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Enabling Environment for Sustainable Enterprises



International
Labour
Office
Geneva



Enabling environment for sustainable enterprises
in Zimbabwe

2018



International
Labour
Office
Geneva

2018

The enabling environment for sustainable enterprises in Zimbabwe

Enterprises
Department

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Foreword

In June 2007, the International Labour Conference (ILC) discussed the promotion of sustainable enterprises. The conclusions of this discussion provided an important contribution agreed by the ILO's tripartite constituency of governments, employers' and workers' organizations on how to promote enterprise development in a manner that aligns enterprise growth with sustainable development objectives and the creation of productive employment and decent work.

The ILC Sustainable Enterprise conclusions called for the strengthening of the institutions and governance systems, which nurture enterprises. Strong and efficient markets need strong and effective institutions. Promoting sustainable enterprises is also about ensuring that human, financial and natural resources are combined equitably and efficiently in order to spur innovation and increase productivity. In the past years the ILO has developed and refined a methodology on how to assess the Enabling Environment for Sustainable Enterprises (ESEE).

Subsequently, in line with its mandate to contribute to the development of a conducive environment for enterprises in Zimbabwe, the Employers' Confederation of Zimbabwe (EMCOZ) requested the ILO to assist EMCOZ in assessing the current environment for sustainable enterprises, based on the ILO methodology, and to identify areas for improvement. The report is designed to stimulate debate and to provide an evidence base for policy reforms for an environment more conducive to the promotion of sustainable enterprises in Zimbabwe. In particular, the report has been used to identify priority areas of policy reform to support the dialogue, advocacy and public policy work of organised business and organised labour.

A Business Agenda was subsequently developed by EMCOZ and its members based on the findings of the ESEE assessment to ensure the advocacy of specific measures aimed to improve the enabling environment for sustainable enterprises in Zimbabwe. The ESEE assessment and the final report has greatly benefited from inputs from tripartite participants in two national workshops held in October 2016 and June 2017, respectively.

The ESEE assessment was carried out under the technical supervision of Maria Sabrina De Gobbi, Small and Medium Enterprises (SME) Unit, ILO Geneva and in-country technical support and facilitation of the process were provided by Maria Machailo-Ellis, Senior Specialist for Employers' Activities and Jens Dyring Christensen, Senior Specialist for Enterprise Development & Job Creation both of the Decent Work Team for Eastern & Southern Africa in Pretoria. Mr Adolphus Chinomwe, programme officer of the Country Office for Namibia and Zimbabwe provided invaluable additional support. Special appreciation is due to Saumya Premchander for secondary data collection, literature review and drafting the final report and to Farid Hegazy and Judith van Doorn of the SME Unit for the technical review of the final report.



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Abbreviations and Acronyms

AfDB	African Development Bank
ALREI	African Labour, Research and Education Institute
CIA	Central Intelligence Agency
COMESA	Common Market for Eastern and Southern Africa
CTC	Competition and Tariffs Commission
DW	Deutsche Welle
EAC	East African Community
EESE	Enabling Environment for Sustainable Enterprises
EMCOZ	Employers' Confederation of Zimbabwe
EPZ	Export Processing Zone
ESAP	Economic Structural Adjustment Programme
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FTLRP	Fast Track Land Reform Programme
GDP	Gross Domestic Product
GNU	Government of National Unity
GoZ	Government of Zimbabwe
ICNL	International Center for Not-for-Profit Law
ICT	Information and Communications Technology
IFAD	International Fund for Agricultural Development
ILC	International Labour Conference
ILO	International Labour Organization
ILS	International Labour Standards
IMF	International Monetary Fund
ITUC	International Trade Union Confederation
JVU	Joint Venture Unit

KAS	Konrad-Adenauer-Stiftung
LFPR	Labour Force Participation Rate
MDC	Movement for Democratic Change
MFI	Microfinance Institution
MSMECD	Ministry of Small and Medium Enterprises and Cooperative Development
NEC	National Employment Council
NGO	Non-Governmental Organisation
NSSA	National Social Security Authority
NYT	New York Times
OECD	Organization for Economic Cooperation and Development
POTRAZ	Postal and Telecommunications Regulatory Authority of Zimbabwe
PPP	Public Private Partnership
RBZ	Reserve Bank of Zimbabwe
SADC	South African Development Community
SME	Small and Medium Enterprises
SOE	State Owned Enterprises
TFTA	Tripartite Free Trade Area
TNF	Tripartite Negotiating Forum
TVET	Technical Vocational Education and Training
UN	United Nations
UNCCD	United Nations Convention to Combat Desertification
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNICEF	United Nations Children’s Fund
USAID	United States Agency for International Development
USD	US Dollar
VAT	Value Added Tax

WIPO	World Intellectual Property Organization
ZAMFI	Zimbabwe Association of Microfinance Institutions
ZANU-PF	Zimbabwe African National Union- Patriotic Front
ZCTU	Zimbabwe Congress of Trade Unions
ZEPARU	Zimbabwe Economic Policy Analysis and Research Unit
ZFTU	Zimbabwe Federation of Trade Unions
ZHRC	Zimbabwe Human Rights Commission
ZIA	Zimbabwe Investment Authority
ZIMRA	Zimbabwe Revenue Authority
ZIMREF	Zimbabwe Reconstruction Fund
ZIMSTAT	Zimbabwe National Statistics Agency
ZimVAC	Zimbabwe Vulnerability Assessment Committee
ZIRWF	Zimbabwe Industrial Workers Federation
ZHRC	Zimbabwe Human Rights Commission
Zim Asset	Zimbabwe Agenda for Socio-Economic Transformation

Executive Summary

In June 2007, the International Labour Conference (ILC) discussed the promotion of sustainable enterprises calling for the strengthening of the institutions and governance systems that nurture enterprises. Strong and efficient markets need strong and effective institutions. Promoting sustainable enterprises is about sustainable development where economic, social and environmental outcomes are pursued, and where human, financial and natural resources are combined equitably and efficiently in order to achieve innovation and enhanced productivity.

The conclusions reached at the 2007 ILC discussion identified 17 pillars for an environment conducive to the promotion of sustainable enterprises and furthermore highlighted the role of government, the role of organised business and organised labour, as well as enterprise level principles for sustainable enterprises. This report is based on an exploration of the extent to which these conclusions exist in Zimbabwe. The aim is to assess the relative strengths and weaknesses of the conditions for a conducive environment for sustainable enterprises and employment in the country. The assessment described in this report is based on secondary data, a literature review, and technical inputs provided by representatives of tripartite stakeholders. It also takes into account the results of a perceptions survey conducted in Zimbabwe, between November 2016 and February 2017, in Harare, Bulawayo, Victoria Falls, Mutare, Midlands and Chitungwiza.

To further enhance the readability of the report, summaries have been included at the beginning of each chapter (see page 4 for political elements, page 23 for economic elements, page 66 for social elements, and page 84 for environmental elements) with a graphical presentation of the most relevant indicators for the respective chapter comparing Zimbabwe to the neighbouring countries of Botswana, Mozambique and Zambia. The report was revised in light of developments in Zimbabwe in late 2017.

Political Elements

Formerly the British colony of Southern Rhodesia, white residents declared independence from the United Kingdom in 1965, and set up a minority government. After several years of protests, violence, and United Nations (UN) sanctions, free elections with complete voting rights for black Africans were first held in Zimbabwe in 1979. Robert Mugabe was a central figure in the fight for independence from white-minority rule and became the nation's first democratically elected Prime Minister in 1980, a position he held until November 2017 when the ruling party ZANU-PF removed Mugabe from power replacing him with Emmerson Mnangagwa, also a veteran of the struggle for independence. Subsequently, Mnangagwa was elected President in August 2018 in an election closely contested by the opposition party Movement for Democratic Change.

Economic setbacks have been caused by a combination of questionable policies, a lack of good governance, and shocks in the world economy. In the early 1990's structural adjustments to the economy were made under the auspices of the World Bank, reducing public spending in critical areas such as health and education in order to prioritise fiscal reform, and investments to modernize the manufacturing sector. Drought conditions exacerbated the hardships brought on by poorly planned

targeting mechanisms and the dismantling of the economic and social infrastructure; inflation soared, real earnings fell, and de-industrialization accelerated resulting in a process of rapid and comprehensive national impoverishment.

Social dialogue is codified by the country's laws but there are many barriers to smooth labour relations between employers and employees. The vast majority of enterprises operate in the informal sector, where labour laws and human rights are less easily monitored and enforced. Despite the fact that the labour laws provide for collective bargaining few agreements are concluded.

Economic Elements

At independence Zimbabwe had a dual economy, with a modern manufacturing sector that employed about a fifth of the population, and agriculture, which employed the remaining 80 percent. There were deep socioeconomic disparities, and large investments were made in health and education, rural development, and some sectors of the economy; much of this was through parastatals or state-owned enterprises.

The first phase of Zimbabwe's Economic Structural Adjustment Programme was announced in 1990, a package of reforms meant to liberalise the Zimbabwean economy, provide a shock treatment prescribed by the World Bank in order to modernize the private sector and promote rapid economic growth. Instead, growth slowed and became more erratic, the drop in social spending resulted in falling standards of living, inflation was high, a currency crisis ensued and the country rapidly deindustrialised and informalised.

In 2013 the Zimbabwe Agenda for Socio-Economic Transformation (Zim Asset) was introduced. Zim Asset aims to achieve "sustainable development and social equity anchored on indigenization, empowerment and employment creation" driven by the judicious exploitation of the country's human and natural resources. Zimbabwe's major exports include platinum, cotton, tobacco, gold, ferroalloys and textiles, primarily to China, the Democratic Republic of Congo, Botswana and South Africa. Zimbabwe imports machinery and transport equipment, chemicals, fuels and food products from South Africa, China, India and Zambia, for the most part. Mining accounts for a large percentage of Zimbabwe's export earnings.

In 2009 Zimbabwe implemented a number of reforms designed to attract foreign investment. The introduction of a multicurrency monetary regime allowed the US dollar (USD) to act as a stabilising force, restoring business confidence in the economy as it removed the risk associated with the use of the domestic currency. However macroeconomic policies such as indigenisation and economic empowerment laws continue to be deterrents to investment.

The decline of the formal economy raises fears about a return to the crisis situation of 2008 with hyperinflation. Zimbabwe is facing an acute shortage of foreign currency, and the introduction of a new currency has done little to stem fears. The large GoZ arrears in external debt reduces access to multilateral funding. Transparency in the regulatory system is not very high and corruption is rampant. Enhanced support for SMEs is a core element of Zim Asset but the reduction in business activity across the economy makes it difficult for new business density to improve.

The trauma of hyperinflation has severely affected trust in financial institutions in Zimbabwe. Despite the adoption of the USD in order to stabilize the economy bank usage, bank account user numbers have dropped; nine banks in Zimbabwe collapsed between 2012 and 2015 unable to recover from the introduction of the US dollar.

Internet usage has increased substantially in Zimbabwe in the last five years, as has the use of voice mobile services. With the increased use of technology there is the opportunity to support key sectors like agriculture, tourism and mining in innovative ways. Programmes for information and communications technology enabled learning environments for the education sector, community information centres and e-farming applications have been established.

Zim Asset focuses on four major clusters, of which infrastructure and utilities are one. There is a need for more adequate infrastructure to encourage domestic and foreign private economic growth. Improvements in the provision of electricity and in the repairing of transport infrastructure linked to agriculture would greatly improve productivity.

Social Elements

Doing business can be difficult in Zimbabwe and there are many barriers to entrepreneurship, some in terms of skills and training, and others in terms of a challenging business environment. There has been phenomenal growth in entrepreneurial activities in the last decade as the informal economy has expanded, overtaking the formal economy in terms of growth. The enabling environment presents some challenges to business development. Labour policies in the formal sector tend to be rigid, and the informal sector is increasingly treated as extra-legal, even though its share in the economy is growing, as the formal sector continues to shrink. Between 2011 and 2014 the percentage of Zimbabweans earning a living in the informal economy went from 84 percent to 95 percent

The reduced ability to spend on improving social justice and social inclusion has had wide-ranging impacts on the quality of life across the country. Social exclusion in terms of poverty, and discrimination persist, both of which have gendered dimensions. Key areas of development include improving food security, attaining universal primary education, halting and reversing the spread of HIV/AIDS, and attaining gender parity in school enrolment.

In 2018 cereal production has been forecast to be 24 percent lower on an annual basis, but still above the previous five-year average. The decline in agricultural production, i.e. the reduced output of maize, tobacco and cotton has effects on incomes and food security in the country.

In 2012 an estimated 20 percent of the labour force was covered by social security in Zimbabwe. This is largely due to the informality that characterises the economy, making it difficult to make formal arrangements for social security coverage such as those between an employer and employee as mandated by the state. Recognizing that previous fragmented efforts at social protection programmes had not produced the desired result a National Social Protection Policy Framework was launched in 2015 to create a single guiding policy on the protection of vulnerable persons.

The new Zimbabwean constitution includes an expanded declaration of rights with a section on women's rights. Gender equality is foregrounded in national planning objectives as well, but customary practices make equal rights for men and women very difficult to achieve.

Environmental Elements

The development of sustainable enterprises and the protection of the environment require sustainable production and consumption patterns. Current environmental concerns include deforestation, soil erosion, land degradation, air and water pollution, poaching of endangered animals particularly large mammals, and the results of poor mining practices such as toxic waste and heavy metal pollution. Industries are concentrated around Harare, where air quality due to vehicle emissions, dust and smoke, and industrial production, is a concern. The lack of updated and reliable environmental statistics is a problem in Zimbabwe.

Climate change affects different groups of society differently, and in Zimbabwe the consequences have a gendered dimension. Women are more vulnerable to the impacts of climate change. Agriculture is the source of livelihood for the vast majority of Zimbabwe's population, and it is dependent on rainfall, which is increasingly unpredictable due to the El Nino phenomenon. Food insecurity leads to the working population becoming weak, the inability to work has income effects that compound health problems, and the malnutrition leads to a higher susceptibility to disease. Unreliable water availability has an effect on the crops, and prices, but also affects the outbreak of diseases like malaria, cholera, diarrhoea, and typhoid.

Assessment Results and Way Forward

The final results of the assessment of the enabling environment for sustainable enterprises in Zimbabwe indicate that there is scope for improving the situation in all of the 17 conditions.

In order to focus attention and concentrate efforts toward a deep analysis of emerging issues, some of the 17 conditions were prioritized by tripartite constituents at the consultative workshop held in October 2016 in Harare. These areas were perceived as those where interventions for improvement are most needed. The selected conditions are as follows:

- Sound and stable macroeconomic policy and good management of the economy
- Enabling legal and regulatory environment;
- Rule of law and secure property rights;
- Access to financial services;
- Physical infrastructure;
- Peace and political stability;
- Good governance; and
- Responsible stewardship of the environment.

