POLICY BRIEF

The Impact of Import Management Measures on Tourism Businesses in Zimbabwe

August 2017

BACKGROUND

This paper summarises findings of a study commissioned by the Hospitality Association of Zimbabwe (HAZ) on the impacts of Statutory Instrument (SI) 64 of 2016 on the hospitality sector. In June 2016, the government of Zimbabwe (GoZ) gazetted SI 64 which regulated the importation of 43 products, by removing them from the Open General Import Licence (OGIL). The rationale for the import management measures was to help government manage the high import bill, boost local capacity utilisation, avert company closures and address the challenges stemming from the usage of the multi-currency regime.

Initially the Minister of Industry and Commerce had assured the industry that the Tourism sector was not targeted with the introduction of the SI as their imports were for direct use within the industry and not intended for resale to the public on a massive scale that affects the manufacturers. However eventually they were still required to apply for import permits including duty rebatable capital goods equipment which we were allowed through the SI5 of 2016, Customs and Excise (Tourism (Rebate). The SI 64 subsequently brought about unintended negative impacts on the hospitality sector, which in turn created a negative domino effect on the whole tourism industry due to the intricate linkages that are characteristic of the sector. The ability of the sector to earn the foreign that the country desperately needs has therefore been compromised.

THE IMPORTANCE AND POLICY RELAVENCE OF THE ISSUE

Whilst tourism stakeholders agree with the rationale of introducing the import management measures, there are however fundamental challenges that need urgent attention for businesses in the sector to continue to operate viably. The main challenges that the introduction of SI 64 brought to the hospitality sector were linked to its abrupt promulgation and implementation without adequate stakeholder consultation. Recently, GoZ gazetted SI 122 of 2017, repealing SI 64 and consolidating various import licensing regulations. The introduction of SI 122 followed the same pattern whereby neither the Zimbabwe Council for Tourism (ZCT) nor the Zimbabwe Tourism Authority (ZTA) were consulted. The implementation of the two SIs has therefore resulted in challenges that are threatening the short and long-term viability of hospitality businesses.

It is important to highlight the importance and relevance of the issue regarding the overall economic development in the country and the government's focus on the need to achieve the economic and social targets of the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZimAsset). There are three main perspectives from which the issue needs to be interrogated namely, impact on jobs retention and expansion, impact on service delivery and impact on tourist arrivals to the country.

IMPACT ON Employment

The inability of the hospitality stakeholders to access the products they need for day to day operations has resulted in decline of business. Management has been driven to introduce a range of strategies to ensure that the businesses remain viable. These measures include among others the following:

- Cutting down on the total number of employees;
- Not replacing staff that retire, die or get dismissed;
- Adjusting pay structures; and
- Hiring staff on fixed term of 2 months contracts

The strategies adopted have led to the "casualization" of the labour force and decline in staff morale and motivation.

IMPACT ON Service Delivery

The introduction of SI 64 resulted in shortages of products that hospitality stakeholders use and subsequent dramatic price increases in the same. These price increases have been passed on to customers. The price hikes have reduced the competitiveness of Zimbabwe as tourist destination in the SADC region. The "casualization" of the labour force has resulted in poor service delivery leading to disgruntlement of both the local and international customers. Finally, shortages of basic products within the hotels have resulted in international tourists spreading negative messages about Zimbabwe as a tourist destination.

IMPACT ON Tourist Arrivals

The general economic challenges which the country has experienced in recent years have been reflected in the decline in the utilization of hotels in the country since 2013. The specific problems that have been brought about by the implementation of SI 64 and SI 122 therefore exacerbated the situation whereby hotel room occupancies nationally have experienced a more dramatic decline in 2016 compared to previous years. For example whilst the national average room occupancy stood at 56% in 2012 in 2016 the figure stood at 46%. The decline in room occupancy reflected a general decline of leisure tourists to the country. Given the poor-quality service that has been emerged through the implementation of SI64, international tourists may spread negative comments about Zimbabwe as a tourist destination through word of mouth, social media and other channels. The negative publicity will hurt the country's tourism industry in the short and long term and contribute to the decline of foreign currency earnings through the tourism industry.

