

Economic Forces and Healthcare

3 September 2014

PRESENTER: A.M. CHIDAKWA

Objectives

- Overview of the economic situation
- Binding constraints
- Economic outlook
- Implications for the industry

Overview of the economic situation



- National of great potential, but currently going through a rough patch

Liquidity challenges



**ARE YOU
PREPARED
FOR RISING
INTEREST
RATES?**



Bad loans & Non Performing Loans (NPLs)



The image shows a banner for the Zimbabwe Independent newspaper, which is described as 'THE LEADING BUSINESS WEEKLY'. To the right of the logo is an advertisement for the telecash Debit Card. The ad features a smartphone and a yellow debit card. Text in the ad includes 'Register & Do \$500 to activate telecash', 'The telecash Debit Card', 'telecash gave you the first you can use it to transact and withdraw money', and 'And guess what?'. There are also social media icons for Facebook, Twitter, and LinkedIn, and a note that 'Terms and Conditions Apply'.





A dark navigation menu with white text. The items are: Home, News, Business, International, Politics, Letters, Opinion, Entertainment, Cartoons, Business, Mind Supplements, and Business Publications.

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US\$700m bad loans choke Zim economy

August 29, 2014 in [News](#)

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BALLOONING non-performing loans (NPLs) in the banking sector have become an albatross around the fragile economy's neck as they threaten financial stability and growth amid indications they are surging well above the official US\$705 million — a huge chunk of the country's bank total deposits and Gross Domestic Product, officials have told the Zimbabwe Independent.

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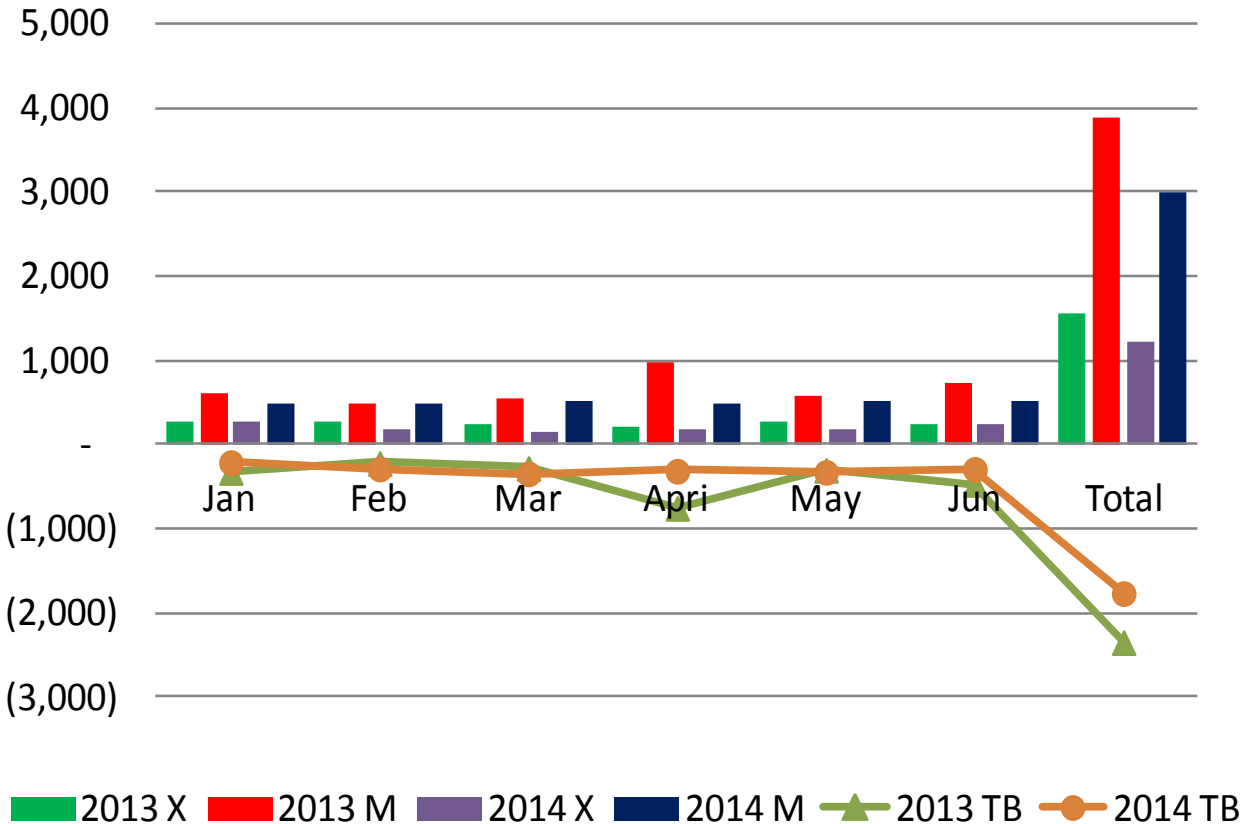
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More company closures loom