The preliminary findings of the overall evaluation were presented, discussed and validated at a tripartite workshop held in Harare in June 2017. Several issues were discussed and indicated as major constraints for doing business in Zimbabwe. It was said that the present political situation is not

conducive to enterprise creation and growth. The lack of good governance, and in particular widespread corruption and mismanagement of public finance, are other factors hindering business development. Weak political institutions, especially public ones, further limit the business potential of the country. It was agreed that efforts to improve the business environment should be concentrated on areas which are key for the ILO and its constituents, and which are not the focus of actions already being undertaken by national stakeholders and international donors. Emphasis for future action towards improvement was hence placed on only two of the priority conditions listed above:

- Enabling legal and regulatory environment (with emphasis on restrictive legislation);
and
- Responsible stewardship of the environment.

An action plan with specific outputs stemming from outcomes linked to priority areas and key players for action has been drafted by tripartite participants. The action plan will be finalized and adopted following the launch workshop of the final EESE report in the presence of high-level policy makers. The implementation of the action plan will address the main issues emerging from this assessment and seeks to contribute to the improvement of the enabling environment for sustainable enterprises in Zimbabwe.

1. Introduction

The important role that the private sector plays in social and economic development led the International Labour Conference (ILC) to discuss the concept of sustainable enterprises in June 2007. The promotion of sustainable enterprises ensures that human, financial and natural resources are combined equitably. An environment conducive to the creation and growth of enterprises on a sustainable basis must take into account the three dimensions of sustainable development – economic, social and environmental – as interdependent and mutually reinforcing pillars.

The 2007 ILC adopted conclusions for the promotion of sustainable enterprises and identified 17 conditions for an enabling environment. An environment conducive to the creation and growth of sustainable enterprises combines the legitimate quest for profit with the need for development that respects human dignity, environmental sustainability and decent work. It underscores the principle that sustainable enterprises need sustainable societies and that business tends to thrive where societies thrive and vice versa.

The same conclusions invite the ILO to focus its interventions on practical responses, including tools, methodologies and knowledge sharing, which are relevant to the social partners in their activities. This is why the ILO has developed a methodology to assess the degree to which the 17 conditions for an enabling environment for sustainable enterprises are met in different countries. This report describes the implementation of such an assessment in Zimbabwe and is part of a series of country reports on the same topic. The report covers the political, economic, social, and environmental situation of the enabling business environment in Zimbabwe. The political area comprises four of the 17 conditions, the economic includes eight, the social four, and the environmental dimension consists of one condition.

An assessment of the enabling environment for sustainable enterprises in Zimbabwe meets the existing need in the country to implement policies and strategies for national development. Zimbabwe's overall development framework is guided by the 2013-2018 Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset). Zim Asset aims to achieve sustainable development and social equity anchored on indigenization, empowerment and employment creation, which will be largely propelled by the judicious exploitation of the country's abundant human and natural resources. The results based agenda is organized around four strategic clusters: food security and nutrition, social services and poverty eradication, infrastructure and utilities, and value addition and beneficiation.

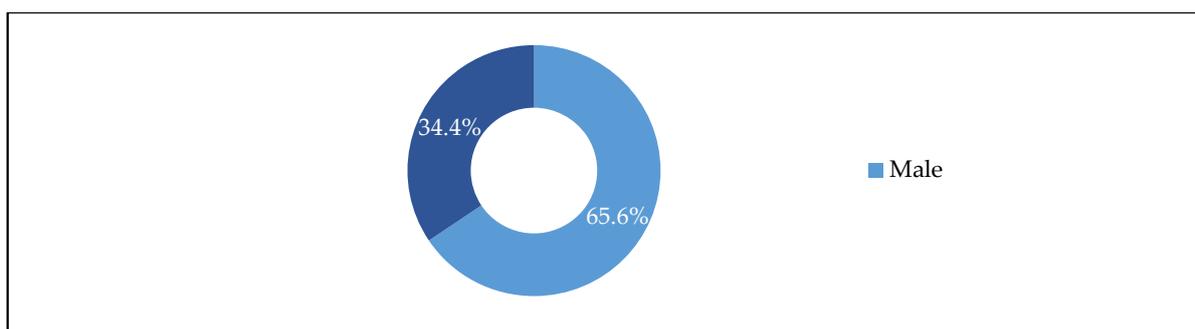
The enabling environment for sustainable enterprises in Zimbabwe was assessed through a careful review of secondary data and findings from a national perception survey of workers and employers (including owners and managers of companies). On 20-21 October 2016 the Employers' Confederation of Zimbabwe (EMCOZ), with the support of the ILO organised a two-day workshop to present the features of an assessment methodology developed by the ILO concerning the enabling environment for sustainable enterprises. Among other things the participants drafted a questionnaire for a perception survey to be carried out in Zimbabwe as part of the assessment. The survey examined

the perception of workers and employers with regard to the business environment in Zimbabwe that would enable the promotion of sustainable enterprises in the country.

To ensure that the 580 respondents in the survey were as representative of the population as possible cluster sampling was used across 6 cities/areas. It was ensured that the number of respondents from each city and each sector was in proportion to the total businesses registered. Probability sampling was also used in order to eliminate selection bias, and to enable some general conclusions. Enterprises from the sectors of agriculture, manufacturing, mining, tourism, financial services and construction were included in the survey.

Enterprises in the informal sector were included, with the assistance of the SME Association of Zimbabwe and the Ministry of Small and Medium Enterprises and Cooperative Development (MSMECD) staff. Respondents from the informal sector were selected at random, but completed questionnaires were also elicited from specific individuals. 290 (56 percent) participants in the survey were from formal enterprises and 228 (44 percent) were from informal enterprises. The ages of participants were normally distributed: 34.5 percent were aged between 24 and 35, 28.5 percent were aged between 35 and 44, 19.8 percent were aged above 45 and 17.2 percent were aged less than 24 years.

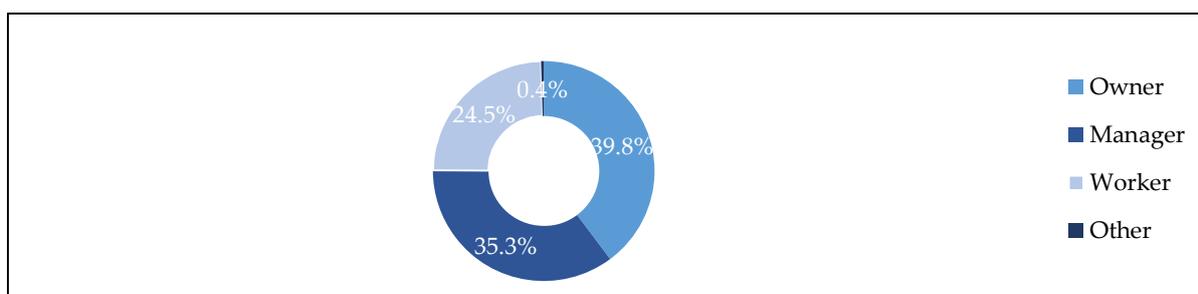
Gender of the Respondents



Source: Zimbabwe EESE Survey

66 percent of the respondents were male and 34 percent female; 53 percent of enterprises were not unionized, and 47 percent were unionized. Of the respondents 39.8 percent were business owners, 35.3 percent identified as managers, 24.5 percent identified as employees and 0.4 percent responded as 'others'.

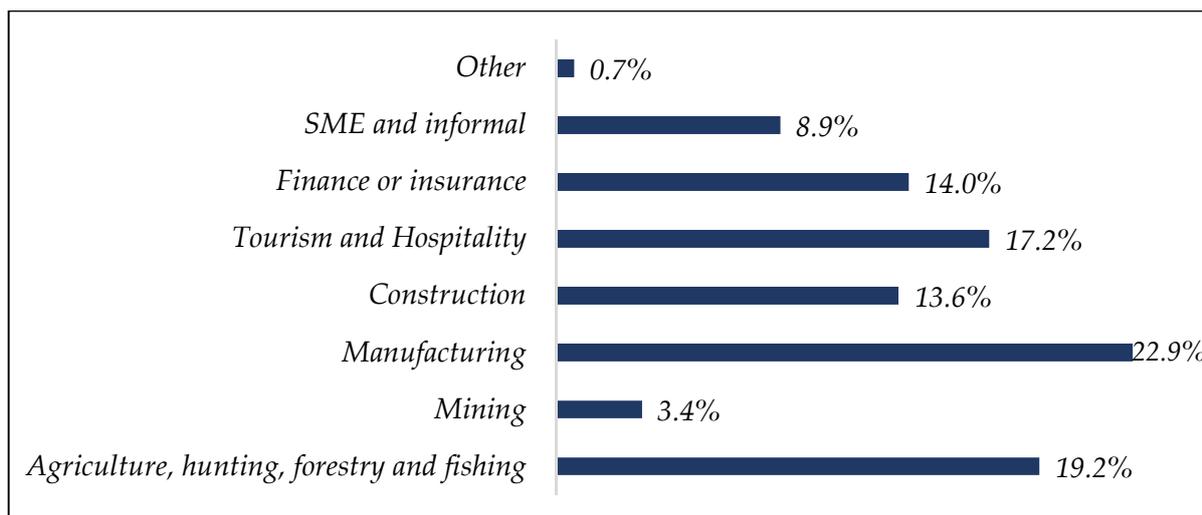
Designations of the Respondents



Source: Zimbabwe EESE Survey

Of the respondents 22.9 percent were from manufacturing firms, 3.4 percent were from mining, 19.2 percent were from agriculture, hunting, forestry and fishing, 17.2 percent were from tourism and hospitality, 14 percent from finance or insurance, 8.9 percent identified their sector as SME, and 0.7 identified as other. Informal enterprises were included in all these sectors, and not differentiated due to an error in the questionnaire that could not be rectified in time. 85.4 percent of respondents were from enterprises that had municipal business licenses, with 14.6 percent remaining unregistered.

Economic Sectors of the Respondents



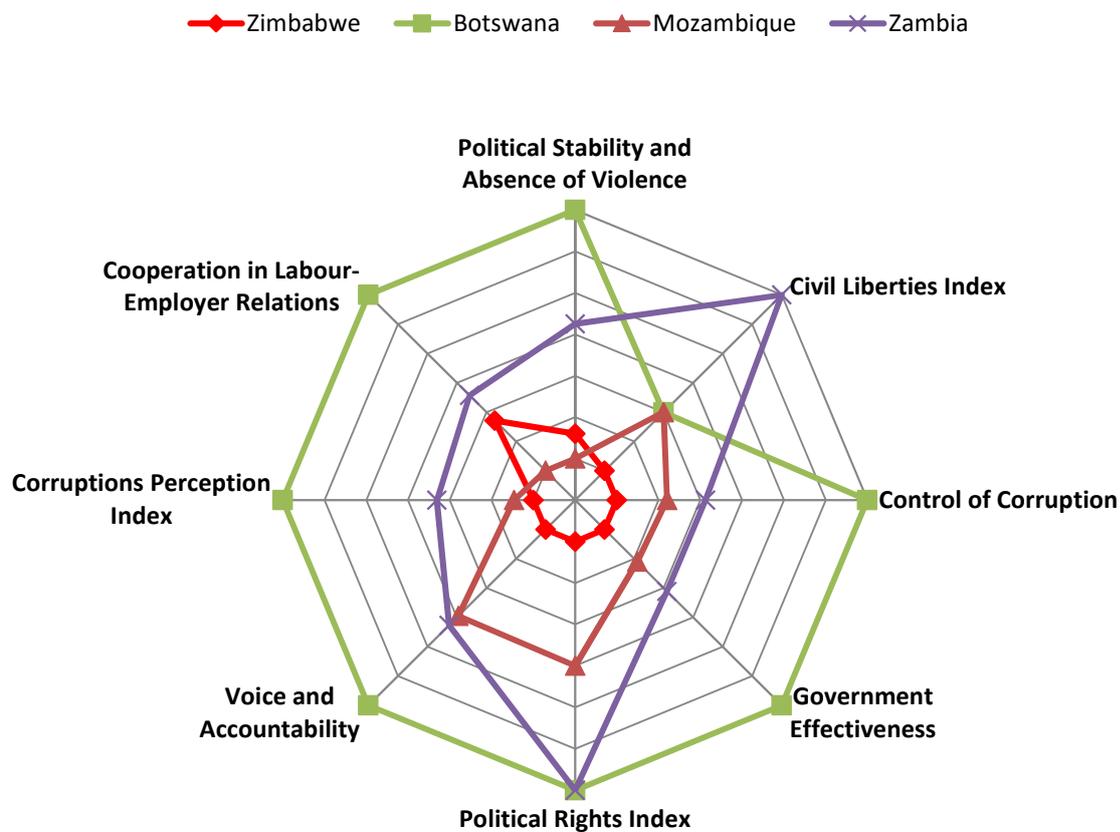
Source: Zimbabwe EESE Survey

The assessment described in the present report has certain shortcomings, which should be kept in mind. Secondary data is not available for some indicators, or if available only for a few years. Some of the environmental data is not available for recent years, and reported data in recent years on Zimbabwe's economy is not always reliable. There is no data available on new business density, which indicates the number of newly registered, and limited liability companies per 1000 working age people (15 to 64 years old) in a given year. Data on physical infrastructure is sparse as well, for example it is difficult to track the percentage of paved roads in the country. Data on domestic credit to the private sector is also not available, nor is the interest rate spread.

Primary data also presents some limitations. As with any perception survey, caution is needed in drawing general conclusions, since some questions may have been interpreted in different ways, and key notions used in questions may have been given alternative meanings by respondents. Questions that required participants to state their opinion on the political environment may not have been answered completely; in some cases respondents displayed a reluctance to fully share their beliefs. The survey was carried out at the end of the year, during which many enterprises were shut for holidays. Access to companies was difficult, particularly in cases where formal permission to conduct research had to be obtained from head offices located elsewhere. It was not possible to find enterprises in each of the sectors in each of the regions to interview, for example Chitungwiza does not have companies in the mining industry.

The report was revised in light of developments in Zimbabwe in late 2017.

2. Political Elements



Key Findings

- Political processes can be fraught in Zimbabwe.
- Economic and social setbacks have occurred, related to policies, like the structural adjustment programme, and fast-track land reform programme.
- Corruption remains a concern in political and administrative systems in the country.
- Efforts to fight corruption are affected by existing institutional weaknesses.
- Legal institutions are weak and political and civil rights are curtailed. 55 percent of the respondents in the EESE Survey strongly believed that bribery and corruption negatively affected the economy and society.
- The right to form or join unions, and strike and bargain are protected under the constitution but the GoZ does not always respect these rights, and government interference with trade union activity is not uncommon. The GoZ has been subject to ILO supervisory mechanisms for limiting workers' rights to associate, organize and hold labour union meetings.

2.1. Peace and Political Stability

Background

Peace and political stability are key conditions for the creation and development of sustainable enterprises. Zimbabwe was formerly known as the British colony of Southern Rhodesia. In 1965 white residents declared independence from the United Kingdom and set up a minority government. After several years of protests, violence, and U.N sanctions, free elections with complete voting rights for black Africans were first held in Zimbabwe in 1979.