CONCLUSIONS

Implementation of the import management measures (SI64&SI122) has created multiple challenges for the hospitality sector and has threatening the viability of the businesses, with some companies having already closed down such as suppliers and restaurants. In order to ensure that the country continue to increase foreign currency earnings from the tourism sector as well as continue to be a key source for job creation it is essential that the Ministry of Trade and industry consults with the ZCT, the ZTA and the Ministry of Environment, Tourism and Hospitality Industry to enable it to remove the elements in the import management regulations which are toxic to the hospitality sector.

5. Recommendations

Short- Term (0-12 months)

5.1 Review of SI64 and SI 122

It is recommended that the ministry of Industry and Commerce undertakes an immediate review of the two SIs through effective consultations with ZCT, the ZTA and the Ministry of Environment, Tourism and Hospitality Industry. The review should be focused on the following:

5.1.1 Import licence moratorium for the hospitality sector

Several companies in the hospitality industry are facing collapse due to shortages of key products or inability to procure products as per franchise specifications or standard operating procedures for their operations which they are unable to access as a result of the processes that are involved in obtaining the necessary import licences from different government departments and ministries.

The Ministry of Industry and Commerce should give the hospitality sector a moratorium of 12 months on import licence requirements to allow the businesses to build up adequate stock levels that they need for their day-to-day operations.

5.1.2 Import licence exemption for products not manufactured in Zimbabwe

A study on the impacts of SI 64 on hospitality clearly showed that the hospitality sector uses several key products/ ingredients which are not available in the country, for example sea fish.

It is therefore recommended that the Ministry of Industry and Commerce identifies these products with the assistance of the Hospitality Association of Zimbabwe (HAZ) and exempts them from import licence requirements.

5.1.3 Increase the tenure of the import licence

The study also demonstrated that the three months tenure of the import licences is unrealistic for the hospitality sector due to the delays that companies encounter in accessing foreign currency and clearing the goods.

It is recommended that the tenure of the import licences from ministries of Industry and Commerce and Agriculture, Mechanization and Irrigation Development be extended from three months to 12 months.

5.1.4 Special consideration for Victoria Falls resort operators

Victoria Falls is the capital city of tourism in Zimbabwe. Its peripheral geographical location from the main agricultural hinterlands of Mashonaland and Manicaland means that operators face challenges in obtaining fresh high quality agricultural products for its discerning clientele.

It is therefore recommended that hospitality operators in the resort town be authorized to source fresh produce from Kasane in Botswana and Livingstone in Zambia without import licences.

5.1.5 Prioritize foreign currency allocation to the sector

The study also noted the lack of prioritisation in foreign currency allocation to the hospitality sector by monetary authorities.

Noting the potential of the sector to earn foreign currency, it is therefore recommended that the Ministry of Finance and Economic Development through the Reserve Bank of Zimbabwe (RBZ) put the hospitality sector into the first category list for the allocation of foreign currency. It is further recommended that the RBZ considers introducing a foreign currency retention scheme for the hospitality sector whereby the sector can retain 30-40% of its direct foreign currency earnings for importation of the products it needs, as well as for payment of contractual obligations like franchise fees.

5.1.6 Review and revise the Vegetable Import Calendar

The study showed that the current calendar is outdated and bears no relationship with the type of agricultural products that the new farmers are growing. Decisions to grant import licences for agricultural products are being made based on erroneous guidelines.

It is recommended that the ministry of Agriculture, Mechanization and Irrigation Development undertakes an immediate review of the calendar after a thorough assessment of the type of horticultural crops grown in the country and their seasonal quantum.

Long- Term (2-3 years)

5.1.7 Improve the process of import licence application

The study highlighted the multiplicity of authorities that operators have to deal with and the delays they encounter in applying for the various licences they need to bring goods into the country.

It is therefore recommended that the Ministry of Industry and Commerce in consultation with the, ministries of Agriculture, Mechanization and Irrigation Development; and Finance and Economic Development establishes *a one stop shop* where stakeholders can apply and pay for the necessary documents.

5.1.8 Empowerment of the agricultural sector

The study revealed that both agricultural wholesalers and hotel managers expressed concern with the quality of horticultural products that local farmers were offering. It was also pointed out that farmers were not producing niche products that the hospitality sector requires.

