Practical Advice and Policy Interventions to Support the Youth, Women Groups and Other Vulnerable Members of the Society.

SUPPLEMENT TO THE JANUARY 2009 MONETARY POLICY STATEMENT

By

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… TURNING OUR DIFFICULTIES INTO OPPORTUNITIES.
# TABLE OF CONTENTS

1. INTRODUCTION AND BACKGROUND 1
   Role of SMEs in Development 3
   Common Challenges Faced By SMEs 4

2. MEASURES TO ADDRESS THE CHALLENGES 5

3. EXPERIENCES OF OTHER COUNTRIES IN PROMOTING SMES 6
   SPECIFIC COUNTRY EXPERIENCES 7

4. CONTEXTUAL SME ISSUES IN ZIMBABWE... 10
   The Key Issues 11

5. SME DEVELOPMENT IN ZIMBABWE 12

6. ENHANCING THE PROVISION OF FUNDING TO MICROFINANCE SMES 13
   Financial Inclusion Framework 13
   Implementation Strategies 14
   Establishment of Microfinance Banks 15
   Permissible Activities for Microfinance Banks 16
   Other Sources of Financing SMEs to Bolster Micro-Lending in Foreign Currency 16

7. SPECIFIC INTERVENTIONS 17

8. CONCLUSION 19

ANNEX 1: Sectoral Breakdown of Examples of SME Projects That Qualify for Support 21
ANNEX 2: Provincial Natural Endowment-Based SME Projects 24
ANNEX 3: A Survey of Effective SME Technologies 27
1. INTRODUCTION AND BACKGROUND

1.1 The hyperinflationary environment in Zimbabwe has undermined the low income groups, pensioners, and vulnerable groups most of whom live in the rural areas.

1.2 Prices of goods and services have been rising to unprecedented levels, reflecting the escalation in production costs, shortages of basic goods and services, and the adverse effects of parallel market activities. Consequently, the local currency’s role as a medium of exchange, store of value and standard for deferred payments has been severely undermined.

1.3 To preserve the value of incomes, economic agents preferred to store their wealth in foreign currency, particularly the US dollars, South African Rand and the Botswana Pula among others.

1.4 In addition to foreign currency licensed shops, most retailers have been charging for their goods and services in foreign currency. Similarly, all basic commodities, mobile phone tariffs, and even bus fares were also being charged in foreign currency, before the current introduction of the expanded foreign exchange shops framework.

1.5 Looking at Zimbabwe’s demographics, it is apparent that the bulk of the country’s population still lives in the rural areas.
### RURAL AND URBAN POPULATION DEMOGRAPHICS

<table>
<thead>
<tr>
<th>Province</th>
<th>Urban</th>
<th>Rural</th>
<th>Urban Share</th>
<th>Rural Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harare metropolitan</td>
<td>1,896,134</td>
<td>0</td>
<td>16.1%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Bulawayo metropolitan</td>
<td>676,650</td>
<td>0</td>
<td>5.8%</td>
<td>0%</td>
</tr>
<tr>
<td>Manicaland</td>
<td>259,495</td>
<td>1,309,435</td>
<td>2.2%</td>
<td>11.3%</td>
</tr>
<tr>
<td>Mashonaland Central</td>
<td>102,873</td>
<td>892,554</td>
<td>0.9%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Mashonaland East</td>
<td>117,521</td>
<td>1,009,892</td>
<td>1.0%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Mashonaland West</td>
<td>344,806</td>
<td>879,864</td>
<td>3.0%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Matebeleland North</td>
<td>102,948</td>
<td>602,000</td>
<td>0.9%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Matebeleland South</td>
<td>68,457</td>
<td>584,597</td>
<td>0.6%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Midlands</td>
<td>349,595</td>
<td>1,114,398</td>
<td>3.0%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Masvingo</td>
<td>134,251</td>
<td>1,186,187</td>
<td>1.2%</td>
<td>10.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,052,730</td>
<td>7,578,927</td>
<td>34.7%</td>
<td>65.5%</td>
</tr>
</tbody>
</table>

**Note:** Women constitute approximately 52% of the population in Zimbabwe.

**Source:** CSO Census, 2002 National Report
1.6 There is, therefore, a strong and urgent need for macroeconomic policies that are responsive to the needs of vulnerable groups, particularly in light of the multi-currency environment, so that the policy changes take on board all sectors of the economy.

**ROLE OF SMES IN DEVELOPMENT**

1.7 The role of SMEs has evolved increasingly, accounting for a greater share of economic activity and wealth creation in many countries worldwide.