Robert Mugabe, a key figure in the struggle for independence, was the President from 1980 to 2017. In November 2017 the military briefly took charge; Mugabe resigned, and was replaced by Emmerson Mnangagwa, also a veteran of the liberation struggle¹, who was re-elected as President in August 2018². A new constitution was introduced by referendum in 2013. Although the new constitution has been in effect since 2013 over 400 laws have yet to be harmonised with it, including key legal protections, such as those for human rights, freedom of the press and freedom of assembly³. Mugabe had been the long-time leader of the ruling party, Zimbabwe African National Union- Patriotic Front (ZANU-PF). Following his replacement with Mnangagwa, as ZANU-PF head, and the highly contested presidential election of July 2018, there have been renewed calls for greater freedom of the press, a reformed military complex, and better transparency⁴.

Zimbabwe is constitutionally a republic. Electoral processes have been fraught, and even if the parliamentary and presidential elections of 2013 were largely free of violence the results were neither credible, nor free of several sorts of irregularities⁵. The elections of 2018 were also contentious; observers from the European Union reported voter intimidation and the lack of media coverage for opposition parties and candidates, while U.S. observers found that the military was used to distribute assistance to party loyalists and intimidate opposition voters⁶. Despite these irregularities the 2018 elections were largely peaceful, and without the violence and widespread anomalies of previous voting cycles⁷. The African Union, South African Development Community, and Common Market for East and Southern Africa all expressed their satisfaction with the way the Zimbabwe Election Commission handled the polls⁸.

Since the early 2000s the opposition party Movement for Democratic Change (MDC), has campaigned for constitutional reform, and for a greater role in governance. Political participation

¹ BBC, 3 August 2018.

² BBC, 6 August 2018.

³ USAID, 11 April 2017.

⁴ Al Jazeera, 6 August 2018.

⁵ U.S. Department of State, 2015.

⁶ The Washington Post, 22 August 2018.

⁷ Vox, 2 August 2018.

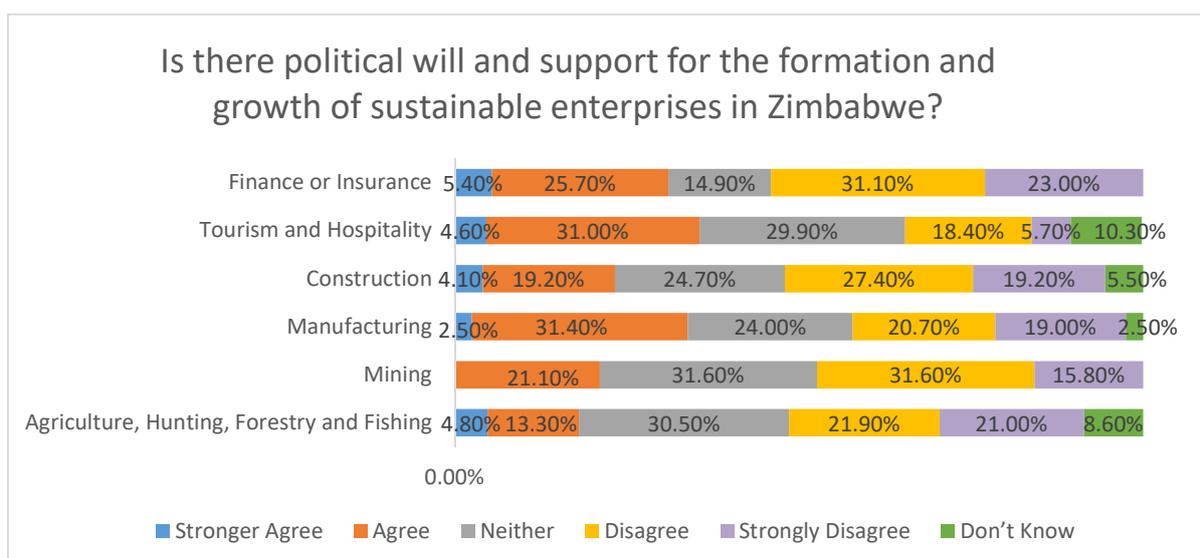
⁸ International Commission of Jurists, 2 August 2018.

remains difficult though, with members of the MDC, other parties, and civil society activists being targeted by security forces; arrests, abductions, torture and abuse; other forms of harassment are not uncommon, with the “partisan application of the rule of law by security forces and the judiciary; and restrictions on civil liberties”⁹. The position of Prime Minister was abolished with the new constitution, which left opposition leader Morgan Tsvangirai excluded from sharing power¹⁰.

Peace and political stability is closely linked with economic stability, and Zimbabwe’s continuing economic instability has led to persisting tensions. Once a relatively prosperous agricultural producer, and the second largest economy, in terms of GDP, in the South African Development Community (SADC) in 1996, Zimbabwe’s real growth GDP went from 7.00 percent in 1990 to -7.00 percent in 2001, reaching an all-time low of -14.8 per cent in 2008 before recovering in the last few years¹¹. These economic setbacks have been caused by a combination of misguided policies, poor governance, and shocks in the world economy. In the early 1990’s structural adjustments to the economy were made under the auspices of the World Bank, reducing public spending in critical areas, such as health and education, in order to prioritise fiscal reform, and investments to modernize the manufacturing sector¹². Drought conditions exacerbated the hardships brought on by poorly planned targeting mechanisms and the dismantling of the economic and social infrastructure; inflation soared, real earnings fell, deindustrialization accelerated resulting in a process of rapid and comprehensive national impoverishment.

Survey Findings

Twenty-four (24%) percent of the respondents surveyed agree that there is political will and support for the formation and growth of sustainable enterprises in Zimbabwe, with a further 4.3 percent strongly agreeing that this is the case. 17.7 percent do not think there is political will and support, and a further 4.7 percent strongly disagree with the idea that there is political will and support for enterprise formation and growth. Most, 25.6 percent do not agree or disagree, and 4.7 percent say



⁹ U.S. Department of State, 2015.

¹⁰ BBC, 9 December 2014.

¹¹ ILO, 2012.

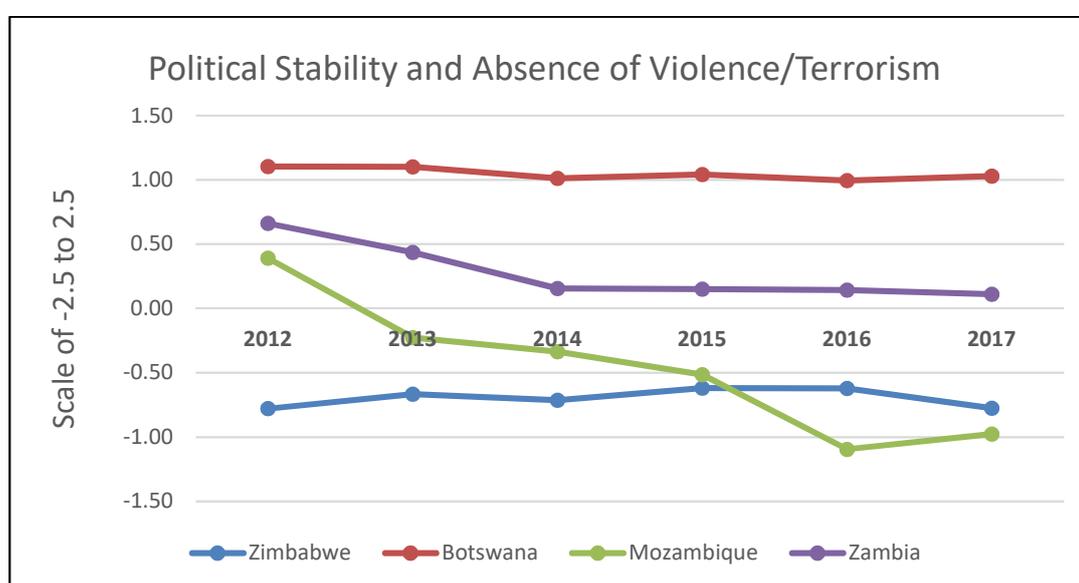
¹² World Bank, 2012.

they do not know. Respondents from manufacturing, tourism and hospitality and finance are more likely to be positive about political will and support than other sectors.

Source: Zimbabwe EESE Survey

Indicators

The index on “Political Stability and Absence of Violence” assesses countries’ political stability on a scale from -2.5 to 2.5 where higher values correspond to higher levels of political stability. Among the four countries used in this report for comparison, Zimbabwe show the lowest levels of political stability and absence of violence over the years, though in 2016 and 2017 Mozambique showed lower levels. In 2012 Zimbabwe had a value of -0.78, and in 2017 the value was -0.77. Botswana, saw a modest improvement over the same period going from 1.10 in 2012 to 1.03 in 2017; Mozambique slipped from 0.39 to -0.98, and Zambia went from 0.66 to 0.11 between 2012 and 2017.



Source: The World Bank Databank, Worldwide Governance Indicators

Key Indicators

Political Stability and Absence of Violence/Terrorism		2012	2013	2014	2015	2016	2017
Capturing perceptions of the likelihood of political instability and/or politically-motivated violence including terrorism.	Zimbabwe	-0.78	-0.67	-0.71	-0.62	-0.62	-0.77
	Botswana	1.10	1.10	1.01	1.04	0.99	1.03
	Mozambique	0.39	-0.23	-0.34	-0.51	-1.09	-0.98
	Zambia	0.66	0.44	0.16	0.15	0.14	0.11
Source: The World Bank Databank, Worldwide Governance Indicators ¹³		Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.					

¹³ <http://info.worldbank.org/governance/wgi/index.aspx#home>

2.2. Good Governance

Background

Good governance, the absence of corruption, and efficient institutions foster entrepreneurship and promote private sector growth and development. In general, Zimbabwe does not perform well when it comes to good governance. Questionable policy decisions threatening long-term growth have been made, resulting in setbacks to the farming and manufacturing sectors and a drop in the GDP. Despite committing to fighting corruption, both petty and grand forms continue to be endemic to political and administrative systems in the country. Legal institutions are weak and political and civil rights are curtailed.

At independence, land ownership and agrarian systems were racially skewed, with the vast majority of resources controlled by the small white population in Zimbabwe¹⁴. Zimbabwe is landlocked, and about 85 percent of the land is agricultural¹⁵. A programme of land redistribution was introduced, land being seized from commercial farmers and being redistributed to beneficiaries who had been previously excluded from land ownership and use. Early efforts to acquire land were slow and inefficient, which led to the implementation of the Fast Track Land Reform Programme (FTLRP) in 2000, which saw the sometimes violent removal of white farmers; about 4000 white farmers were displaced and their land distributed among approximately a million black Zimbabweans¹⁶.

During the FTLRP attacks on white farmers were carried out and the allocation of farms was questionable in several cases, with many beneficiaries, particularly in fertile areas around the capital, being cronies of the regime¹⁷. Despite the well-documented corruption in allocation, and the stark drop in agricultural production, the land reform efforts in Zimbabwe cannot be called a total failure, a large proportion of the population given land were not linked to the political-military-security elite, and the rural economy did not completely collapse¹⁸. Land reform is a popular and emotive issue for most Zimbabweans, black citizens were historically denied access to it, and the acquiring some land has led to many being able to invest in the land, and improve their prosperity.

Prior to FTLRP tobacco was Zimbabwe's biggest cash crop, but this requires investment and technical skills, which many black farmers did not have. As a result, cotton has replaced tobacco as the primary agricultural export. A lack of access to credit and training in how to manage newly acquired resources has led to many farmers struggling. The move from large-scale commercial farming as practiced by white Zimbabweans, to the smallholder system which has replaced it might have meant a drop in productivity, and the gains that come from increasing returns to scale, but there is no political

¹⁴ Tom and Mutswanga, 2015.

¹⁵ ILO, 2012.

¹⁶ BBC, 8 November 2010.

¹⁷ BBC, 8 November 2010.

¹⁸ BBC, 8 November 2010.

or popular desire to return to the previous system, and other ways in which to improve agricultural productivity, and improve food supplies, will need to be found.

Transformation brought about by the FTLRP also led to problems in the manufacturing sector, precipitating informalisation of the economy so much, that in 2016, up to 90 percent of employment is in vending, small-scale trading and artisanal mining¹⁹. The most serious implications, however, have been in connection with food security; reduced production combined drought conditions, which were not planned for, left millions of Zimbabweans severely food insecure, and though food related upheaval was last seen in the late 1990s protests over the poor quality of social services and rising prices are likely in the future.

However, elections in 2013 were free of violence several factors contributed to its lack of fairness or credibility²⁰. The elections resulted in the formation of a ZANU-PF government, with ZANU-PF majorities in both houses of Parliament; by-elections in 2015 saw cases of intimidation and targeted violence directed at challengers for ZANU-PF parliamentary seats²¹. The 2018 election was won by ZANU-PF. Tensions exist around the government's failure to pay its employees on time, particularly the security establishment, and there is an increase in hostile rhetoric around groups like war veterans whom the GoZ has sometimes characterised as dissidents²². The Movement for Democratic Change (MDC) has faced intimidation, treason charges, and various leaders have been physically assaulted and harassed²³.

In 2017 Zimbabwe ranked 157 out of 180 on Transparency International's Corruptions Perceptions Index²⁴. Government control of the judiciary hampers legal processes. Corruption is endemic across all sectors in Zimbabwe, at higher levels in the form of nepotism, patronage and the abuse of power, as well as petty bribery and low-level extortion²⁵. The Prevention of Corruption Act of 2005 addressed corrupt practices in the public and private sectors and allowed for the establishment of an Anti-Corruption Commission, which briefly included members from civil society and the private sector, though this is no longer the case²⁶.

Accusations of corruption are often employed as a political tool, and the implementation of measures to curb corruption is selective. The judicial system, interactions with the police, public services, land administration, tax administration, customs, public procurement and natural resource management are plagued by corrupt practices. State security, and ZANU-PF members and supporters, are rarely investigated or prosecuted when accused of crimes²⁷. Modern technologies are giving rise to newer modes of social mobilisation. Anti-corruption campaigns have begun on social media, with people pledging not to offer bribes and refusing to believe that the poor delivery of service is due to

¹⁹ Zimbabwe Independent, 25 June 2016.

²⁰ U.S. Department of State, 2015.

²¹ U.S. Department of State, 2015.

²² NewsDay, 27 June 2016.

²³ Zimbabwe Independent, 20 June 2008.

²⁴ Transparency International, 21 February 2018.

²⁵ GAN Business Anti-Corruption Portal, 2017.

²⁶ U.S. Department of State, 2016.