It is therefore recommended that the Ministry of Agriculture, Mechanization and Irrigation Development put in place a long-term training programme (3 years) targeted at the local horticulture sector which will assist producers to improve the quality of their products, so that they can meet the hospitality sector's needs.

APPENDIX

Findings from the Study in Graphs and Tables.

Figure 1: National Hotel Occupancy rates 2012-2015

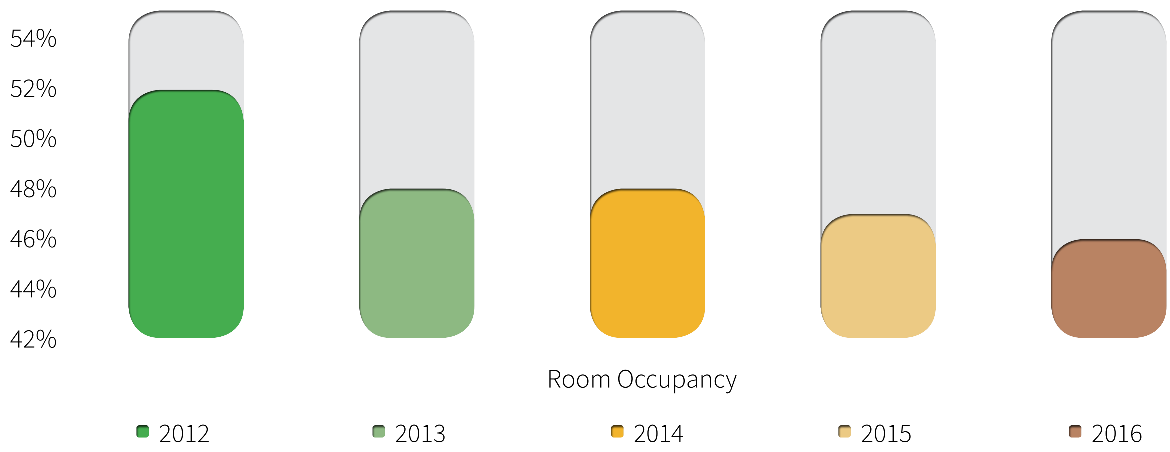

Figure 2: Summary of the process of importing agricultural products for the hospitality industry

Ministry of Trade and Commerce

Licence valid for 3 months only

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Plant Quarantine Services Department

$30 paid for each product line | No guarantee for getting licence

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Ministry of Agriculture, Mechanization and Irrigation Development

Use of old window calendar to decide licence allocation | Long turn around period

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Reserve Bank of Zimbabwe (NO guarantee for foreign currency allocation)
Long turnaround period

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Bureau Veritas (Preshippment inspection in South Africa)

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Zimbabwe Revenue Authority Clearance and Custom Duty Payment

Figure 3: Normal supply chain in the hospitality sector

Product service	Wholesaler	Hospitality Sector	Tourist
Manufacturer	General	Hotels	Domestic
Farmer	Distributor	Restaurants	International
	Specialist Distributor	Clubs	
		Etc.	

Figure 4: New supply chain in the hospitality industry after introduction on SI 64