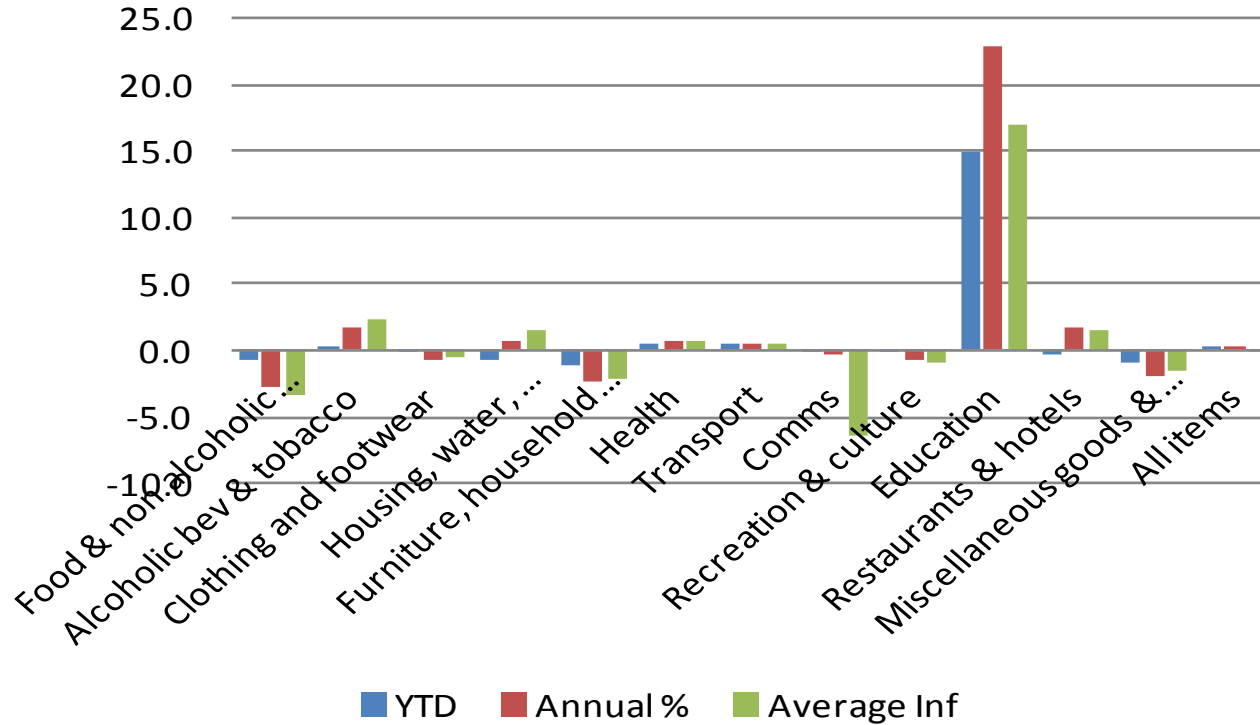
April 13, 2014 in Business



Balance of payments (US\$ million)