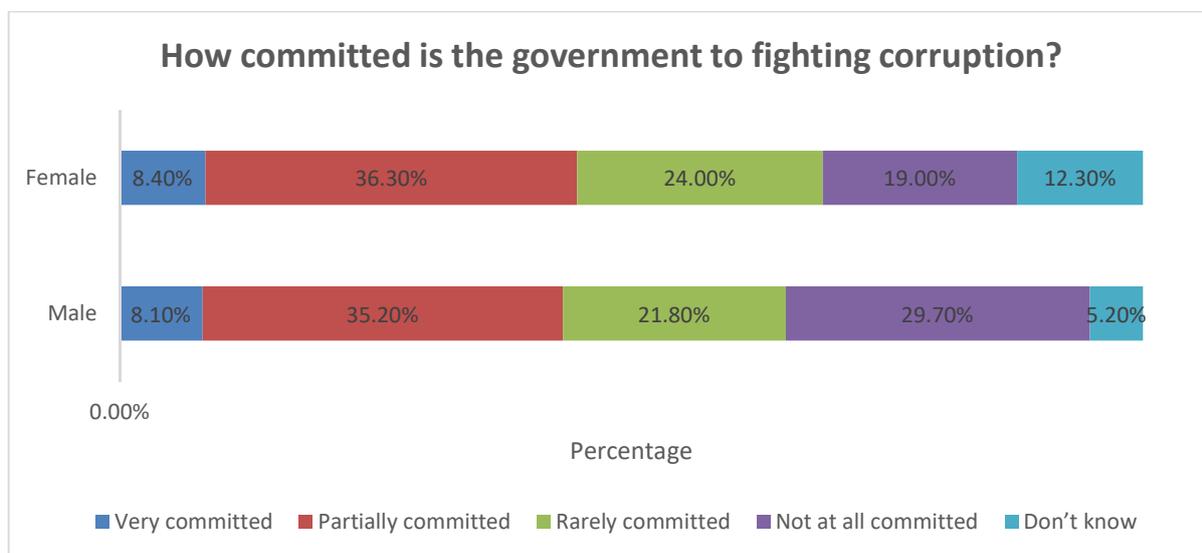
²⁷ U.S. Department of State, 2015.

Western economic sanctions, a familiar refrain of the ruling party²⁸. In 2016 Transparency International estimated that Zimbabwe lost at least USD 1 billion annually to corruption, with police and local government officials among the top offenders²⁹.

Human Rights Watch has called the environment in Zimbabwe one of “repression, harassment, and intimidation of civil society activists”³⁰. There was a police crackdown on civil society groups in the period around the 2009 elections³¹, which has continued³². Prominent individuals and members of civil society, such as human rights lawyers face special intimidation³³. NGO members are often arrested, detailed, prosecuted or harassed. In 2016 about 650 people were arrested in connection with peaceful protests over economic mismanagement and corruption³⁴.

Survey Findings

55 percent of the respondents in the EESE Survey strongly believe that bribery and corruption negatively affect the economy and society in Zimbabwe. Only 4.7 percent of respondents think bribery and corruption hardly affect the economy, and just 1.7 percent say they do not affect the economy at all. When asked about the government’s commitment to fighting corruption, 35.9 percent say the government is somewhat committed, while 26.3 percent think the government is not at all committed to fighting corruption. 8.5 percent of respondents think the government is very committed to fighting corruption while 7.1 percent do not know. Male respondents are more likely to think the government is not committed to fighting corruption than female respondents, nearly 45 percent of whom believe the government is indeed committed to tackling the issue.



Source: Zimbabwe EESE Survey

²⁸ BBS, 1 June 2016.

²⁹ Newsweek, 10 May 2016.

³⁰ BBC, 19 March 2013.

³¹ BBC, 19 March 2013.

³² Human Rights Watch, 2017.

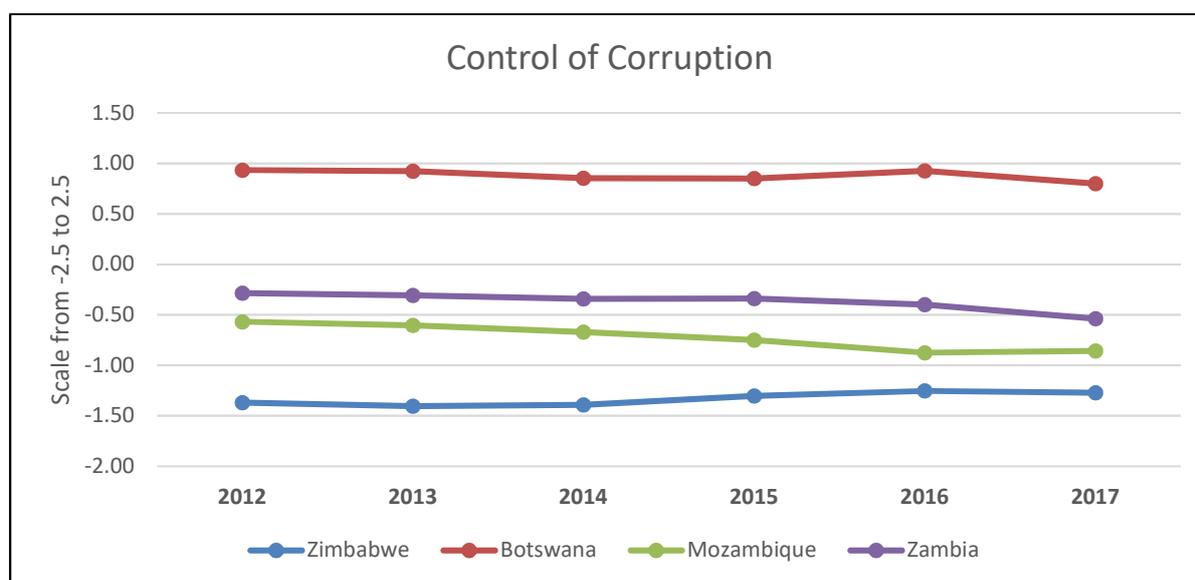
³³ BBC 19 March 2013.

³⁴ ICNL, 14 April 2017.

When asked about whether government’s policies and legislation are effective drivers of market performance 36.8 percent say sometimes they are. 19.9 percent say that usually government policy and legislation are effective drivers of market performance, while 16.3 percent say they are not, and a further 15.3 percent say they are, but only sometimes. 6 percent find them to be very effective, while 5.7 percent do not know.

When asked about their own enterprises 25.6 percent of respondents find them to be usually socially responsible. 24.7 percent say their enterprises are sometimes socially responsible, while 23.6 percent say they are very socially responsible. 10.5 percent of respondents find their organisations rarely responsible socially, and 12.3 percent find them to be not responsible.

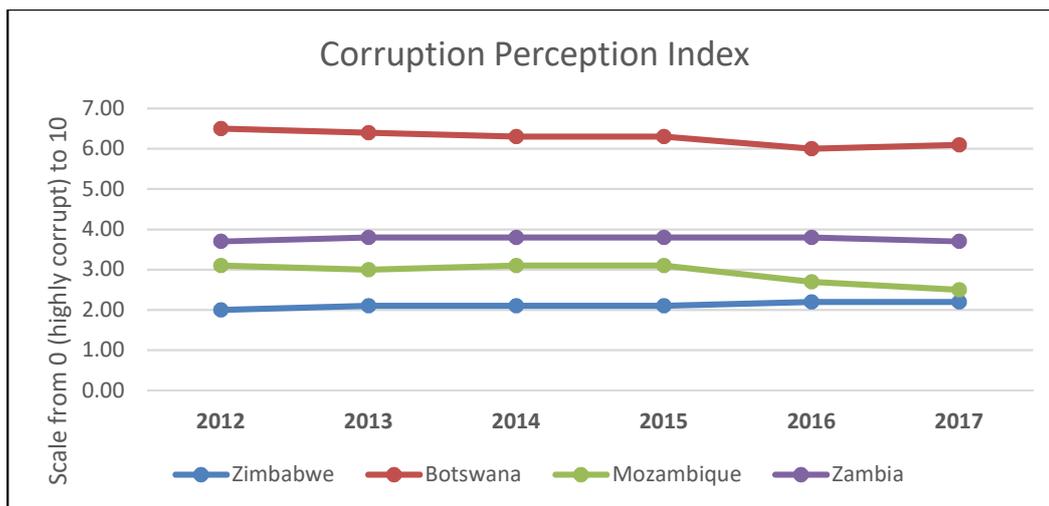
Indicators



Source: The World Bank Databank, Worldwide Governance Indicators

“Control of Corruption” measures the extent to which public power is exercised for private gain and the extent to which the state is captured by elites and private interests. This indicator is measured on a scale from -2.5 to 2.5, where higher values reflect better governance. Zimbabwe scores poorly on this indicator, and has the lowest values in comparison to Botswana, Mozambique and Zambia, having gone from -1.37 in 2012 to -1.40 in 2013, and back to -1.27 in 2017. Botswana performs best, with positive values over the last five years, at 0.80 in 2017. Mozambique and Zambia were at -0.86 and -0.54, respectively, in 2017.

Zimbabwe scores fairly low on the “Corruption Perceptions Index” (CPI), with only minor fluctuations in value over the years. On a scale from 0 (“highly corrupt”) to 10 (“highly clean”), Zimbabwe’s score was 2.2 in 2017. Botswana was at 6.1, while Zambia was at 3.7, and Mozambique was at 2.5 in the same year.



Source: Transparency International

“Government Effectiveness” measures the quality of public services, the capacity of the civil service and its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the Government’s commitment to such policies. In a range of values from -2.5 to 2.5 with higher values indicating better performance, Zimbabwe’s estimated government effectiveness gradually improved from -1.37 in 2011 to -1.19 in 2017. In the same period Botswana went from 0.46 to 0.43 in 2017, with the highest values of the comparison countries. Mozambique was at -0.89 in 2017, and Zambia was at -0.62.

“Voice and Accountability” measures the extent to which citizens participate in selecting their government, as well as freedom of expression, freedom of association and a free media on a scale from -2.5 to 2.5 with higher values indicating better governance. Zimbabwe has the lowest values of the four countries. Zimbabwe improved marginally from -1.46 in 2011 to -1.20 in 2017. Botswana again was the only country with positive values at 0.38 in 2017. Mozambique was at -0.42 in 2017 and Zambia was at -0.34.

Key Indicators

Control of Corruption		2012	2013	2014	2015	2016	2017
The extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests.	Zimbabwe	-1.37	-1.40	-1.39	-1.30	-1.25	-1.27
	Botswana	0.93	0.92	0.85	0.85	0.93	0.80
	Mozambique	-0.57	-0.60	-0.67	-0.75	-0.88	-0.86
	Zambia	-0.28	-0.31	-0.34	-0.34	-0.40	-0.54
Source: The World Bank Databank, Worldwide Governance Indicators ³⁵		Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.					

³⁵ <http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=worldwide-governance-indicators>

Corruption Perceptions Index (CPI)		2012	2013	2014	2015	2016	2017
<p>The Transparency International CPI measures the perceived levels of public-sector corruption as seen by business people and country analysts in a given country and is a composite index, drawing on different expert and business surveys.</p> <p>Source: Transparency International³⁶</p> <p>*In 2012, Transparency International changed the CPI scale from 0-10 to 0-100. In the interest of comparison, the numbers reflected here for 2012 are thus altered, where the original score given is divided by 10</p>	Zimbabwe	2.0	2.1	2.1	2.1	2.2	2.2
	Botswana	6.5	6.4	6.3	6.3	6	6.1
	Mozambique	3.1	3.0	3.1	3.1	2.7	2.5
	Zambia	3.7	3.8	3.8	3.8	3.8	3.7
	The scores are on a scale from zero (highly corrupt) to ten (highly clean).						

Government Effectiveness		2011	2012	2013	2014	2015	2016	2017
<p>The quality of public services, the capacity of the civil service and its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.</p> <p>Source: The World Bank Databank, Worldwide Governance Indicators³⁷</p>	Zimbabwe	-1.37	-1.34	-1.28	-1.21	-1.16	-1.16	-1.19
	Botswana	0.46	0.48	0.41	0.35	0.50	0.52	0.43
	Mozambique	-0.64	-0.63	-0.61	-0.72	-0.75	-0.86	-0.89
	Zambia	-0.66	-0.48	-0.49	-0.50	-0.56	-0.66	-0.62
	Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.							

Voice & Accountability		2011	2012	2013	2014	2015	2016	2017
<p>The extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.</p> <p>Source: The World Bank Databank, Worldwide Governance Indicators³⁸</p>	Zimbabwe	-1.46	-1.47	-1.39	-1.26	-1.17	-1.18	-1.20
	Botswana	0.43	0.53	0.49	0.44	0.44	0.39	0.38
	Mozambique	-0.20	-0.20	-0.26	-0.25	-0.27	-0.42	-0.42
	Zambia	-0.17	-0.13	-0.11	-0.11	-0.07	-0.31	-0.34
	Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.							

³⁶ <http://www.transparency.org/>

³⁷ <http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=worldwide-governance-indicators>

³⁸ <http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=worldwide-governance-indicators>

2.3. Social Dialogue

Background

Social dialogue with the freedom of association and the right to collective bargaining is fundamental for the achievement of effective, equitable and mutually beneficial outcomes for ILO constituents and society at large. Zimbabwe has ratified the main ILO instruments relevant to social dialogue and workers and employers' representation. These include the Freedom of Association and Protection of the Right to Organise and Convention, 1948 (No. 87), the Right to Organise and Collective Bargaining and Convention, 1949 (No. 98), and the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144).

In 1998 a Tripartite Negotiating Forum (TNF) was established to bring government, business and labour together in a voluntary unlegislated forum in order to discuss and negotiate socio-economic issues³⁹. Its operations were complicated by the lack of a legal framework. Industrial relations are covered by the Labour Act, but the TNF does not replace this. A draft bill to give the TNF legal status has been produced, but not yet been passed as of February 2017. Signed in 2009, the Kadoma Declaration is a tripartite agreement between the GoZ, labour and business to work towards a negotiated platform which would improve dialogue through the TNF, among the three parties with the aim of improving Zimbabwe's economic condition.

Collective bargaining takes place through industry-specific National Employment Councils (NECs), which include representatives from labour, business and government. National Employment Councils, once known as Industrial Councils, have existed since 1934⁴⁰. The negotiated agreements apply to the entire sector even if not all employees are members of the council⁴¹, thus Zimbabwe has sectoral minimum wages rather than a national minimum wage. Wages in the public sector are determined by the Civil Service Commission and the GoZ⁴². In 2015 the High Court ruled that companies are not obliged to register or pay dues to the NECs, which has left them short of resources. The collective bargaining environment has deteriorated since 2011, which is linked to economic decline in the country.⁴³ Several NECs have had to abandon wage negotiations in recent years, as companies in sectors like motor vehicle manufacturing, grain milling, glass manufacturing and so on are fighting to remain viable⁴⁴.