1.8 In Africa and the world over, SMEs contribute very significantly in terms of employment creation and growth.

1.9 For instance, in Indonesia, SMEs account for 98% of employment creation and growth with Japan and Thailand contributing 81% and 78% respectively.

1.10 SMEs are, thus, impeccable engines of economic growth which complement the efforts of the private and public sector to enhance the national development process.

1.11 SMEs have provided practical solutions to such challenges as poverty and declining household incomes to meet family basics such as food, school fees, and access to health services, among others.
Key drivers to consider in the case of nurturing and supporting SMEs are their labour intensity nature, capital saving capacity, harnessing of local resource endowments and reliance on fewer imports, flexibility and adaptability, innovativeness and strong linkages with other sectors of the economy.

The high level of adaptability also makes it easy for SMEs to thrive in any environment, hence they become an appropriate business model to promote rural development which will decelerate rural-urban migration that is currently giving headaches to many governments in the world.

Reflecting the sector’s central role, SMEs represent over 95% of enterprises in most Organization for Economic Corporation and Development countries (OECD) and generate over 50% of private sector employment. Governments, therefore continue to apply an array of policies and programs to promote entrepreneurship and boost development of SMEs. These programs generally aim to alleviate the challenges faced by SMEs and seek to identify and implement best practice policies.

COMMON CHALLENGES FACED BY SMES

The SMEs sector, while playing a critical role in economic growth and development, is confronted with a number of challenges which include the following:

(i) Access to finance remains the critical challenge facing SMEs worldwide. Accessibility and availability of finance is very limited, as the majority of SMEs are owner capitalized;
Limited access to finance is a major obstacle to development of SMEs in Africa. Their inherent higher perceived risk and lack of collateral make financial institutions reluctant to lend them;

SMEs also lack the capacity to conduct research and development needed to commercialize ideas and grow businesses;

Weak business structures;

Poorly defined legal and regulatory frameworks;

Poor marketing channels;

Difficulties in adapting to environmental changes;

Insufficient management resources; finance, Human Resources and technology; and

Absence of supportive institutional structures.

2. MEASURES TO ADDRESS THE CHALLENGES

2.1 In view of the challenges faced by SMEs, it is imperative that tailor-made support be given to this critical sector. Effective interventions include the provision of financial support and entrepreneurial development training, as well as mentorship frameworks.

2.2 Financial Support include the following:

- Diverse credit finance (loan programs);
- Equity finance;
- Credit Guarantee Schemes for SMEs; and
- Tax breaks for SMEs
2.3 Under entrepreneurial and management support, the following are the main areas that need intervention;

- Start up business support;
- Business diversification support;
- Strengthening of management base;
- SME turnaround support, and
- Mentorship programmes and sub-contracting by bigger corporates.

3. EXPERIENCES OF OTHER COUNTRIES IN PROMOTING SMES

3.1 Findings from empirical studies on the role of SMEs in economic development in a number of countries have revealed the following:-

(i) The financial sector has a major role to play in the creation and delivery of practical solutions to the challenges of sustainable development.

(ii) The SME and microfinance sectors have to be supported – financially and technically - to become part of the formal economy which will play a crucial role in the deepening of the financial sector and mobilization of financial resources.

3.2 Bangladesh, Uganda, India, South Korea, Malaysia and the Philippines provide exciting empirical evidence as on the microfinance revolution as a development intervention. Public-private partnerships (PPP) are valuable mechanisms for developing practical responses to African challenges.
(iii) **Access to financial services** is necessary to address problems faced by SMEs.

(iv) **Capacity building** in the SME sector by banks is necessary to ensure long term business planning and management.

## SPECIFIC COUNTRY EXPERIENCES

3.3 The Nigerian Central Bank has increasingly exercised its power as a regulator in line with internationally accepted norms and has been at the forefront on influential programs such as the Small and Medium Industry Equity Investment Scheme (SMIEIS) aimed at boosting equity investment in SMEs.

3.4 Since 2001, all Nigerian based banks have been mandated by the SMIEIS to set aside 10% of the pre-tax profits to finance SMEs. Funds are invested as equity, either as a cash injection or conversion of existing debts owed to participating banks.

3.5 In South Africa, a partnership between ABSA, First National Bank, Nedbank Group and Standard Bank and the Government was initiated in 2003 to develop low cost transaction accounts, enabling the banks to cover at least 70% of the un-banked market (low income group) in a relatively short time.

3.6 Japan’s SME policy was structured in 3 phases as follows:

(v) Reconstruction period;

(vi) High growth;

(vii) Stable growth period.
3.7 The Reconstruction period saw the establishment of Government financial institutions for SMEs, credit insurance system, formation of SME business associations such as the Chamber of Commerce and Industry.