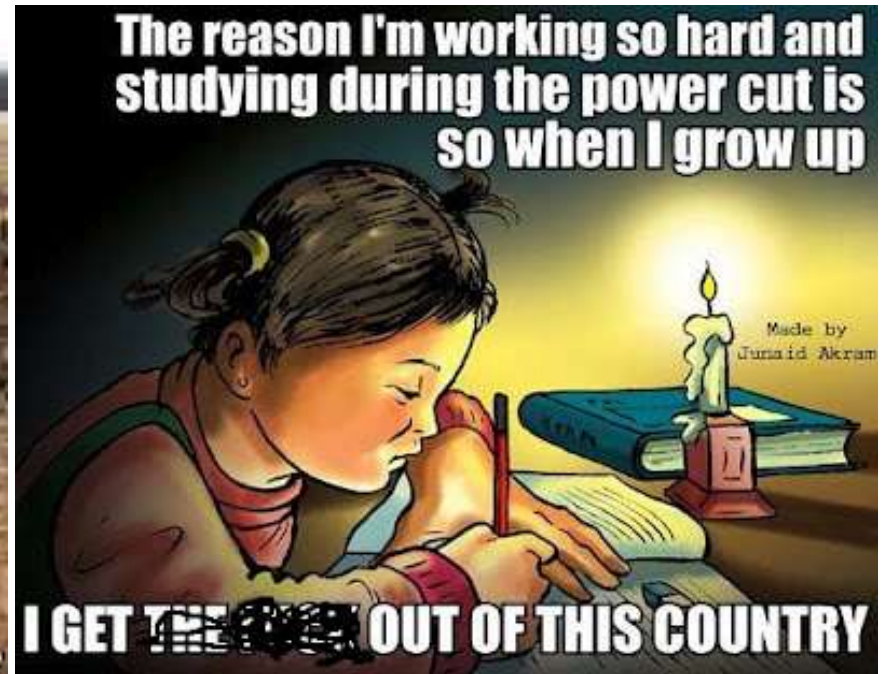


Inflation (%)



Binding constraints

Infrastructure and utilities



Utilities



Limited value addition

Need for national policy on minerals value addition

HOW I SEE IT
by DULIP JAYAWARDENA



A subsidiary of Williams Composites discovered how the phosphate rock could be processed to eliminate fluoride and fluoride that will be corrosive and eat up the acid reactor. The initial proposal was on an equity split of 21 to 49 to GOSL and Agrico and the GOSL equity was in the form of royalty paid up front with a debt equity ratio of 4 to 1. The working capital of US \$ 10 million was to be brought by Agrico after the sale of a fertilizer plant at Nambur South Korea. GOSL at that time refused to give the foreign loan guarantee and preferred to give such a guarantee to purchase of planes for Air Lanka.



Value addition to minerals

up to value addition to graphite in the light of new findings on graphene research, photo voltaic cells, lithium ion batteries, etc.

It is also learnt that the Ministry of Science and Technology has convened another meeting by a self-appointed committee headed by a former Director and Chairman and a former working Director of GOSL to look into value addition to minerals and the private sector which attended the two meetings convened by the MOST and COSTI were confused and baffled why there are duplication of efforts even within the same ministry. In addition to these committees, there are now four ministries involved in mineral resource development namely MOERE, Ministry of Industry and Commerce (MOIAC), Ministry of State Resources and Enterprise Development (MSRED) and Ministry of Science and Technology to explain further apart from the legislative responsibility for mineral resource development of MOERE.

fair share of profits.

It must be stressed that Sri Lanka is still to attract Foreign Direct Investment (FDI), if we are to embark on green technology and high tech innovations. Most of our decision makers do not realize that taking laboratory innovation to commercial levels need transfer of innovative and proven technology, foreign capital, secure markets for finished products as well as a stable investment and a regulatory regime. Sri Lanka still has to embark on industries utilizing such products for the steel industry, refractories, lubricants etc. as well as high end products like fuel cells for conversion of hydrogen to electricity, lithium ion batteries, white titanium pigment, titanium metal etc and an attractive investment regime is of paramount importance if we are to advance industrially and achieve the aspirations of the President, Maheendra Rajapakse under his "Matinda Chintanaya Idiri Dakshina" Integrated National Policy Direction.