Labour unions in Zimbabwe are either affiliated to the government, and fall under the umbrella of the Zimbabwe Federation of Trade Unions (ZFTU), or the Zimbabwe Industrial Revolution Workers Federation (ZIRWF). Unions unaffiliated with the government are under the umbrella of the Zimbabwe Congress of Trade Unions (ZCTU). The MDC was developed out of mobilization undertaken by the ZCTU. The ZCTU faces large debts with subscriptions from affiliates falling due to the closure of

³⁹ The Financial Gazette, 12 May 2016.

⁴⁰ The Herald, 16 April 2016.

⁴¹ U.S. Department of State, 2016.

⁴² ALREI, September 2016.

⁴³ ALREI, September 2016.

⁴⁴ Zimbabwe Independent, 13 January 2015.

companies, widespread retrenchments and informalisation of the economy⁴⁵. It also faces competition from other unions

The right to form or join unions, and strike and bargain are protected under the constitution but the GoZ does not always respect these, and government interference with trade union activity is not uncommon⁴⁶. The GoZ has been subject to ILO supervisory mechanisms for limiting workers' rights to associate, organize and hold labour union meetings⁴⁷. The Employer's Confederation of Zimbabwe (EMCOZ) is the main employer's association- it promotes the interests of employers in Zimbabwe and lobbies the government on national policies and labour practices.

Zimbabwe's labour laws tend to protect employees from being dismissed, as a response to economic downturns, making it difficult for companies to adjust in period of market contraction⁴⁸. This inflexibility leads employers in many sectors to tend to employ temporary or contract workers for whom termination procedures are not as difficult. Amendments to the Labour Act passed in 2015 make it more difficult for employers to abuse the use of short term contracts, and have made it more difficult to terminate employment⁴⁹. Labour dispute resolution can happen at the company level through disciplinary committees, NECs or the Labour Court⁵⁰. The final court of appeal is the Supreme Court.

Survey Findings

When asked 37 percent of respondents say they have moderate freedom to create or join labour organisations. The EESE Survey also found that 21 percent of participants believe that citizens have low freedom of association, with 17.7 percent saying that they have a high degree of freedom to join labour organisations of their choice. 10 percent do not know, or did not volunteer an answer. The survey found that there is a strong relationship between the participants' views on freedom of association and whether the company is unionized. Those that are unionized feel they have a high degree of freedom of association (32.7 percent) while those not unionized say there is low freedom of association (34.6 percent). Respondents from economic sectors like manufacturing, construction, tourism and hospitality are more likely to think there is a high degree of freedom of association than those in agriculture or mining.

When asked about how much the government promoted tripartite social dialogue, and utilized the process in decision making 42.9 percent of respondents say that it does so to a low degree. 19.9 percent of respondents think the government's efforts in this regard are adequate, while 4.4 percent think the government is very active at promoting social dialogue and utilizing the process to direct policy. 15.5 percent of respondents do not know.

⁴⁵ The Financial Gazette, 16 April 2016.

⁴⁶ U.S. Department of State 2015.

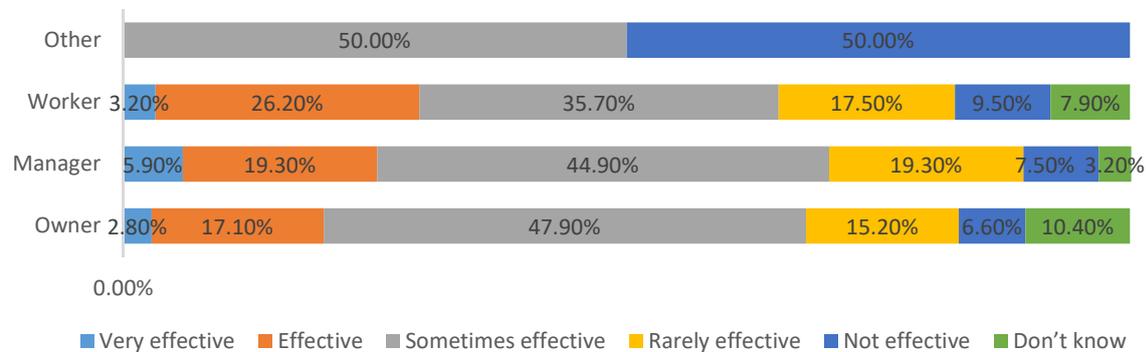
⁴⁷ U.S. Department of State, 2016.

⁴⁸ U.S. Department of State, 2016.

⁴⁹ U.S. Department of State, 2016.

⁵⁰ U.S. Department of State, 2016.

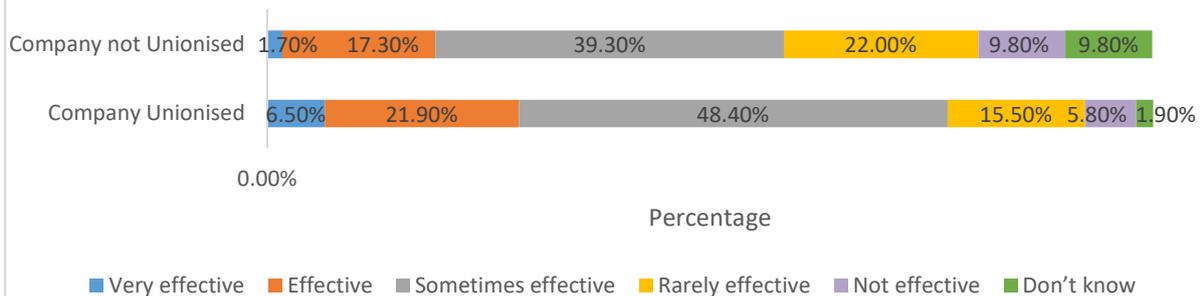
How effective are the labour or legal institutions and regulations, in dealing with conflicts and dispute resolution between employers and workers?



Source: Zimbabwe EESE Survey

43.3 percent of the respondents in the EESE Survey believe that labour institutions or legal mechanisms are sometimes effective in dealing with conflicts and dispute resolution. 20.9 percent find them to be effective with 17.6 percent thinking they are rarely effective. 4.1 percent of respondents find them to be very effective and a further 6.7 percent do not know or will not say. Respondents from unionized companies are more likely to find legal institutions effective at dispute resolution than those who are not unionized. Respondents from the formal sector are more likely to find labour institutions and legal procedures effective than those in the informal sector at dealing with conflicts and dispute resolution between employers and workers. Similarly, owners and managers have more favourable perceptions than workers.

How effective are labour or legal institutions and regulations, in dealing with conflicts and dispute resolution between employers and workers



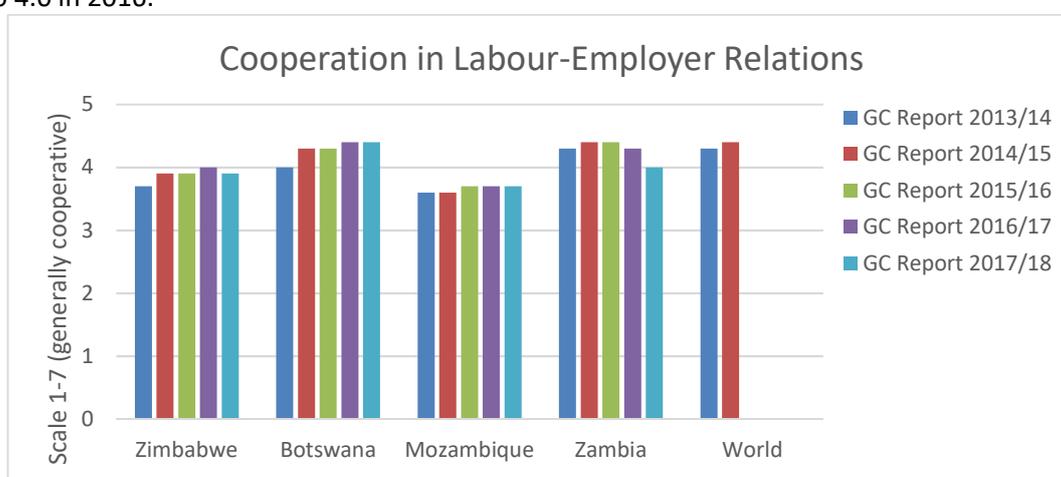
Source: Zimbabwe EESE Survey

Most of the participants surveyed (43.1 percent) say that in practice it is sometimes difficult for workers to have the right to collective bargaining. 20.2 percent of participants say that it is generally difficult for workers to exercise their right to collective bargaining, while 19.6 percent of participants say it is generally easy. 4.5 percent of respondents say they can exercise their right without any problems at all while 8.1 percent do not know.

When asked if trade unions represented employees adequately at national debates on matters concerning business and the economy 52.9 percent of respondents say they do so to a limited extent. 28 percent think trade unions represent employees adequately, 10.3 percent think they do not do so adequately, while 2.5 percent strongly agree that they represent employees adequately. This is relatively balanced between respondents from formal and informal enterprises.

Indicators

“Cooperation in Labour-Employer Relations” determines whether labour-employer relations are confrontational or cooperative on a scale from 1 to 7 with higher values, indicating higher levels of cooperation. The existing data indicates that levels of cooperation in Zimbabwe, have stayed the same, at 3.9 between 2014 and 2017. In the same years Botswana improved slightly, going from 4.3 in 2014 to 4.4 in 2017. Mozambique improved slightly going from 3.6 to 3.7, and Zambia dropped from 4.4 to 4.0 in 2016.



Source: World Economic Forum Executive Opinion Survey

Related Indicators

Cooperation in Labour - Employer Relations		GC Report 2014/15	GC Report 2015/16	GC Report 2016/17	GC Report 2017/18
The World Economic Forum (WEF) Survey asked business leaders to provide their expert opinions on the following: “Labour-employer relations in your country are”.	Zimbabwe	3.9	3.9	4	3.9
	Botswana	4.3	4.3	4.4	4.4
	Mozambique	3.6	3.7	3.7	3.7
	Zambia	4.4	4.4	4.3	4
	World	4.4			
1 = generally confrontational, 7 = generally cooperative					
Source: World Economic Forum Executive Opinion Survey⁵¹					

⁵¹ <http://www.weforum.org/issues/global-competitiveness>

2.4. Respect for Universal Human Rights and International Labour Standards

Background

Respect for universal human rights and International Labour Standards (ILS) is a distinctive feature of societies that have successfully integrated sustainability and decent work into their economies. Human rights in Zimbabwe are outlined in Chapter 4 of the new constitution, in the Declaration of Rights⁵². The Zimbabwe Human Rights Commission (ZHRC), established in 2010, became operational in 2014, and was supported by the Danish Institute of Human Rights⁵³. The ZHRC has developed a system for handling complaints, and conducts educational campaigns, promotions and research. Awareness raising activities directed at key stakeholders such as parliamentarians and civil society organisations have also been undertaken. The ZHRC is underfunded, but manages to keep functioning despite the vested political interests stacked against it. It is restricted to investigating human rights abuses since February 2009, which keeps it from addressing previous incidents, such as Gukurahundi in the 1980s and election related crime in the 2000s⁵⁴.

Zimbabwe has adopted 8 of the 9 main international human rights conventions; it has yet to ratify the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment of 1987. Mozambique and Zambia have adopted 7 of the 9 conventions each, while Botswana has ratified the lowest number at 5. All four countries have ratified all 8 fundamental ILO Conventions on freedom of association and collective bargaining, and the abolition of child labour, forced labour and all forms of discrimination.

Respect for Freedom of Association (Conventions No. 87 and No. 98) should strengthen respect for human rights, thus contributing to the goals of the Commission on Human Rights and Good Governance. Freedom of association will contribute to better labour relations, industrial and social peace, productivity growth and a more stable environment for domestic and foreign investment needed for accelerated economic growth and poverty reduction.

Abolition of the worst forms of child labour arising from the application of Conventions No. 138 and No. 182 will liberate children from the drudgery and damage of hazardous work, which deprive them of education, and adversely affect them mentally and physically. Primary schooling had been made free at independence but the GoZ has not been able to avoid reintroducing fees due to economic troubles in the country⁵⁵. The benefits of a more educated work force for accelerated economic growth are incontestable.

The abolition of forced and compulsory labour required by Conventions No. 29 and No. 105 similarly should contribute to good governance and respect for human rights. If workers are free to choose where they work rather than be forced into some occupations, they are more likely to

⁵² Zimbabwe Independent, 22 March 2013.

⁵³ DIHR, 2 June 2016.

⁵⁴ HRW, 2015.

⁵⁵ Inter Press Service. 24 December 2014.

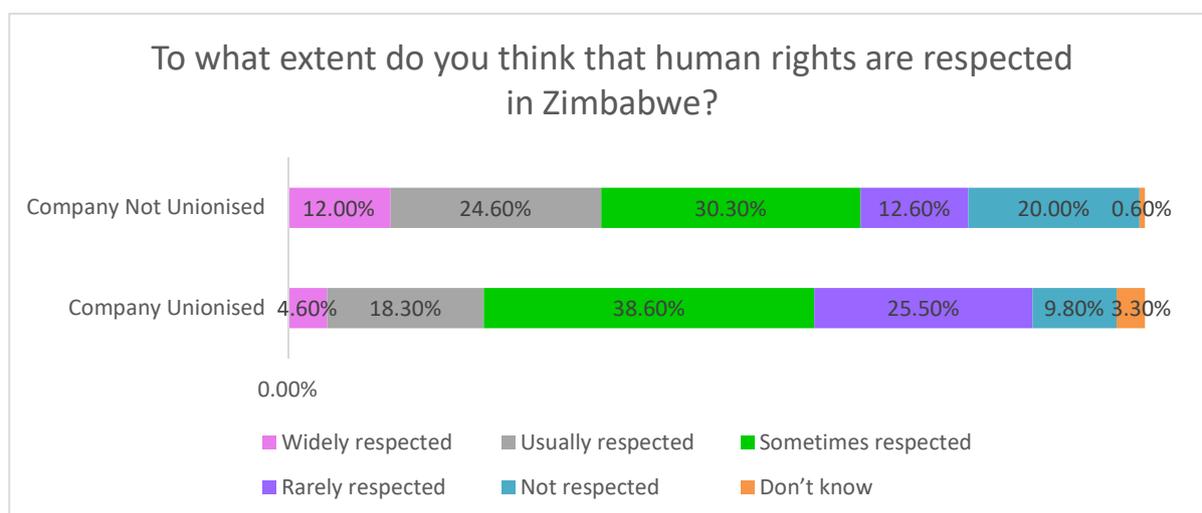
be more productive and earn higher wages which will contribute more effectively to the growth of sustainable enterprises.

Zimbabwe faces many challenges to securing human rights for all its citizens. Some of these include violence against children⁵⁶, the killings of persons with albinism⁵⁷ and hate crimes against women accused of witchcraft⁵⁸. In 2016 Zimbabwe underwent a second cycle in the Universal Periodic Review process and 142 of the original 260 recommendations were supported by the Zimbabwean delegation⁵⁹. The Ministry of Justice, Legal and Parliamentary Affairs is in charge of the delivery of justice for human rights violations, as well as the promotion of human rights across the country.