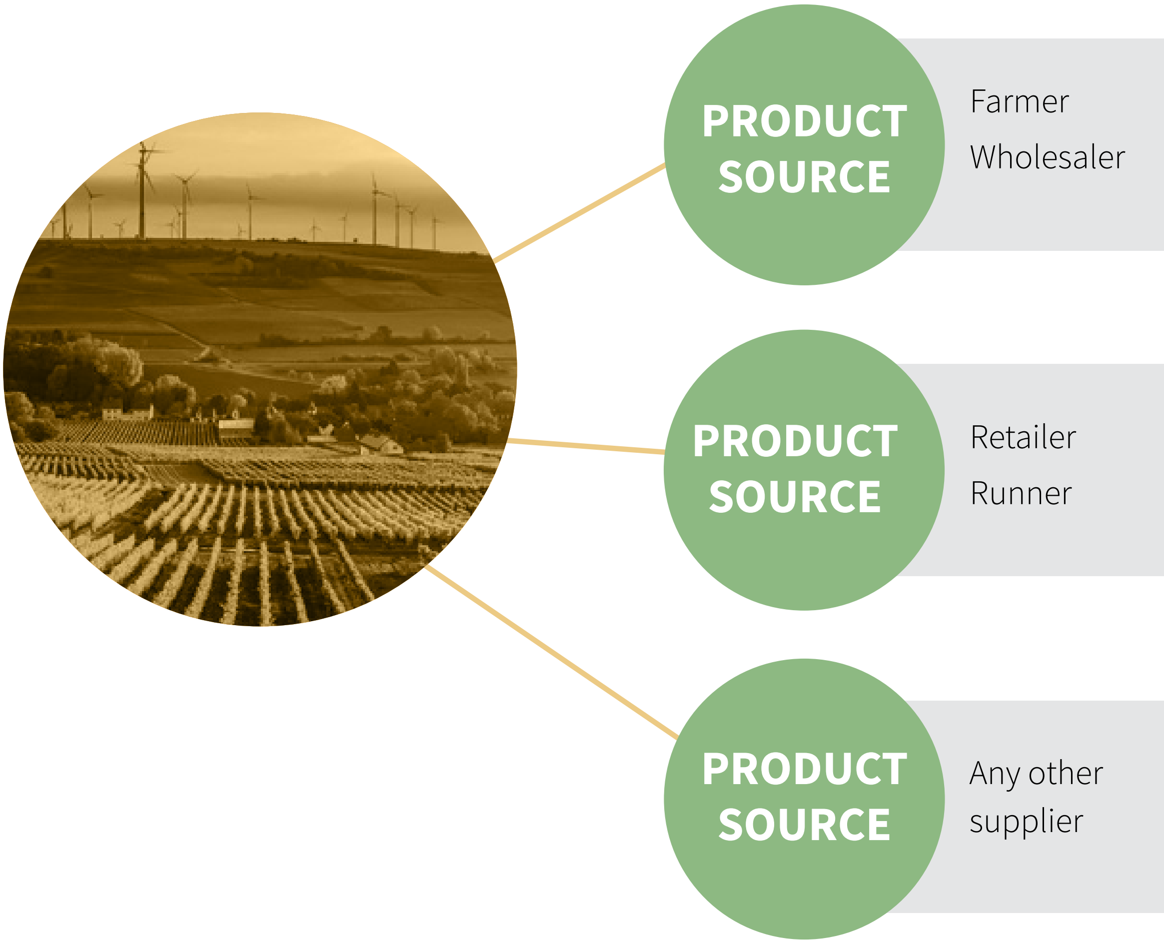

Table 1: Tourism contribution to GDP, employment and exports: 2005-2015

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Contribution to GDP (%)	7.5	14.1	12.9	14.9	14.3	11.9	11.3	11.7	11.3	11.4	11
Total Contribution to Employment (%)	6.4	12.2	11.1	12.8	11.9	9.6	8.7	8.8	8.2	7.8	7.2
Contribution to Export Earnings (%)	6	19.3	15.8	18.8	21.6	10.3	8.9	10.7	10.	9.5	9.

Source: ZTA annual reports, wttc.org

Table 2: Price increases in imported tinned products after introduction of SI 64

Product	Price before SI64	Price after SI64	%increase
Mango slices	$1.87/425g	$2.43/425g	29.94%
Peach slices	$1.74/425g	$2.48/425g	42.54%
Tomato paste	$8.26/3kg	$9.17/3kg	11%

Source: Holiday Inn Bulawayo

Table 3: Price increases in imported beverages products after introduction of SI 64

Product	Price before SI64	Price after SI64	%increase
Jameson Whiskey	$20.99/750 ml	$21.41/750 ml	2%
Windhoek Draught	$26.40/case	$32.50/case	23.10%
Imported Castle Light	$24.99/case	$28.80/case	15.24%
Pure juices	$1.35/litre	$1.43/litre	5.92%

Source: Holiday Inn Bulawayo

Hospitality Association of Zimbabwe
129 Baines Avenue
P.O. Box CY 398
Causeway, Harare
Tel: +263 4 708872
Email: hazimsec@gmail.com