3.8 The high growth period was aimed at upgrading the structure and improving the productivity of SMEs through the enhancement of facilities and promotion of subcontractor SME’s as well as support measures for start ups, new businesses and business innovation.

3.9 The Stable Growth period was geared towards fostering the diverse and vigorous growth of independent SME’s and meeting the demands of the global economy.

3.10 The Canadian Government offers financing programs to support the creation and growth of SMEs through a loan guarantee program and state owned financial institutions.

3.11 The range of financial services spans from:

(viii) Traditional term debt financing (5-20 years loans to finance capital assets); and
(ix) Provision of pure equity financing through venture capital, among other innovative structures.

3.12 China’s SMEs were historically constrained by lack of financial support.

3.13 China, however, recognized that vibrant SMEs are an essential part of sustained economic development and worked on improving the operating environment.
3.14 Consistent with this, the Chinese central government created a network of credit guarantee agencies in the late 1990s and tasked the SME Bureau to oversee them.

3.15 China’s growing credit guarantee system was a step in the right direction, especially since the banking system’s lending decisions were strictly on a commercial basis.

3.16 The most remarkable aspect of China’s small and medium enterprises is their rapid growth despite their inability to tap the official financial system.

3.17 Today, Chinese experts estimate that SMEs are now responsible for about 60% of China’s industrial output, employing about 75% of the workforce in China’s cities and towns.

3.18 SMEs are responsible for creating most new urban jobs, and they are the main destination for workers laid-off from state-owned enterprises (SOEs) that re-enter the workforce.

3.19 Many of the SMEs are private firms, started by enterprising individuals. Furthermore, some of the SMEs have moved into market segments once dominated by state firms.

3.20 In New Zealand, the concept of SMEs is also vibrant. The significance of the SME sector in New Zealand has, thus, been increasing, with further opportunities presented by globalisation and technological development.
3.21 Reflecting this significance, SMEs accounted for 29.7% of total employment in February 2005, with the number of people employed by SMEs increasing by 7% between 2004 and 2005.

3.22 New Zealand’s SME sector also accounts for quite a significant proportion of the country’s output. The SME contribution to output increased from 37.2% in 2003 to 39% in 2004 accounting for 23.8% in value added output.

4. CONTEXTUAL SME ISSUES IN ZIMBABWE...

4.1 Whilst in Zimbabwe, Government has made commitment to the full development and the full transformation of the SME sector over the years, there has not been a comprehensive intervention programme that recognizes the need for our Youths Women and other disadvantaged groups to be supported in developing entrepreneurial capabilities.

4.2 This development, largely a result of resource constraints cannot be allowed to remain uncorrected.

4.3 A peculiarity worth noting is also that Government nurtures students for at least 11 years (7 years in primary school and 4 years at secondary level) and yet, thereafter, there seems to be limited frameworks that unlock the wealth invested in those 11 years.

4.4 Against this background, the Ministry of SMEs ought to play a very strategic role in the development of the sector.
4.5 Support activities ought to range from policy initiatives, technical capacity building, and financing among other numerous and significant interventions, and as the Central Bank, we recommend that Government sets aside resources for SME development.

4.6 It is, however, important to note that a strong institutional framework supporting the development of SMEs is already in place in Zimbabwe, as evidenced by such long-standing institutions as SEDCO, Empretec, and UNIDO, the ILO arms, among several other institutions currently providing technical and financial support to the sector. These must now be reconfigured into tangible activities in support of the SMEs.

4.7 The turnaround of the Zimbabwean economy calls for a holistic approach building on these existing strengths so as to realize sustained growth and overall economic performance across the board.

4.8 But for the SMEs sector to flourish, there are several key issues which must be addressed:

**THE KEY ISSUES**

(i) The financial sector has a major role to play in the creation and delivery of practical solutions to the challenges for the achievement of sustainable development.

(ii) The SME and microfinance sectors have to be supported – financially and technically - to become part of the formal economy which will play a crucial role in the deepening of the financial sector and mobilization of financial resources.
(iii) Public-private partnerships (PPP) are valuable mechanisms for developing practical responses to African challenges.
(iv) Access to financial services is necessary to address problems faced by SMEs.
(v) Capacity building in the SME sector by banks is necessary to ensure long term business planning and management.

5. SME DEVELOPMENT IN ZIMBABWE

5.1 The majority of smallholder farmers in Zimbabwe are women. Because of lack of support for women in agriculture, output in agricultural sector (particularly in commercial areas) has remained depressed.

5.2 The farmers require subsidies and protection; however, weak fiscal capacity has hampered the transfer of adequate amounts to sustain continued production.