Among the primary human rights problems in Zimbabwe is the continued targeting of opposition party members, and civil society activists for abduction, arrest, torture, abuse, harassment and the partisan application of the law by both the police and the legal system⁶⁰. Freedom of speech, the press, assembly and association are restricted. Media laws in Zimbabwe are inhibitory, with journalists requiring accreditation from a state appointed commission, and regularly facing intimidation⁶¹.

Survey Findings

The most common response in the survey, when asked if they think that human rights are respected, was that they are some of the time (36.2 percent). 22.2 percent of respondents believe human rights are usually respected, and 17 percent think they are rarely respected. A further 14 percent think human rights are not respected, while 8.3 percent believe they are widely respected. Most unionized respondents believe human rights are not well respected, while non-unionized respondents are more positive.



⁵⁶ UNICEF, 2014.

⁵⁷ NewsDay, 14 April 2015.

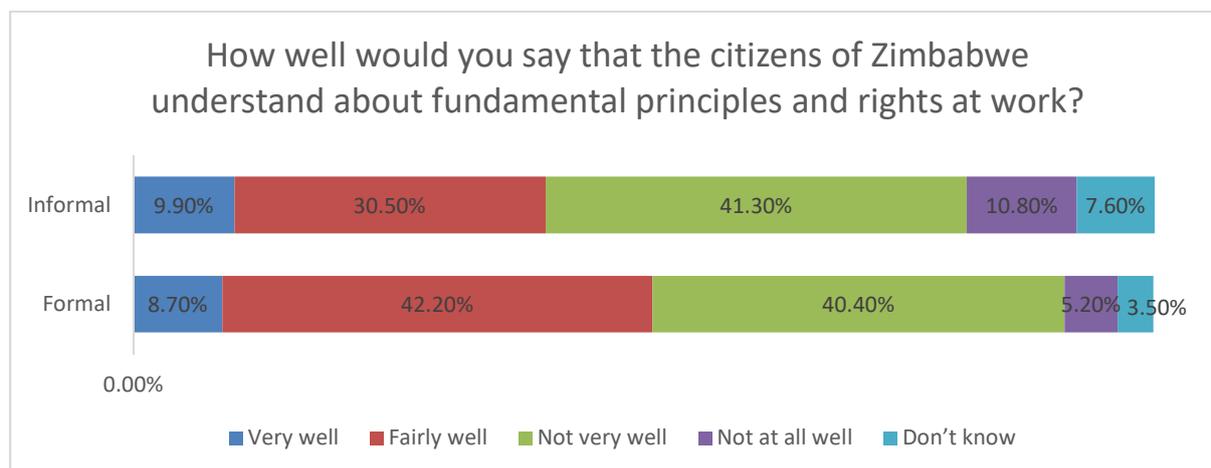
⁵⁸ OHCHR, 23 May 2012.

⁵⁹ UNDP, 2 December 2016.

⁶⁰ U.S. Department of State, 2017.

⁶¹ U.S. Department of State, 2017.

Survey participants were asked about how well, in their opinion, fundamental principles and rights at work are understood in Zimbabwe. 40.1 percent think that fundamental principles and rights at work are not very well understood, 37.1 percent of respondents think they are fairly well understood, and 9.5 percent think they are very well understood. 50.9 percent of respondents in the formal sector think fundamental principles and rights at work are well understood while 59.7 percent of respondents from the informal sector do not think so.



Source: Zimbabwe EESE Survey

Indicators

Additional indicators can help better assess the human rights situation in Zimbabwe. The “Political Rights Index” measures the level of freedom in the electoral process, political pluralism and participation, and functioning of government. The index ranges from 1 to 7 with higher values indicating a lower degree of freedom. In 2016, Zimbabwe scored an index of 5, with Botswana, Mozambique and Zambia all showing better performance.

The “Civil Liberties Index” measures freedom of expression, assembly, association, and religion on a scale from 1 to 7 with lower values corresponding to better performance. Again Zimbabwe scores poorly in comparison with its neighbours with a sustained index of 6 over the 2012-2015 period, improving slightly to 5 in 2016. In comparison, Botswana performs very well at 2, while Zambia and Mozambique maintain relative scores of 3 and 4 in the same period, though Mozambique fell to 4 in 2016.

Ratification of Human Rights Conventions		As of 12 March 2017
It shows the status of human rights referring to ratification of following 9 conventions: Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment; Convention on the Rights of the Child; Convention on the Elimination of All Forms of Discrimination against Women; International Convention on the Elimination of All Forms of Racial Discrimination; Convention on the Prevention and Punishment of the Crime of Genocide; International Covenant on Civil and Political Rights; International Covenant on	Zimbabwe	8
	Botswana	5
	Mozambique	7
	Zambia	7
	Number of ratified Conventions out of 9.	

Economic, Social and Cultural Rights; International Convention for the Protection of All Persons from Enforced Disappearance, and Convention on the Rights of Persons with Disabilities.

Source: United Nations Treaty Collection Multilateral Treaties Deposited with the Secretary General (UNTC)⁶²

Ratification of fundamental ILO Convention		As of 12 March 2017
It shows the status of labour rights conventions. It refers to ratification of following 8 conventions: Freedom of association and collective bargaining (Convention 87, 98), Elimination of forced and compulsory labour (29, 105), Elimination of discrimination in respect of employment and occupation (Convention 100, 111), Abolition of child labour (Convention 138, 182).	Zimbabwe	8
	Botswana	8
	Mozambique	8
	Zambia	8
	Number of ratified Conventions (out of 8)	

Source: ILO⁶³

Political Rights Index		2012	2013	2014	2015	2016
The Political Rights index measures the degree of freedom in the electoral process, political pluralism and participation, and functioning of government.	Zimbabwe	6	6	5	5	5
	Botswana	3	3	3	3	3
	Mozambique	4	4	4	4	4
	Zambia	3	3	3	3	3

Source: Freedom House, The Freedom in the World Survey⁶⁴

Civil Liberties Index		2012	2013	2014	2015	2016
The Civil Liberties index measures freedom of expression, assembly, association, and religion.	Zimbabwe	6	6	6	6	5
	Zambia	4	4	4	4	4
	Mozambique	3	3	3	3	4
	Botswana	2	2	2	2	2

Source: Freedom House, The Freedom in the World Survey⁶⁵

Freedom House rates civil liberties on a scale of 1 to 7, with 1 representing the most free and 7 representing the least free.

⁶² <http://treaties.un.org/>

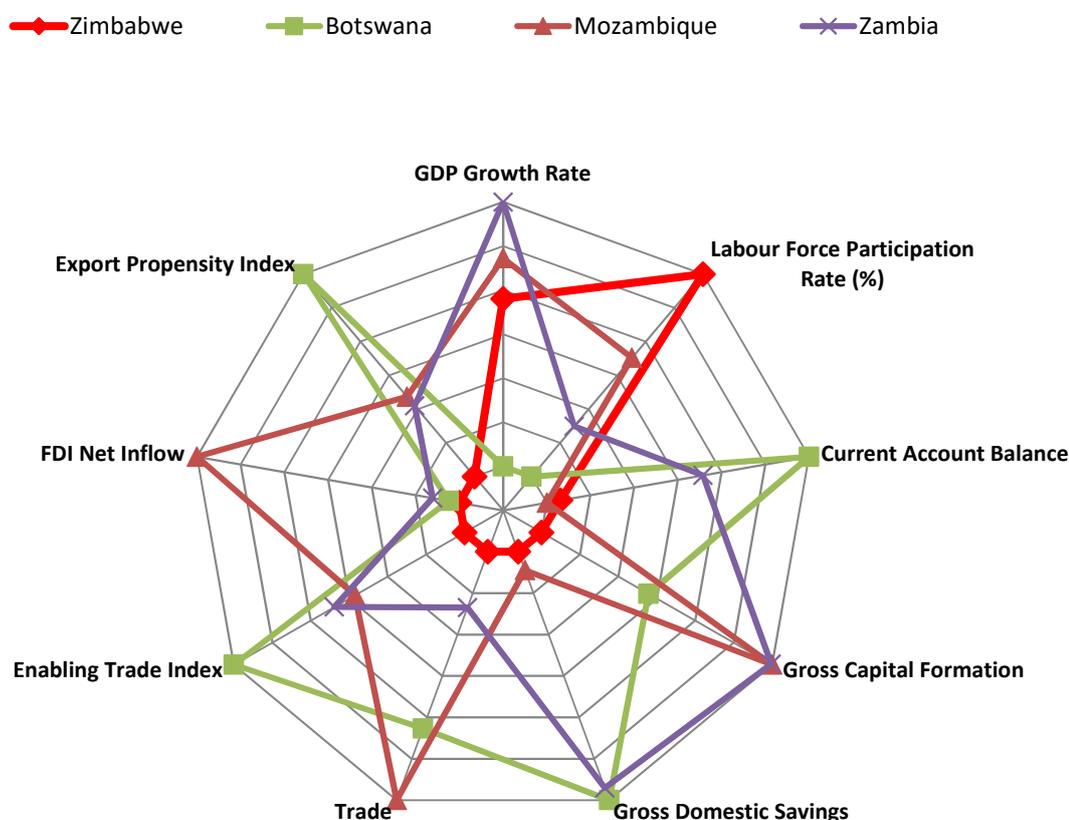
⁶³ <http://www.ilo.org/ilolex/english/docs/declworld.htm>

⁶⁴ <http://www.freedomhouse.org/report-types/freedom-world>

⁶⁵ <http://www.freedomhouse.org/>

3. Economic Elements

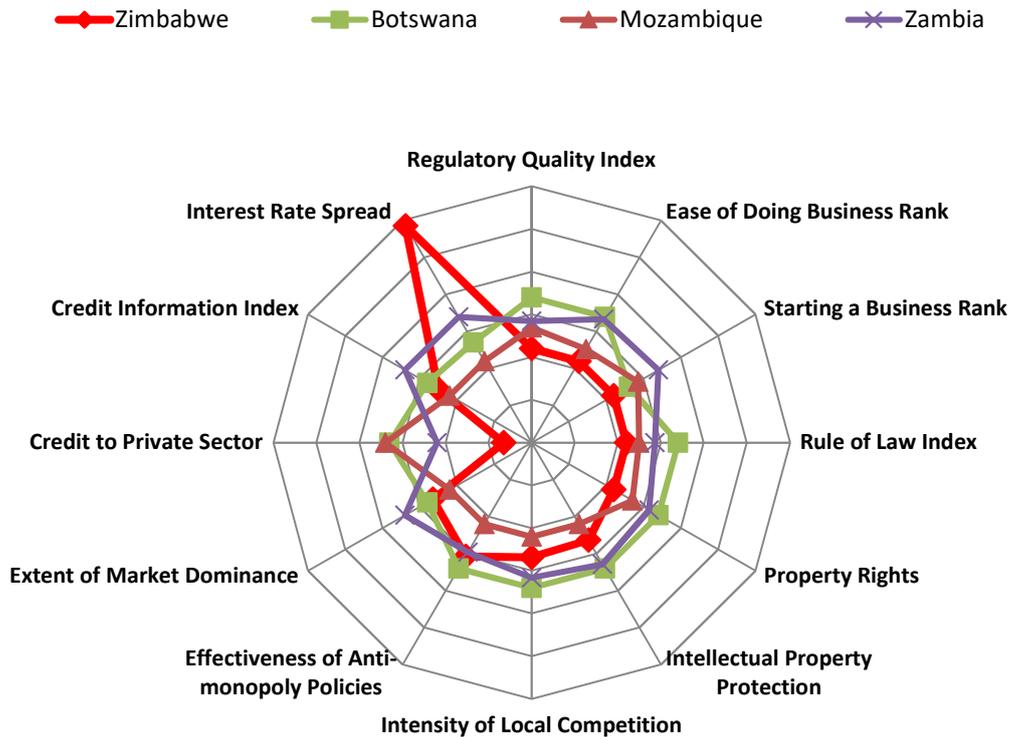
Macroeconomic indicators



Key Findings

- In 2018 the real GDP growth percentage is projected to be 1 percent; from 2014-2017 GDP growth was just under 3 percent; about 12.5 percent of the GDP comes from agriculture, 26.9 percent from industry and 60.6 percent from services.
- In 2013 the Zimbabwe Agenda for Socio-Economic Transformation (Zim Asset) was introduced. Zim Asset aims to achieve “sustainable development and social equity anchored on indigenization, empowerment and employment creation” driven by the judicious exploitation of the country’s human and natural resources.
- The investment climate in Zimbabwe faces some challenges; policy frameworks are still being developed, and several impediments to investor trust remain despite reforms to increase confidence in the system.
- Policy inconsistencies, particularly around indigenisation laws have had a negative impact on inflows, which fell from 3.14 percent of the GDP in 2011 to 2.77 percent of the GDP in 2015.

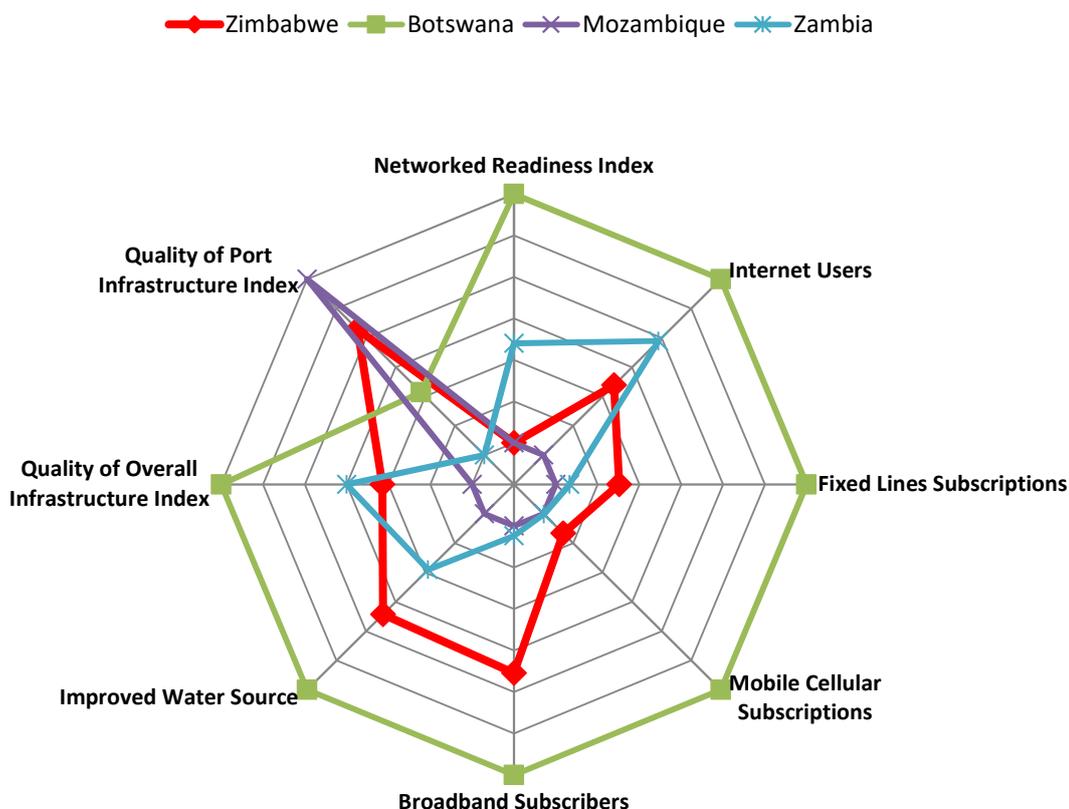
Access to credit, property rights and competition indicators



Key Findings

- The GoZ, banks, listed companies and other members of the formal economy are in crisis in Zimbabwe, so the informal economy of vendors and traders is required to keep the country afloat. Deindustrialization has increased in recent years, and formal wage-paying jobs have reduced greatly in number, forcing people into the informal economy.
- Regulatory reform is a crucial part of the policy responses that need to be adopted by the Zimbabwean government to facilitate greater economic development.
- In 2014 the Zimbabwe Reconstruction Fund (ZIMREF) was approved by the World Bank; it is a multi-donor trust fund to “contribute to strengthening Zimbabwe’s systems for reconstruction and development with a focus on stabilization, reform, reconstruction, development and poverty alleviation”. ZIMREF supports the implementation of ZimAsset in the areas of private sector productivity, governance, reduced vulnerability and policy work.
- The public enterprise sector is a major driver of employment costs in Zimbabwe. Zimbabwe had, in 2016, 76 state-owned enterprises (SOEs) or parastatals, which are companies owned completely by the state. Some of these receive benefits from the government, and operate under a set of pressures different from those that private companies encounter.