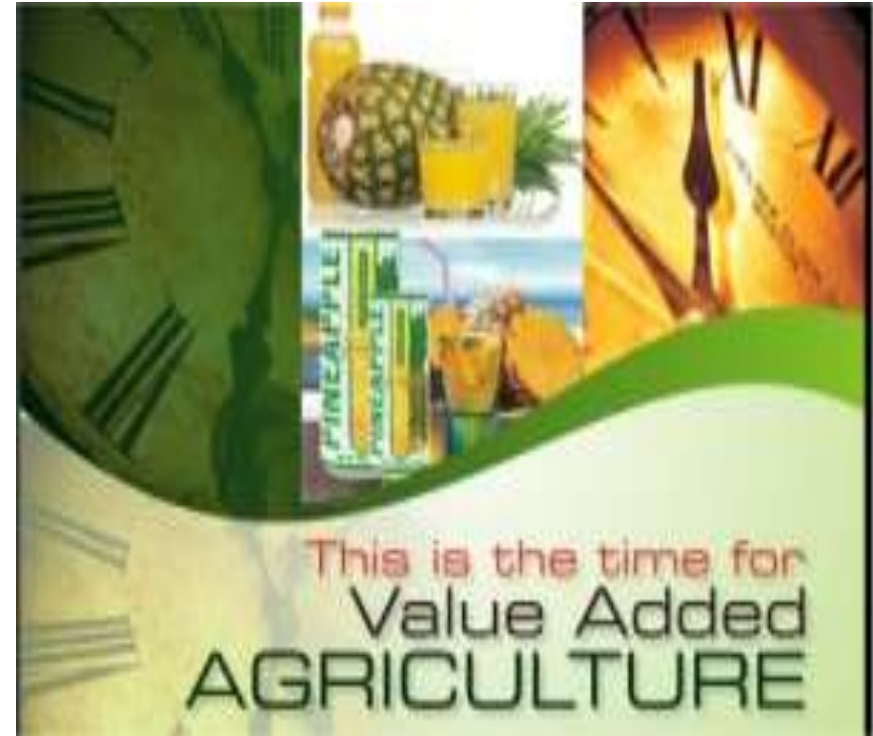
A US - EU Workshop on Mineral Raw Materials Flow and Data held in Brussels on 12 September 2012 selected for study 41 minerals, but not all commodities and the

There is presently a great interest on value addition to mineral resources that could be commercially exploited in Sri Lanka. However this interest was vigorously promoted by the Geological Survey Department (present GSD) from the early 1960s and what is new is that these minerals namely graphite and mineral acids and pure silica quartz have now been identified as strategic minerals with the advancement of cutting edge and green technology in the recent past.

It is now imperative to educate the public about the strategies that were made by the dedicated geologists from the Geological Survey Department whose writings efforts were entirely unrecognizable in nature on the

In the interests of the general public, it must be stated that there are four Ministries dealing with value addition to minerals. However, the lead Ministry legislated to look into all aspects of mineral. Most of our decision makers

The MOIAC is responsible, but the Sri Lanka



- No country has ever become rich by relying on commodities → need for value addition

Binding constraints ...

- Availability of funding
- **Creating an enabling business environment through clear, consistent and investor friendly policies**
- Willingness by the Zimbabweans to make difficult decisions for the good of our economy

Initiatives to address the socio-economic challenges

Policy framework



- Infrastructure & utilities
- Food security & nutrition
- Value addition & beneficiation
- Social services & poverty eradication

Policy consistency

- Process to synchronise policies → ensure **consistency** and **clarity** → underway
- Review of **major policies, especially clarifying the Indigenisation and Economic Empowerment law** → underway

International re-engagement

- Government has made some strides **towards getting Zimbabwe back into the mainstream global economy**
- expected inflows from EU (€234 million), Denmark (US\$20 million) & EIB (target the private sector)
- Sanctions likely to be lifted in **Nov. 2014**

IMF Staff Monitored Programme (SMP)

- IMF Staff Monitored Programme
- Government is fully committed to the implementation of the programme → numerous engagements with the IMF
- Significant progress has been made towards meeting both quantitative and structural benchmarks

Resource mobilisation

- Efforts to raise funding is currently underway
 - Lot of interest has been expressed by potential financiers including those from the **West and the USA.**
- Government continues to explore innovative funding models **that do not insist on government sovereign guarantees** and leveraging our mineral resources

Resource mobilisation

- Government has also been encouraging **potential investors to work with the private sector**
- In view of constrained domestic funding sources, Government is also actively pursuing **joint ventures and international capital mobilisation**

Resource mobilisation

Project	Budget (US\$m)	Description
Integrated Gwayi energy and water projects - China Africa Sunlight Energy company	2,000	<ul style="list-style-type: none"> • construction of a 600MW thermal power plant • development of a 2,4 million tonne per year coal mine • the erection of a 400kv Gwayi-Insukamini transmission line
	121	Completion of Gwayi-Shangani dam expected by 2016
Kariba South Power Plant	589	Operationalisation of the 300MW Kariba South power plant expansion

