current Irrigation Capacity
  - 216,000 Hectares

- Irrigation Target
  - 350,000ha
  - Communal Irrigation Schemes
    - 159,000ha
  - Underground Boreholes
    - 175,000ha

Government Support

Fiscal & Policy Incentives

Build Own Operate and Transfer (BOOT):
Contractors may enter into contracts with state or Statutory Corporation under which they undertake to construct infrastructure for the state or statutory corporation.

Tax Holiday: Investors enjoy tax holiday for the first 5 years. Taxed at 15% for the second five years.

Farmers Special Deductions: Farmers are allowed special deductions over and above the normal deductions. Examples include expenditure on fencing, clearing and stamping land, sinking boreholes, wells, aerial and geophysical surveys.

*Sustainable water extraction and management
FAO to provide technical support in Zimbabwe

Hand-in-Hand Initiative
### Investment Analysis: Smallholder Irrigation

<table>
<thead>
<tr>
<th>Profitability Indicator</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Outlay</td>
<td>743M</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>~26%</td>
</tr>
<tr>
<td>Internal Rate of Return (IRR)</td>
<td>~12%</td>
</tr>
<tr>
<td>Net Present Value</td>
<td>~$112.5M</td>
</tr>
</tbody>
</table>

### Environmental Performance Indicators

| Carbon Emissions                        | 0.308 kgCO2eq/kWh |

- Use of photovoltaic plates

### Socio-Economic Performance Indicators

| Number of Farmers                      | 2.3Mil |
| Incomes per capita                     | $814   |
| Other Benefits to Farmers              | Productivity |
| Macro-Economic Benefits                | Food Production |

### Optimal Investment Location

[Map of optimal investment location]
Investment Case 2
Local Tractor Assembly

Demand Details
Zimbabwe currently has under 8,000 tractors serving 1,340,045 farmers who are farming 4.3 million hectares of land. At the peak of agricultural productivity in 1998, the country had a total of 26,000 tractors that were used mainly by commercial farmers whereas small holder farmers traditionally rely on animal drawn power to carry out mechanical agriculture activities. Less than 5% of the small holder farmers has access to mechanization services. Zimbabwe is currently importing an average of 600 tractors per annum and the prices are quite exorbitant. The country requires 32,000 units with an estimated value of US$544 million for the first 7 years. The proposed plan can possibly export units within SADC region which has 16 countries.

Specific Investments
Tractor Assembly Line, Land

Risk & Mitigation

<table>
<thead>
<tr>
<th>Risk</th>
<th>Likelihood</th>
<th>Mitigation Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk: Macro-economic collapse</td>
<td>Low</td>
<td>Investment Guarantee in Special Economic Zones</td>
</tr>
<tr>
<td>Risk: Low real/effective demand</td>
<td>Low</td>
<td>Government subsidies to stimulate tractor demand.</td>
</tr>
<tr>
<td>Risk: Low agriculture activity due to climate change</td>
<td>Medium</td>
<td>Government is promoting Mechanised Climate Smart Agriculture techniques.</td>
</tr>
</tbody>
</table>
Investment Case 2: Mechanization - Local Tractor Assembly

Sub-Sector Narrative
Zimbabwe has a total 7,983 tractors that are functional, and these are servicing 1,340,045 farmers who are tilling more than 3.4 million hectares. Zimbabwe is currently importing an average of 600 tractors per annum and the prices are quite exorbitant.

Demand Narrative
Zimbabwe is currently importing an average of 600 tractors per annum and the prices are quite exorbitant. The country requires 32,000 units with an estimated value of US$544 million. At the peak of agricultural productivity in 1998, the country had a total of 26,000 tractors. Possibilities to export within SADC region (16 countries).

Investment Rationale
The country lacks manufacturing capabilities that would result in readily available machinery at a competitive price. The country requires an additional 32,000 Tractors and corresponding implements i.e., rippers, planters, ploughs, shellers etc. worth approx. $664Mill. The expected output is 1.7MT/ha of maize from the current average 1MT/H.

Specific Investment Need
The country requires at least 1 operational local tractor and implement assembly plant for mid-sized tractors from 40hp to 90hp.

Specific Investment Promotion Incentives
- Import Duty Free on Agriculture Equipment
- Free land for establishing Assembly Plant
- Tax holiday for the initial 5 years
Economic-Social & Environmental Performance Indicators

Case 1: Local Tractor Assembly

**Economic Indicators**
- IRR = 14%
- NPV US$24.8 million

**Social Performance Indicators**
- Labour saving particularly for women in agriculture
- Production and productivity enhancement across all major crops thus improving the food security situation.