5.3 The introduction of new technologies developed in other parts of the world e.g. India would improve the agricultural performance of rural Zimbabwe. The use of simple machines would make the youth, women and other vulnerable groups more productive and be able to sell their output in foreign exchange.

5.4 Moreover, they can engage in small scale activities utilising the agricultural output as inputs in small scale industries.

5.5 The marketing of agricultural output is fundamental in the development of the rural economies.
6. **ENHANCING THE PROVISION OF FUNDING TO MICROFINANCE SMES**

**FINANCIAL INCLUSION FRAMEWORK**

6.1 It must be noted that while all policy players are expected to play their part in ensuring adequate access to financial services, experiences from other countries indicate that where access to financial services has improved, Central Banks have taken a pivotal role to foster the development of inclusive financial systems.

6.2 In view of these observations, the Central Bank has taken deliberate policy initiatives to render Financial Inclusion a reality to the majority of the currently marginalized Zimbabweans.

6.3 This document sets out the Reserve Bank's Framework for Financial Inclusion, whose objectives include:

(i) ensuring access to basic financial services by all Zimbabweans in a sustainable, economically viable manner, through appropriate institutions, products, services and technology;

(ii) promoting economic development, social and economic empowerment of the marginalized communities including rural and peri-urban communities through improved access to financial services;

(iii) employment creation;

(iv) breaking the cycles of poverty, currently deeply rooted in rural communities;
(v) inculcating a savings culture in rural communities; and
(vi) fostering the achievement of the United Nations' Millennium Development Goals (MDG's).

IMPLEMENTATION STRATEGIES

6.4 The Reserve Bank's Framework for Financial Inclusion is underpinned by the following pillars:

- expanding the outreach of established developmental financial institutions such as People's Own Savings Bank (POSB), ZIMPOST and Agribank;
- expanding the outreach of established commercial banks and building societies;
- enhancing provision of microfinance services through establishment of microfinance banks (MFI Banks) or Financial Inclusion Centres (FICs);
- urging relevant authorities to ensure provision of adequate infrastructure including roads, telecommunication coverage and provision of electricity;
- provision of appropriate incentives to financial institutions engaged in rural banking; and
- engaging other stakeholders to facilitate the provision of other incentives.

6.5 In pursuing the objectives of establishment of an inclusive financial system, a National Microfinance Policy has been developed, which encompasses a tiered approach to the regulation and supervision of Microfinance Institutions (MFIs) as follows:
### TIERED SYSTEM

<table>
<thead>
<tr>
<th>Tiers</th>
<th>Institutions</th>
<th>Supervisory Category</th>
<th>Supervising Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tiers 1</td>
<td>Banks and Building societies</td>
<td>Prudential Supervision</td>
<td>Reserve Bank</td>
</tr>
<tr>
<td>Tiers 2</td>
<td>Microfinance Banks</td>
<td>Prudential Supervision</td>
<td>Reserve Bank</td>
</tr>
<tr>
<td>Tiers 3</td>
<td>Savings and Credit Union Cooperatives</td>
<td>Prudential supervision Discretional</td>
<td>Ministry responsible for cooperatives</td>
</tr>
<tr>
<td>Tiers 4</td>
<td>Microfinance Institutions</td>
<td>Non-prudential Supervision</td>
<td>Reserve Bank</td>
</tr>
</tbody>
</table>

### ESTABLISHMENT OF MICROFINANCE BANKS

6.6 The Reserve Bank has developed **Regulatory and Supervisory Guidelines** and **Licensing Criteria** for the establishment of MFI Banks or FICs in Zimbabwe.

6.7 Existing microfinance institutions and SACCOs intending to convert into Microfinance Banks should meet the terms and conditions as enunciated in the Licensing Criteria for Microfinance Banks.
PERMISSIBLE ACTIVITIES FOR MICROFINANCE BANKS

6.8 Microfinance banks may conduct the following activities:

- accept deposits including savings and time deposits;
- provision of credit facilities;
- provision of ancillary banking services such as domestic remittance of funds and safe custody, capacity building in areas such as record keeping and small business management.
- provision of payment services such as salary, gratuity and pensions;
- maintenance and operation of various types of account with other banks in Zimbabwe;
- provision of leasing and hire-purchase facilities;
- provision of guarantees; and
- provision of housing microfinance.

OTHER SOURCES OF FINANCING SMES TO BOLSTER MICRO-LENDING IN FOREIGN CURRENCY

6.9 Micro finance institutions should be licensed to lend SMEs in foreign currency. In addition, SMEs should also be licensed to charge goods and services in foreign currency.