Resource mobilisation

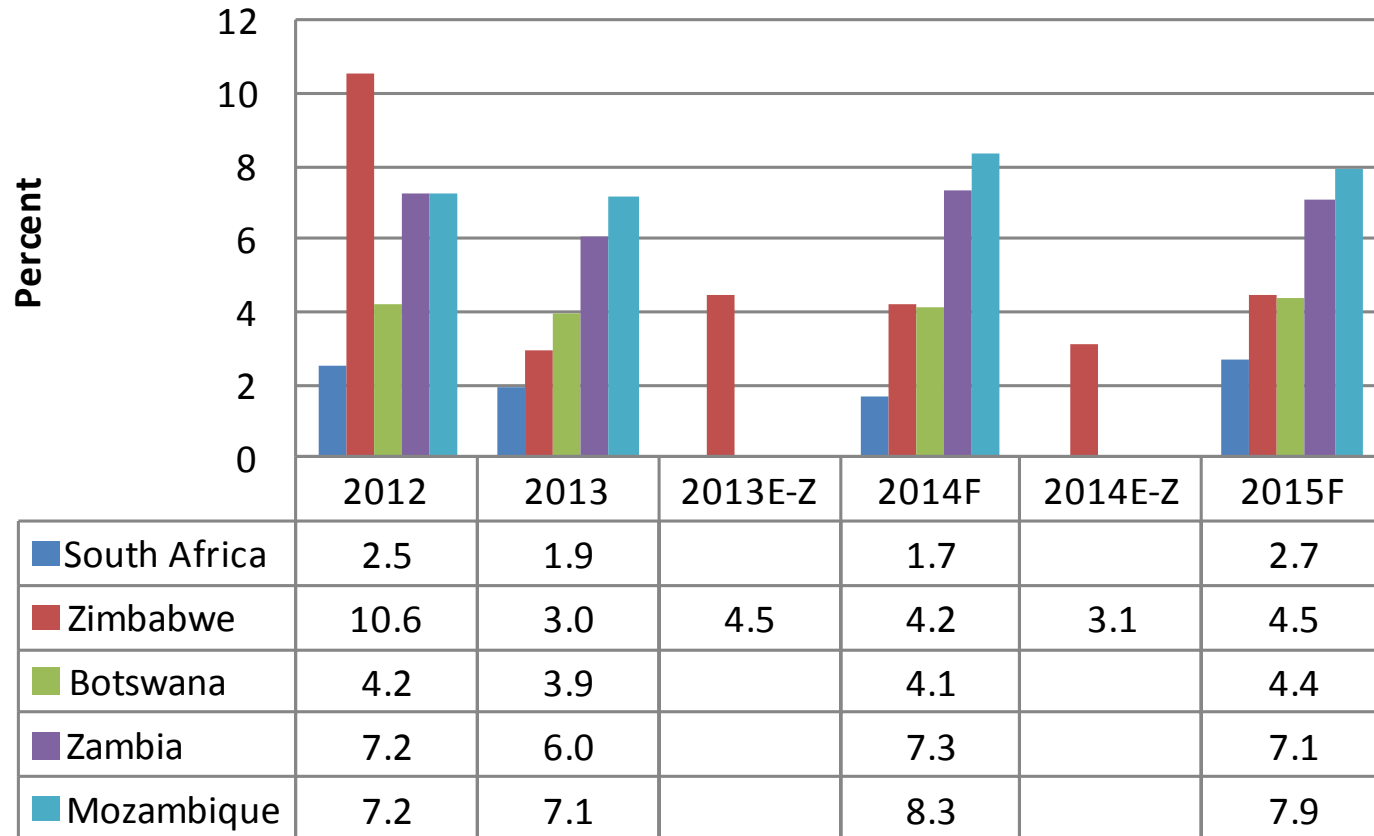
Project	Budget (US\$m)	Description
SinoHydro – Hwange thermal plant expansion		To add 600MW to its installed capacity of 920MW
NetOne	218	NetOne network expansion project
TelOne	98	TelOne network expansion

Resource mobilisation

Project	Budget (US\$m)	Description
Agreements for the commissioning of feasibility studies		<ul style="list-style-type: none">• Coal exploration and 600MW thermal station in Sibugwe, Binga.• Dualisation of Beitbridge-Harare, Harare-Nyamapanda, Harare-Chirundu and Mutare-Harare highways.• Digitalisation of Zimbabwe's broadcasting system• Harare-Mutare rail link• Creating of an Alaska-Sherwood transmission line• A cement factory in Mberengwa