ICT and infrastructure indicators



Key Findings

- In 2012 a National ICT Policy Framework was put forth which identified the pressing need to improve communications infrastructure, ICT facilities, ICT skills, funds for ICT development, data management systems and other institutional arrangements.
- Internet usage has increased substantially in Zimbabwe in the last five years, as has the use of voice mobile services. With the increased use of technology there is the opportunity to support key sectors like agriculture, tourism and mining in innovative ways.
- Mobile money services allow for financial transactions between persons all over the country. It enables those who do not have access to bank branches and those who do not have bank accounts.
- Corruption associated with infrastructure projects is high, and though a portion of the budget is set aside for investment in this area the gross inefficiencies in the system, reduce the positive effects.
- 49 percent of survey respondents said that roads in Zimbabwe were very poor, which kept businesses from being able to operate effectively and efficiently. 33.9 percent found the roads to be poor, and 10.2 percent found them satisfactory, with only 3.8 percent finding the roads in Zimbabwe good

3.1. Sound and Stable Macroeconomic Policy and Good Management of the Economy

Background

Macroeconomic policies ought to guarantee stable and predictable economic conditions. Sound economic management should combine the objectives of creating more and better jobs, combating inflation, and implementing policies and regulations that stimulate long-term productive investment. The government of Zimbabwe has introduced, since 2009, several policies designed to attract foreign direct investment (FDI), but its macroeconomic policies, including indigenization remain deterrents⁶⁶. While progress has been made in improving the business climate structural challenges from high informality, high public debt, and weak domestic demand remain⁶⁷.

Zimbabwe is a landlocked country of about 13.8 million people, as of 2017⁶⁸. About 85 percent of its 390,757 square kilometres are agricultural land⁶⁹. Prior to 2000 the farming sector contributed to about 40 per cent of Zimbabwe's gross national product⁷⁰. The 2000 FTLRP redistributed over 17.3 million acres of land, largely agricultural⁷¹. The land was seized from approximately 4,500 white farmers, and resettled by about a million black Zimbabweans; many of these were small-scale farmers, several others were persons linked to the regime⁷².

The failure of the farming sector, following FTLRP has had a deleterious effect on the entire economy. The GDP growth rate was estimated at under 3 percent in the period 2014-2017; about 12.5 percent of the GDP comes from agriculture, 26.9 percent from industry and 60.6 percent from services with about 67.5 percent of the population engaged in agriculture, 7.3 percent in industry and the rest in services⁷³. The unemployment rate, as estimated based on 2005 figures, was 80 percent, while by 2012 estimates 72.3 percent of the population is below the poverty line⁷⁴. According to the African Development Bank economic growth is expected to improve to an estimated 2.6 percent in 2017, from 0.7 percent in 2016, though real GDP growth is projected to be 1 percent in 2018 and 1.2 percent in 2019⁷⁵.

At independence Zimbabwe had a dual economy, with a modern manufacturing sector that employed about a fifth of the population, and agriculture, which employed the remaining 80 percent⁷⁶. There were deep socioeconomic disparities, and large investments were made in health and

⁶⁶ U.S. Department of State, 2016.

⁶⁷ AfDB, 2018.

⁶⁸ CIA World Factbook, October 2018.

⁶⁹ ILO, 2012.

⁷⁰ DW, 19 May 2015.

⁷¹ DW, 19 May 2015.

⁷² DW, 19 May 2015.

⁷³ CIA World Factbook, October 2018.

⁷⁴ CIA World Factbook, October 2018.

⁷⁵ AfDB, 2018

⁷⁶ ILO, 2012.

education, rural development, and some sectors of the economy; much of this was through parastatals or state-owned enterprises (SOEs)⁷⁷.

The first phase of Zimbabwe's Economic Structural Adjustment Programme (ESAP) was announced in 1990, a package of reforms meant to liberalise the Zimbabwean economy, provide a shock treatment prescribed by the World Bank in order to modernize the private sector and promote rapid economic growth. Instead growth slowed and became more erratic, the drop in social spending resulted in falling standards of living, inflation was high, a currency crisis ensued and the country rapidly deindustrialised and informalised; about 55,000 jobs were estimated to be lost between 1990 and 1995 according to one ZCTU estimate, others put the number at closer to twice that⁷⁸.

Negative growth rates first emerged in the 1990s, and the economy went into hyperinflation in 2007⁷⁹. Recurring droughts in this period exacerbated the economic distress, as did political upheaval and numerous high profile corruption scandals. In 2009 the Government of National Unity (GNU), which allowed the MDC to share power with the ZANU-PF, signed the Global Political Agreement that focused on restoring economic stability and growth. A multicurrency regime was adopted in 2009, as was a Short-term Emergency Recovery Programme, which led to an improvement in growth rates and set the path to a degree of economic recovery⁸⁰.

In 2013 the Zimbabwe Agenda for Socio-Economic Transformation (Zim Asset) was introduced. Zim Asset aims to achieve "sustainable development and social equity anchored on indigenization, empowerment and employment creation" driven by the judicious exploitation of the country's human and natural resources⁸¹. Zimbabwe's major exports include platinum, cotton, tobacco, gold, ferroalloys and textiles, primarily to South Africa, Mozambique, UAE and Zambia⁸². Zimbabwe imports machinery and transport equipment, chemicals, fuels and food products from South Africa and Zambia for the most part⁸³. Mining accounts for a large percentage of Zimbabwe's export earnings.

The Tripartite Free Trade Area (TFTA) was launched in 2015: it brings together three major regional economic communities in Africa- the Southern African Development Community (SADC), the East African Community (EAC), and the Common Market for Eastern and Southern Africa (COMESA). The TFTA is expected to increase the volume of intra-regional trade but bigger economies with more competitive exports are likely to benefit more than Zimbabwe⁸⁴.

Following the elections of July 2018, economic conditions are expected to improve; Mnangagwa's campaign slogan was "Zimbabwe is open for business", but there will need to be a significant increase in international investment and aid to address the effects of stalled job growth, high inflation, and food insecurity⁸⁵. The World Bank has been supportive of President Mnangagwa's

⁷⁷ World Bank, 2012.

⁷⁸ AfricaFiles, July 1996.

⁷⁹ ILO, 2012.

⁸⁰ ILO, 2012.

⁸¹ UN Zimbabwe.

⁸² CIA World Factbook, October 2018.

⁸³ CIA World Factbook, October 2018.

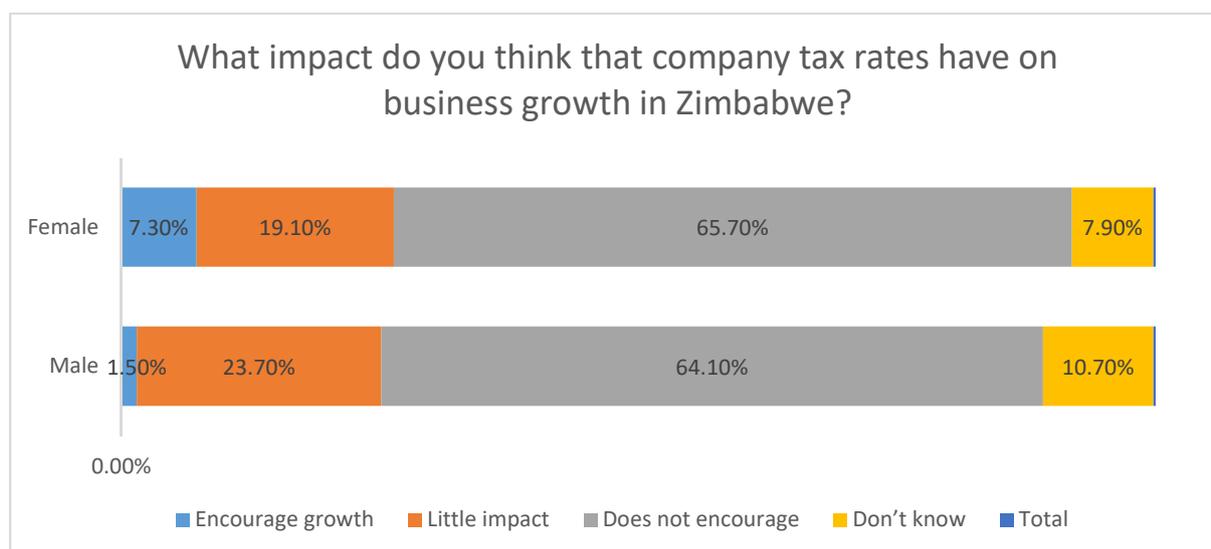
⁸⁴ AfDB, 2016.

⁸⁵ The Guardian, 23 September 2018.

agenda; in 2015 a plan to clear debt arrears was adopted, and this has been revived as part of a broader strategy to attract FDI and new lines of credit⁸⁶. Earlier in 2018, in March, the UK's Department for International Development (DFID), pledged money to the Zimbabwe Reconstruction Fund (ZIMREF), to be used towards stabilization and reform, development, and poverty alleviation⁸⁷. Driven largely by agriculture and mining, the economy was expected to grow by about 6.3% in 2018, and the total debt is to the order of USD 16.9 billion⁸⁸.

Survey Findings

The EESE Survey respondents largely (58.7 percent) think that Zimbabwe do not have a sound and stable macroeconomic environment, nor that the economy is well managed. 26.5 percent say the economy is well managed to a limited extent, while only 1.9 percent strongly agree that the economy is well managed. When asked about the impact of company tax rates on business growth 64.4 percent of respondents, across both genders, believe they do not encourage business growth in Zimbabwe, while 22.7 percent think they have little impact on growth. 59.3 percent of respondents do not believe that Value Added Tax (VAT) encourage growth in Zimbabwe, while a further 27 percent say VAT have little impact.



Source: Zimbabwe EESE Survey

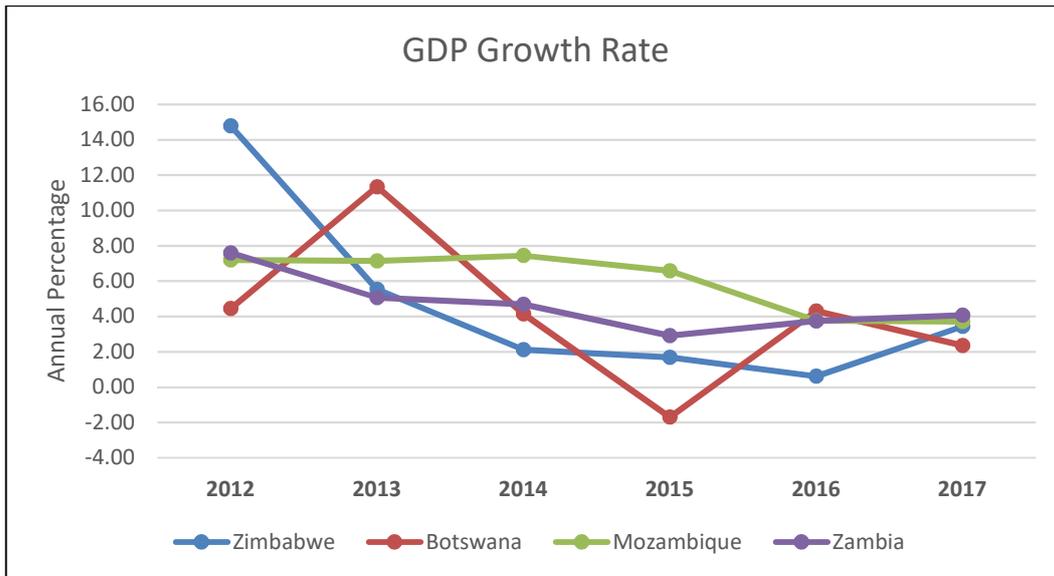
Indicators

The Zimbabwean economy went from a GDP growth of 14.78 percent in 2012 to 1.69 percent in 2015 and 3.45 percent in 2017 according to World Bank data. Botswana, Mozambique and Zambia have seen a slowing of GDP growth as well with Botswana going from 4.46 percent in 2012 to 2.36 percent in 2017, Mozambique going from 7.20 percent in 2012 to 3.71 percent in 2017, and Zambia going from 7.60 percent GDP growth in 2012 to 4.08 percent in 2017.

⁸⁶ The Herald, 25 October 2018.

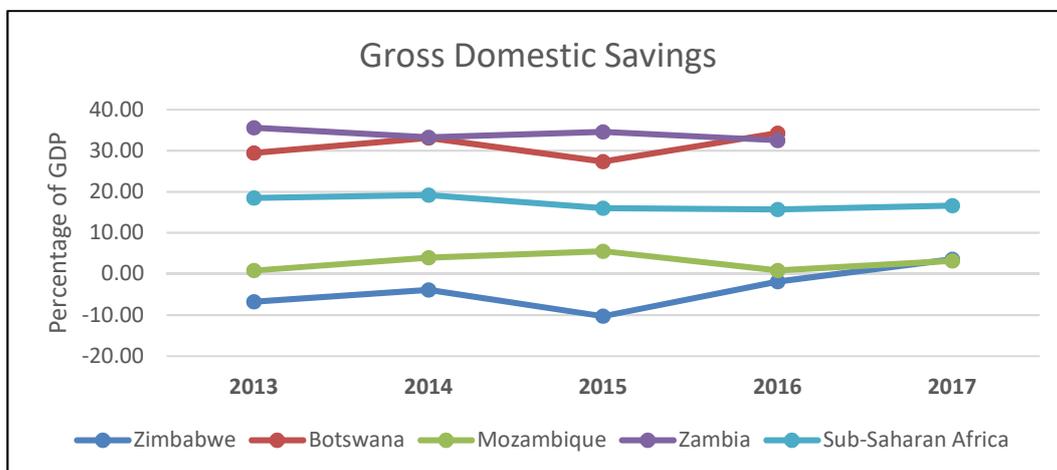
⁸⁷ World Bank, 21 March 2018.