6.10 This measure will assist SMEs to generate and secure foreign exchange for working capital purposes, and increase capacity and generate employment. This will provide substantial impetus to efforts geared at ensuring the graduation of SMEs to major exports.
6.11 The financial system should also positively contribute to the development of SMEs by providing financial support to SMEs, schools and tertiary institutions. This will enable these institutions to engage in income generating projects and enhance self sufficiency in the area of financing.

6.12 Symbiotic relationships can also be strengthened between the agriculture sector and SMEs through value addition and product beneficiation. In this context SMEs can also engage in agro-processing to add value to the country’s agricultural produce.

6.13 Prominence should be attached to the engagement of development co-operating partners with a view to secure financial resources for the development of SMEs and the vulnerable groups.

7. SPECIFIC INTERVENTIONS

7.1 As part of the Reserve Bank’s thrust to ensure that vulnerable groups of our society sail the multi-currency environment, the following specific interventions are being implemented:

(a) Deepening of the rural banking programme through incentives to those banks that expand their nationwide branch network;

(b) Licensing of more micro-finance institutions in order to promote greater access to capital by SMEs and other vulnerable segments of the society;

(c) Calling upon all banking institutions to setup and deepen their SME management units;

(d) Identification and negotiation of tailor made regional and international financial schemes for on lending to the SME sector;
(e) Engagement of the Reserve Bank in nationwide awareness campaigns to ensure that stakeholders are adequately advised on the implications of the new economic environment and how to survive under the multi-currency environment; and

(f) Deepening the implementation of greater deregulation in the goods and services market. This includes the removal of distortions in the economy, particularly in respect of the pricing of foreign exchange and pricing of the agricultural produce. Greater liberalisation ensures that our farmers are operating viably, which in turn uplifts rural incomes.

7.2 As Monetary Authorities, therefore, we call upon the entire banking sector to join the Reserve Bank in ensuring that their internal credit policies play a supportive role in the development and growth of SMEs.

7.3 Households and individuals, across the board must also exercise greater vigilance and work to develop their entrepreneurial skills through engagement in income generating projects, particularly those that increase the availability of basic goods and services, whilst at the same time ensuring that the project implementers generate legitimate incomes, including foreign exchange for their sustenance.
8. CONCLUSION

8.1 The 2009 National Budget and the Monetary Policy Framework usher in a new era of boundless opportunities which companies and individuals must tap into.

8.2 Whilst at first sight, the Fiscal and Monetary Policies may seem to be leaving the vulnerable members of the society out in the cold, the various avenues that have been proposed in this supplement seek to bridge that gap.

8.3 With a more active role by banks and Micro-Lending institutions, the SME sector will swell into being the engine of broad-based economic growth and development.

8.4 Success in protecting the vulnerable members of our society also demands utmost implementation of Government policy programmes across the board.

8.5 Our utility public enterprises, as well as other producers of basic commodities must also rally behind this initiative by investing back into the community.

8.6 As buyer of last resort, the GMB must ensure that it promptly pays farmers in foreign exchange as stipulated in the 2009 National Budget.

8.7 By way of general advice to stakeholders, the liberalised foreign exchange environment calls for a radical shift in the way we allocate resources among competing ends.
Specifically, we must evolve ourselves into greater propensities to save, which savings pools will make the investments needs of SMEs, the youth, women groups and other vulnerable members of our community.

As Monetary Authorities, we are confident that through collective efforts, the Nation will sail through the current difficulties and emerge much stronger and prosperous.

DR. G. GONO
GOVERNOR
RESERVE BANK OF ZIMBABWE
January 2009
ANNEX 1: SECTORAL BREAKDOWN OF EXAMPLES OF SME PROJECTS THAT QUALIFY FOR SUPPORT