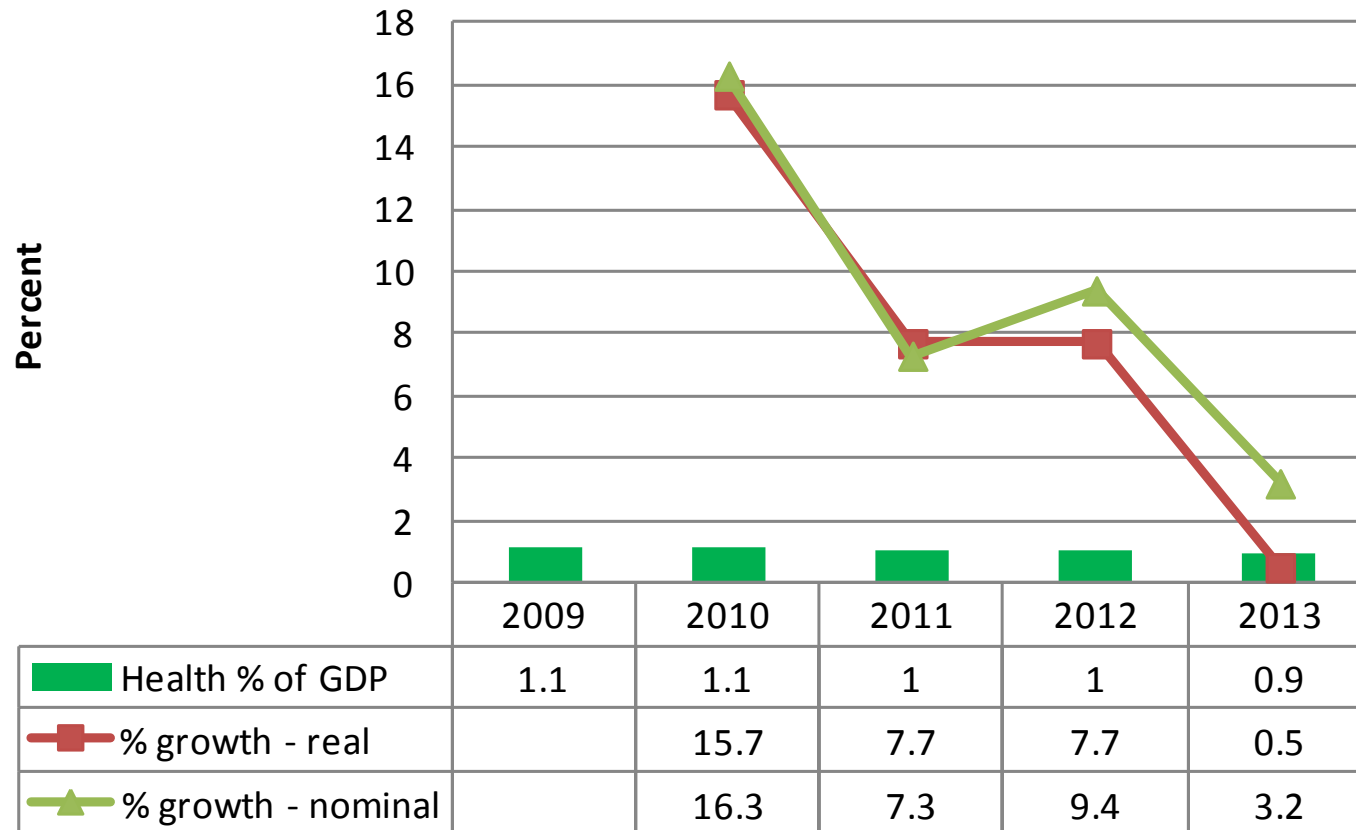
Economic Outlook

Economic growth outlook



Implications for the healthcare industry

Sectoral statistics



Summary of main issues

- Structural changes in the economy → rising small and medium businesses
- Declining industry indicators
- Contribution of the Diaspora remittances to the national economy
- addressing industry financial constraints through **value chain financing**

Summary of main issues

- Technological revolution in the country
 - what are the threats and opportunities for the industry?
- Competition from relatively cheaper imports
- Opportunities to partner with some international players
→ **equipment & drug manufacturing side**
- Economic recovery prospects

Thank you, but ...

I am obliged to take...