**Environmental Performance**
- CO2 Emissions for producing a single tractor
  - 7.1 kg CO2e

Source: Adel Vahedi et al., 2020
Investment Case 3: Decentralised Mechanization Hubs (Along the value chain)

Sub-Sector Narrative
Zimbabwe’s smallholder agriculture sector is generally on a positively drive towards mechanization. Especially smallholder farmers who predominantly use hand tools for primary production and processing.

Demand Narrative
An estimated market demand of $245 Mill in the 1st 5 years of Investment. Reaching out to approximately 500 000 farmers. Farmers access to mechanized technologies will, be enhanced through inclusive models.

Investment Rationale
Smallholder Farmers have limited access to mechanized equipment and services. Mechanization along the value chain is a key enabler to enhance production and productivity.

Specific Investment Need
Establishment & Operation Decentralised Mechanization Hubs with tractors for Tillage and other ancillary mechanized equipment to provide mechanization hire services. 18 Mechanization centres in 6 priority micro region. (average of 3 hubs per region)

Investment Promotion Incentives
- Import Duty Free on Agriculture Equipment
- Free Land for establishing Mechanization Hubs
Rising demand for increased agricultural productivity and efficiency is driving demand for mechanized agriculture services, i.e., value of services for approximately US$285million for the first 5 years.

The country has a total land area of 39.6 million hectares and agriculture is practiced on 39.9% of the total land area (15.8 million ha) of which 10.9% is arable (4.31 million ha). There is a total of 1,340,045 farmers actively involved in agricultural production and are classified as follows: 1,100,000 small holder farmers who are mostly communal farmers. Mechanized services are mechanized services are expected to serve approximately 1,390,045 farmers spread across the 8 productive regions of the country. As such, there is an acute shortage of machinery to catalyze agricultural production to output levels that would make the nation a breadbasket of the sub-region and continent, let alone ensure food security for the country. The country requires mechanization hubs providing the following services: Ploughing, planting, chemical spraying, harvesters, shellers, transport.

Tractors and Tractor drawn implements to be operated machinery 18 Mechanization centers in 6 priority micro region. (average of 3 hubs per region).

**Demand Details**

**Risk & Mitigation**

- **Risk**: Low real/effective demand
- **Likelihood**: Low
- **Mitigation Measure**: Government subsidies to stimulate demand.

- **Risk**: Low agriculture activity due to climate change
- **Likelihood**: Medium
- **Mitigation Measure**: Government is promoting Mechanised Climate Smart Agriculture techniques.
**Economic-Social & Environmental Performance Indicators**

**Case 2: Decentralized Mechanization Hubs (Along the value chain)**

<table>
<thead>
<tr>
<th>Economic Indicators</th>
<th>Social Performance Indicators</th>
<th>Environmental Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD101 Mill</td>
<td>1.1 Million Farmers are able to prepare all production land in a timely manner. Income by 38%. Postharvest handling and agro-processing undertaken efficiently. The expected output is 1.7MT/ha of maize from the current average of 1ton/ha. Research showed that if mechanization is supported by availing inputs on time, the yield per hectare increased by 54% and</td>
<td>Carbon Emissions 2.64 kg CO2 produced for each liter of diesel fuel burnt. Possibilities to consider fuel efficient engines</td>
</tr>
<tr>
<td>USD101 Million</td>
<td></td>
<td>kg CO2e ha-1 yr-1</td>
</tr>
<tr>
<td>Priority Micro Regions</td>
<td>7 Smallholder Farmers</td>
<td>Weeding: 125</td>
</tr>
<tr>
<td>Scale</td>
<td>7</td>
<td>Tillage &amp; Harvesting: 101</td>
</tr>
</tbody>
</table>
ZIMBABWE INVESTMENT PLAN

**KEY INVESTMENTS**

1. **Micro-Irrigation Systems for Smallholder Farmers**
   - **Cost (USD)**: $743Mil
   - **IRR (%)**: 12%
   - **NPV**: $112.5

   **Sustainability Benefits**
   - Beneficiaries: 2.3Mill
   - Income increase per capita: US$ : $814
   - Emission reduction per capita: 7%

2. **Local Tractor Assembly Plant**
   - **Cost (USD)**
     - $81Mil
     - **IRR (%)**: 14%
     - **NPV**: 24.8Mi

   **Sustainability Benefits**
   - Direct Beneficiaries : 2.3Mi
   - Indirect Beneficiaries: 4.9
   - Income increase per capita: US$ 750

3. **Decentralised Mechanization Hubs (Along the Value Chain)**
   - **Cost (USD)**
     - US$101 Mill
     - **IRR (%)**: 17%
     - **NPV**: US$39.4Mil

   **Sustainability Benefits**
   - Direct Beneficiaries : 1.1Mill
   - Indirect Beneficiaries: 4 Mil
   - Income increase per capita: US$ 375