<table>
<thead>
<tr>
<th>Sector</th>
<th>Type of Projects which can be supported (MAKING OF)</th>
</tr>
</thead>
</table>
| **Food Processing**           | • Oil expressing  
|                               | • Fruit & vegetable drying  
|                               | • Peanut butter/jam making  
|                               | • Juice making  
|                               | • Milk processing  
|                               | • Freezit making  
|                               | • Food flavours  
|                               | • Honey processing  
|                               | • Meat processing  
|                               | • Kapenta fishing and processing  
|                               | • Grinding mills  
|                               | • Mealie – meal  
|                               | • Stock feed  
|                               | • Other                                                                                                           |
| **Bakery & Confectionery**    | • Bread  
| **Manufacturing**             | • Biscuits  
|                               | • Sweets  
|                               | • Cakes & scones  
|                               | • Other                                                                                                           |
| **Toiletry Making**           | • Liquid soap  
|                               | • Dishwashers  
|                               | • Detergents  
|                               | • Laundry/bath soap  
|                               | • Powdered soap  
|                               | • Tooth paste  
|                               | • Cosmetics  
<p>|                               | • Other                                                                                                           |</p>
<table>
<thead>
<tr>
<th>Sector</th>
<th>Type of Projects which can be supported (MARKING OF)</th>
</tr>
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<tbody>
<tr>
<td>Textile &amp; Garment Production</td>
<td>• Cotton processing</td>
</tr>
<tr>
<td></td>
<td>• Yarn spinning</td>
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<tr>
<td></td>
<td>• Weaving</td>
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<td></td>
<td>• Knitting</td>
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<td></td>
<td>• Crocheting</td>
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<td></td>
<td>• Tie &amp; dye</td>
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<td></td>
<td>• Tailoring</td>
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<td></td>
<td>• Protective Clothing</td>
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<td>• Uniforms</td>
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<tr>
<td></td>
<td>• Corporate wear</td>
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<td></td>
<td>• Ladies, gents and children’s wear</td>
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<td></td>
<td>• Embroidery</td>
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<td></td>
<td>• Linen</td>
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<td>• Curtains</td>
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<td></td>
<td>• Other</td>
</tr>
<tr>
<td>Retailing</td>
<td>• Butchery/Abattoir</td>
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<tr>
<td></td>
<td>• Supermarkets</td>
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<td></td>
<td>• Bottle Stores</td>
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<tr>
<td></td>
<td>• Tuck shops</td>
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<tr>
<td></td>
<td>• Flea markets</td>
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<td></td>
<td>• Catering</td>
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<td></td>
<td>• Vegetable vending</td>
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<td>• Other</td>
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<tr>
<td>Leather &amp; Rubber Production</td>
<td>• Leather</td>
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<td></td>
<td>• Bags</td>
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<td></td>
<td>• Shoes</td>
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<td>• Jackets</td>
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<td></td>
<td>• Belts</td>
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<td></td>
<td>• Rubber</td>
</tr>
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<td></td>
<td>• Tyre retreading</td>
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<td>• Other</td>
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<tr>
<td>Sector</td>
<td>Type of Projects which can be Supported (MAKING OF)</td>
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<td>---------------------------------------------------</td>
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<tr>
<td>Engineering</td>
<td>• Auto</td>
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<td></td>
<td>• Electrical</td>
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<td>• Mechanical</td>
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<td></td>
<td>• Computer Assembly</td>
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<td></td>
<td>• Other</td>
</tr>
<tr>
<td>Services</td>
<td>• Plumbing</td>
</tr>
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<td></td>
<td>• Jobbing Services</td>
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<td></td>
<td>• Hair and Beauty salon</td>
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<td></td>
<td>• Automobile repairs</td>
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<td></td>
<td>• Painting</td>
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<td></td>
<td>• Tiling</td>
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<tr>
<td></td>
<td>• Interior Deco</td>
</tr>
<tr>
<td></td>
<td>• Upholstery</td>
</tr>
<tr>
<td></td>
<td>• Gym (Health &amp; fitness)</td>
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<td>• Other</td>
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*Note: Focus will on primary production and value addition as opposed to importing-buying and trading*
## ANNEX 2: PROVINCIAL NATURAL ENDOWMENT-BASED SME PROJECTS

<table>
<thead>
<tr>
<th>Province</th>
<th>Resource Endowment</th>
<th>Potential Projects which can be Supported</th>
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<tbody>
<tr>
<td><strong>Mashonaland East</strong></td>
<td>Mineral Deposits</td>
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<td>Mining/Quarrying</td>
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<td>Agro-processing</td>
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<td>Oil Expressing</td>
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<td>Diversified Crop Farming</td>
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<td>Agricultural Implements</td>
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<td>Dairy and Beef</td>
<td>Milk Processing</td>
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<td>Leather Processing</td>
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<td>Agro-processing</td>
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<td>Dairy</td>
<td>Textile &amp; Garments</td>
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<td>• Travel &amp; Tourism</td>
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<td>• Small Scale Mining</td>
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<td>Matabeleland North</td>
<td>Cattle Ranching</td>
<td>• Abattoir</td>
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<td>• Milk Processing</td>
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<td>• Beef Processing/Canning</td>
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<td>Tourism</td>
<td>• Hunting &amp; Safari</td>
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<td>Matabeleland South</td>
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<td>• Processing</td>
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ANNEX 3: A SURVEY OF EFFECTIVE SME TECHNOLOGIES

Below is a synopsis of brief discussions of technology that can be used by Zimbabwean SMEs in the production of the various products.

Exercise Book Making Machine

This machine makes exercise books, register and other stationery items for schools, offices, colleges and universities.

Benefits:

- Availability of text books in schools.
- Decentralization of the production of school material.
- Schools could produce their own books and sell in school shops.
- Parents at the school could be engaged to assist in book making projects at the school.
- Older children at high school could work in practical subjects teaching the art of book making
- Employment creation
- Import substitution

Nail/Screw Making Machine

This machine produces various sizes and types lengths and thickness of nails and screws and is very simple to operate.
Benefits:

- Locally available raw materials
- Flexible
- Increases locally produced nails and screws to take care of high construction initiatives in the housing and construction sectors.
- Dampening inflationary pressures triggered by the construction sector
Bath & Laundry Soap & Washing Powder Machines

- This soap machine (3 in 1) makes bars and fancy soaps and glycerine soap & wax, candles and chalk

Benefits:

- Product availability
- Import substitution
- Machine easy to operate
- Economies of scale and scope
- Employment creation and price stability
Toilet Roll Making Machines

Objective

- Increasing availability of toilet tissues to all marginalized areas at affordable prices and ensuring self sufficiency.

Advantages of the Machine

- The machine can make a combination of roller towels, garage & hospital wipes & disposable towels
- Makes 25 to 80 rolls per minute*. (Depends on model & operating speed)
- Jumbo production tissue rolls easily available.
- Low electricity consumption.
- Low maintenance
Easy to operate - Learn in an hour how to work machine.
• Requires 1 to 2 operators.
• Machines able to operate 24 hours
• Its easier than you can imagine
• Cheaper toilet rolls are needed.
• Make up to *40000 rolls per day

Benefits

• Employment creation
• Empowering the marginalized, women and youth
• Demand available daily
• Incredible profit potential

Raw materials

• Sawdust, husk, organic waste, wood, tree stumps and many other wastes, readily available from Border Timber and other timber sawmills.

Market

• Factories, Hospitals, Prisons, Chemists, Shops, Hawkers, Cleaning companies, general public, Schools, Big buildings, Big companies etc.
Block and Paving Machine

**Objective**
- To boost the construction industry in line with the United Nations Millennium Development Goal of proving decent and affordable accommodation to all people.

**Advantages of the Machine**
- Compact floor space
- Easy handling
- Low cost of maintenance
- Low capital investments
- Robust / Long-life
- Incredible profit potential
- Highly flexible capacity
- Electric, Diesel or Manual
- Portable & Fixed Model
- System designed to use less cement so they reduce brick weight.
- Designed to operate 24 hours

**Benefits**

- Employment creation
- Empowering the marginalized, women and youth
- Building materials, particularly bricks, are in high demand nationally, and therefore set to benefit the local building communities, as we strive to meet the housing for all campaign
- Incredible profit potential
- Import substitution

**Raw materials**

- Cement
- Water
- Colour powder
Market

- Local communities,
- Building and paving contractors,
- Public contractors
- Private developers

Roof Sheet Machines
Various Models

Objective:

- To boost the construction industry in line with the United Nations Millennium Development Goal of proving decent and affordable accommodation to all people.

Advantages of the Machine

- Incredible Profit Potential
- Make many, many designs sheets or tiles.
- Works on a roll forming system.
- Plant will fit into a 40Ft container
- 5 Ton rolls (25 rolls in 20ft container) (various colours available)

Benefits

- Employment creation
- Empowering the marginalized, women and youth
- Incredible profit potential
Raw materials

- Asbestos
- Iron
- Hardened Plastic
- Cement
- Colour coated steel

Market

- Local communities,
- Building and paving contractors,
- Public contractors
- Private developers
Bakery Equipment

Bakery Ovens in various sizes
Objectives

- To ensure availability of bread to all people in the marginalized areas
Advantages of the Oven Machines

- Compact floor space
- Easy handling due to user friendly controls
- Low cost of maintenance
- Low capital investments with max production
- Highly flexible
- High capacity
- Millions of bread rolls, cakes, etc are sold every day.
- Areas where electricity is not freely available - the manual mixer & (gas) oven & proofer is ideal.

Benefits

- Employment creation
- Empowering the marginalized, women and youth
- Millions of bread rolls, cakes, etc are sold every day.
- Incredible profit potential

Raw materials

- Flour
- yeast
- water
- sugar
- salt
Market

- Local communities,
- Supermarkets
- Hotels and restaurants
- Schools, crèches, and universities
- Hospitals and other government institutions.

Wire Mesh Machine
Wire Chain Link Fencing Machine

Wire Wearing Machine
Barbed Wire Machine

Hexagonal Wire Making machine
Advantages of the Fence-making Machines

- Compact floor space
- Easy handling due to user friendly controls
- Low cost of maintenance
- Low capital investments with max production
- Highly flexible
- High capacity

Benefits

- Employment creation
- Empowering the marginalized, women and youth
- Demarcation of farms, homesteads and gardens, poultry, rabbit runs

Raw materials

- Extruded Wire

Market

- Local communities,
- Farms
- Homesteads
- Company premises
Recycling Plant for Waste Tyres

Objectives

Zimbabwe is currently experiencing a shortage of tyres due to unavailability of raw materials. Against this backdrop, the construction of recycling plants for waste tyres will greatly improve the situation.
**Benefits**

**Crushed waste is Suitable For:**

- Sports Grounds, Tennis Courts, Track, Riding Facilities, Playgrounds
- Road Construction – Reduce driving noises and to minimize cracks and holes
- Part of the recycled waste tyre granulate is used to produce new tyres.
- Moulded articles for use in family households and in Industry used in the car industry as insulating material or in the form of moulded articles for ventilation systems and seats
- Footwear – Sole
- Mats – Vibration damper Sound Insulation
- Stables - Floor Coverings
Raw materials

- Used tyres
- Electricity
- Water

Market

- Tyre dealers
- Local Authorities

Plastic Bottle Moulding Machine

Plastic Blowing Machine
Objective

- To avert the current shortages of water, juice, oils, lubricants packaging material

Advantages of the Machine

- Low Electricity use +/-9Kw p/Hr Auto Control PLC
- Revolving infrared pre-heat system, it ensures pet performs be heated evenly.
  
  Machine uses mechanical-double arm mould clamping which ensures the mould be closed tightly even under high pressure and high temperature and operates silently.
- Machine is suitable to produce differently shaped bottles.
- Produce bottles for: mineral water, carbonated soft drink, juice, medical, cosmetic, oil, detergent, shampoo & hot filling bottles.
- Steady high pressure to blow large irregular shape bottles
- Wide mouth jar/bottles can also be made.
- Make bottles from size *100ml to *6000 ml including 2Lt to 5lt
  
  Free 2 Cavity Mould (2 bottle in one)

Benefits

- Cheap availability of plastic bottles
Raw materials

- Plastic
- Water

Market

- Beverage manufacturers
- Pharmacies
- Oil companies
- Water packaging companies

Hand made tiles

The manufacture of hand made tiles requires only rudimentary implements including the following:

- mild steel,
- outer frame,
- inner design frame,
- glass pane,
- trowel,
- shovels,
- sieve for the sand.
There is also an artistic skill passed from generation to generation and this clearly shows on the consistency of the colours and the matching combinations especially for people in remote parts of the country, with no access to computerized designs.

**Raw Materials**

- Sand which has the required qualities,
- Cement, and
- Colouring agent.

**Dry Flowers**

**Technology**

The process of the production of dry flowers uses simple technology consisting of the following:

- colouring tanks which are fabricated out of steel,
- simple lifting devices,
- green houses for drying,
- plastic containers for bleaching, and
- solar energy for heating water for dyeing.
Raw Materials

- Raw materials are collected through the informal and traditional sectors of the economy, and
- Plant species which grow in the wild and can be replenished easily.
- It is estimated that 20% of the raw materials used are cultivated and 80% are collected from the wild as agricultural waste.
- The procurement can be from established network of farmers who serve as gatherers and sometimes who also grow. Some collection agents can also be used.

Fruit Juices Extractor

A fruit juice extractor displayed at the CFTRI Engineering Department showroom
The machine is used to extract juices from fruits and vegetables.

**Mini Dhal Mill Machine**

The Mini Dhal Mill machine which may be hand, diesel and electricity operated.

*It is used for dehulling and crashing grains into different sizes.*
Milk Processing Machine

Pipes for the milk processing machine done at Goma Engineering

Cosmetics and related products

The technology shown below produces detergent cake (laundry soap), bathing soap, shampoo, air freshener and tooth paste.

Technology

Equipment used in the manufacturing of the products includes:

- a mixer,
- floater, and
- ploader.
Soap ingredient mixer

Removal of lumps from detergent wax
Hand made Paper and Board

The Hand made Paper and Board machinery produces a range of products including:

- envelopes,
- gift wrappers,
- hand bags,
- boxes, and
- picture frames.

Technology

Machines used in the whole production chain include:

- Waste cloth pulping,
- Pulp setting sieves,
- Pulp pressing,
- Guillotines, and
- Embroidery
Pulping of the cloth

The pulp is then fed into rectangular fiber seave.
The sheets are then compressed to remove water.

Raw materials

- waste pieces of cloths
- A variety of dyes are used to add value to the paper produced.