⁸⁸ Al Jazeera, 1 October 2018.



Source: World Bank Databank, World Development Indicators Online.

Gross domestic savings are calculated by deducting total final consumption expenditure from GDP at current prices. It is an indicator of a country’s capacity to invest in fixed capital and economic growth. Zimbabwe has had negative gross domestic savings, reflecting its credit extension, and limited ability to invest in economic growth or social development until 2017. In 2013 Zimbabwe’s gross domestic savings as a rate of GDP was -6.76 percent, and in 2017 this improved to 3.59 percent. In comparison, in 2016, Botswana performs the best at 34.31 percent, followed by Zambia at 32.53 percent and Mozambique at 0.85 percent in the same year.



Source: World Bank Databank, World Development Indicators Online

In 2017 the population of Zimbabwe was estimated at being 13.8 million and the labour force was about 7.9 million strong⁸⁹. According to ILO data found on the World Bank’s World Development Indicators database, the “Labour Force Participation Rate” (LFPR) in Zimbabwe was 83.58 percent in 2017, having gone up incrementally from 83.02 percent in 2013. This is the highest among the

⁸⁹ CIA World Factbook, October 2018.

countries used for comparison. In 2017 Botswana was at 71.89 percent, Mozambique at 78.75 percent and Zambia at 74.80 percent.

GDP Growth (%)		2012	2013	2014	2015	2016	2017
Annual percentage growth rate of Gross Domestic Product (GDP) at market prices based on constant local currency. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.	Zimbabwe	14.78	5.53	2.13	1.69	0.62	3.45
	Botswana	4.46	11.34	4.15	-1.70	4.32	2.36
	Mozambique	7.20	7.14	7.44	6.59	3.76	3.71
	Zambia	7.60	5.06	4.70	2.92	3.76	4.08
	Sub-Saharan Africa	4.31	4.80	4.68	3.11	1.33	2.61
Source: World Bank Databank, World Development Indicators Online							

Labour Force Participation Rate		2013	2014	2015	2016	2017
The labour force participation rate is the proportion of the population ages 15-64 that is economically active: all people who supply labour for the production of goods and services during a specified period. The labour force participation rate is calculated by expressing the number of persons in the labour force as a percentage of the working-age population. The labour force is the sum of the number of persons employed and the number of unemployed. The working-age population is the population above a certain age, prescribed for the measurement of economic characteristics.	Zimbabwe	83.02	83.15	83.24	83.31	83.58
	Botswana	71.27	71.37	71.50	71.61	71.89
	Mozambique	79.31	79.17	78.99	78.85	78.75
	Zambia	75.18	75.07	74.94	74.85	74.80
Source: World Bank Databank, World Development Indicators Online						

Other Useful Indicators

Current Account Balance (% of GDP)	2009	2010	2011	2012	2013	2014	2015	
<p>Current account balance (also called 'current account surplus/deficit') is the sum of net exports of goods and services, net income, and net current transfers. It is a record of a country's transactions with the rest of the world. It shows whether a country is 'living within its means'. If a country is spending more abroad than it earns from the rest of the world then corrective action will be necessary, e.g. to maintain the value of the country's currency in relation to other countries' currency. The balance of payments is a double-entry accounting system that shows all flows of goods and services into and out of an economy. All transactions are recorded twice - once as a credit and once as a debit. In principle, the net balance should be zero, but in practice, the accounts often do not balance, requiring inclusion of a balancing item, net errors and omissions. Positive current account (surplus) balance is associated with positive net exports. If the current account balance is negative, it measures the portion of domestic investment financed by foreigners' savings.</p>	Zimbabwe	-30.09	-23.49	-13.66	-14.03	-14.01	-13.94	-13.58
	Botswana	-5.12	-7.60	-7.71	-10.39	-9.04	1.15	1.96
	Mozambique	-11.92	-13.62	-13.21	-14.58	-14.39	-14.65	-14.43
	Zambia	-3.29	-3.48	-3.89	-4.38	-4.62	-4.66	-4.68

Source: International Monetary Fund, World Economic Outlook Database⁹⁰

⁹⁰ <http://www.imf.org/external/pubs/ft/weo/2010/01/weodata/index.aspx>

Gross Capital Formation (% of GDP)	2013	2014	2015	2016	2017	
<p>Gross capital formation consists of outlays on additions to the fixed assets of the economy plus net changes in the level of inventories. Fixed assets include land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. Inventories are stocks of goods held by firms to meet temporary or unexpected fluctuations in production or sales, and "work in progress." Gross capital formation (also called investment rate or gross domestic investment), along with foreign direct investment, is critical to economic growth and economic development. High level of gross capital formation in a period of time refers to increase in the value of inventories. High level of gross capital formation or investment is conducive to economic growth.</p>	Zimbabwe	11.38	11.83	12.29	12.19	16.86
	Botswana	29.41	27.86	32.08	24.30	
	Mozambique	54.47	55.36	45.33	38.31	35.55
	Zambia	34.04	34.04	42.81	38.21	
	Sub-Saharan Africa	21.01	21.48	20.74	19.74	19.79
	Annual percentage growth rate of GDP					
<p><u>Source:</u> World Bank Databank, World Development Indicators Online⁹¹.</p>						

Gross Domestic Savings (% of GDP)	2013	2014	2015	2016	2017	
<p>Gross domestic savings are calculated by deducting total final consumption expenditure from GDP at current prices. A high gross domestic saving rate usually indicates a country's high potential to invest. Savings can therefore be vital to the amount of fixed capital available, which in turn can contribute to economic growth. However, increased savings do not always correspond to increased investment. If savings are not deposited into a financial intermediary like a bank, there is no chance for those savings to be recycled as investment by businesses. This means that saving may increase without increasing investment, possibly causing a shortfall of demand rather than economic growth. In the short term, if savings fall below investment, it can lead to growth of aggregate demand and economic boom. In the long term if savings fall below investment it eventually reduces investment and detracts from future growth.</p>	Zimbabwe	-6.76	-3.89	-10.28	-1.82	3.59
	Botswana	29.43	33.12	27.38	34.31	
	Mozambique	0.83	3.96	5.55	0.85	3.18
	Zambia	35.61	33.31	34.57	32.53	
	Sub-Saharan Africa	18.54	19.18	16.01	15.70	16.63
	<p><u>Source:</u> World Bank Databank, World Development Indicators Online</p>					

⁹¹ <http://databank.worldbank.org/data/home.aspx>

3.2. Trade and Sustainable Economic Integration

Background

Trade integration can lead to positive employment effects through efficiency gains. However, as trade integration can also lead to job dislocation, increased informality and growing income inequality, the employment and decent work impact of trade policies must be carefully considered. The investment climate in Zimbabwe faces some challenges; policy frameworks are still being developed, and several impediments to investor trust remain despite reforms to increase confidence in the system. Policy inconsistencies, particularly around indigenisation laws have had a negative impact on inflows.

In 2009 Zimbabwe implemented a number of reforms designed to attract foreign direct investment (FDI). The introduction of a multicurrency monetary regime allowed the US dollar to act as a stabilising force, restoring business confidence in the economy as it removed the risk associated with the use of domestic currency⁹². However macroeconomic policies such as indigenisation and economic empowerment laws continue to be deterrents to investment. In 2007 an indigenisation law was introduced for the mining sector stating that foreign companies operating in Zimbabwe must sell 51 percent of the stake in their businesses to local partners in order to help redress the economic inequalities caused by colonialism⁹³. The Indigenisation and Economic Empowerment Act was signed into law in 2008. In 2014 foreign investment fell by 59 percent, to USD 67 million, partly in response to concerns over indigenisation policies⁹⁴.

A notice issued in early 2016 discussing the framework of the indigenisation law suggested that this might, in effect, be a nationalisation law, as state entities are prescribed as beneficiaries of sales instead of indigenous businesses. Some sectors were said to be reserved, and unless approval was given specially on a case by case basis, non-indigenous businesses were not allowed to invest in them. The reserved sectors include agriculture, transportation, retail and wholesale, advertising, artisanal mining except diamonds and several others⁹⁵. These details are not in the letter of the law, and laws cannot be changed by a general notice, but they do create an atmosphere of policy ambiguity relating to indigenisation, which complicates the inflow of FDI. Indigenisation policies are being reviewed in order to ease investor concerns and invite more FDI.

Some incentives designed to attract FDI exist in the form of tax reductions for new investments, and tax deductible capital expenditures on new production facilities⁹⁶. The GoZ encourages public-private partnerships to improve technological development, but the lack of policy

⁹² U.S. Department of State, 2016.

⁹³ The Irish Times, 18 May 2015.

⁹⁴ The Irish Times, 18 May 2015.

⁹⁵ Zimbabwe Independent, 15 January 2016.

⁹⁶ U.S Department of State, 2016.

coherence, and conflicting messages from senior government officials often undermine investor confidence⁹⁷. Recent increases in FDI have been the result of Zimbabwe committing to limited economic reforms under an IMF staff monitored programme (SMP).

Investment promotion is coordinated by the Zimbabwe Investment Authority (ZIA), which facilitates local and foreign investment⁹⁸. ZIA also screens FDI and confirms compliance with Zimbabwe's investment regulations and issues a license, which is a prerequisite for obtaining operating permits from the appropriate GoZ agency. Legislation relating to Export Processing Zones (EPZs) was introduced in 1996 and in 2016 Zimbabwe had about 183 EPZ-designated companies⁹⁹. Incentives for EPZs include tax deductions and duty-free imports of raw materials. The GoZ requires that EPZ-designated companies export at least 80 percent of the output.

Other factors that reduce foreign investment include the high cost of labour, erratic supply of electricity, high taxes and aging transport infrastructure. Until 2008 foreign exchange controls limited the amount of foreign currency firms could access, resulting in shortages of fuel, electricity and other critical production inputs; the demonetization of the Zimbabwe dollar and removal of exchange controls helped address this. Essential food items such as wheat and maize are not produced in sufficient quantities to satisfy local demand. Imports are necessary to shore up food supplies, which leaves the economy and Zimbabweans at the mercy of volatile global food markets¹⁰⁰. It is therefore imperative that Zimbabwe improve the volume of exports, in order to pay for the rising import bill, and tackle mounting GoZ arrears in external debt.

Zimbabwe is a member of the Southern African Development Community (SADC). The SADC is the reconstituted SADCC- South African Development Coordination Conference, originally set up in 1980 to reduce the economic dependence in the region, on apartheid South Africa¹⁰¹. Following the independence of Namibia and the imminent collapse of apartheid rule in South Africa, the SADC was formed to facilitate regional cooperation to address problems of national development- this cooperation may be along political lines, defence agreements, or economic cooperation¹⁰². The management of shared water courses, transport corridors, and access to low cost energy through the South African Power Pool are some of the joint economic efforts Zimbabwe participates in and benefits from¹⁰³. All SADC countries are members of the World Bank Multilateral Investments Guarantee Agency, which provides political risk insurance guarantees against political acts such as expropriation in order to promote foreign direct investment¹⁰⁴. Trade agreements facilitate the flow of goods and services across the SADC.

COMESA presents many opportunities for Zimbabwean exports, which need to expand given the heavy import bill. Zimbabwean products can be traded duty free within the COMESA region and ZimTrade, Zimbabwe's national export promotion body, encourages Zimbabwean companies to take

⁹⁷ U.S. Department of State, 2016.

⁹⁸ U.S. Department of State, 2016.

⁹⁹ U.S. Department of State, 12 August 2016.

¹⁰⁰ The Irish Times, 18 May 2015.

¹⁰¹ Mbuende, 2014.

¹⁰² Mbuende, 2014.

¹⁰³ Mbuende, 2014.

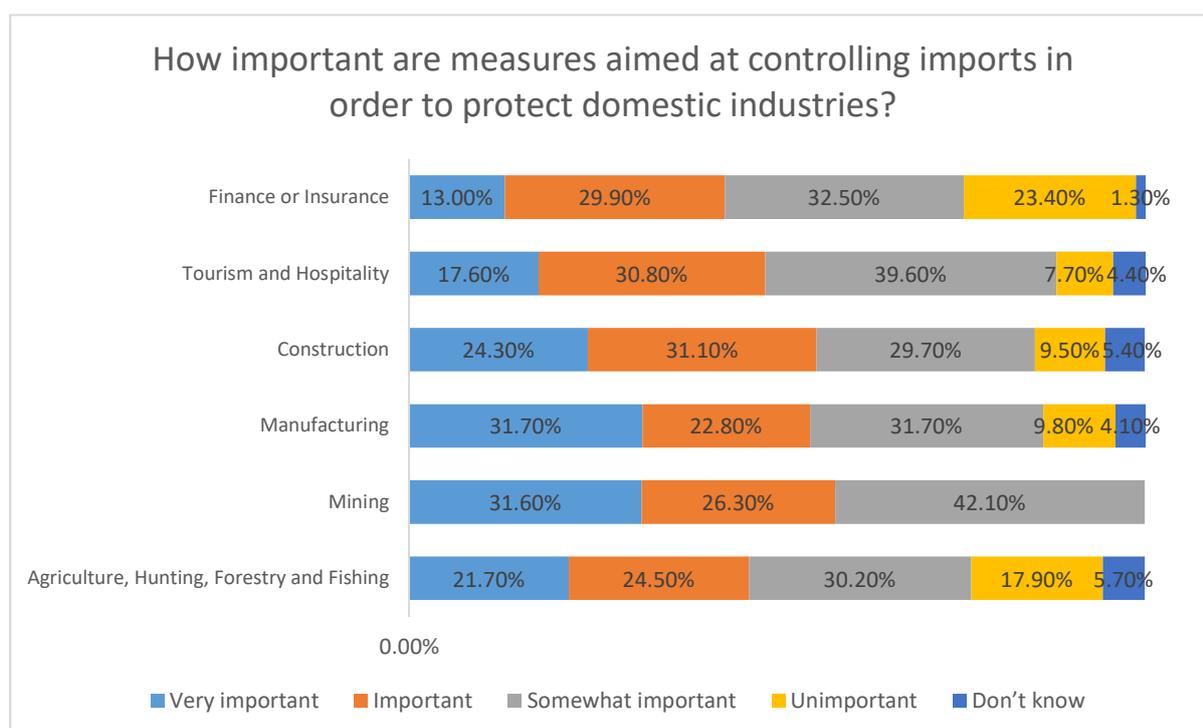
¹⁰⁴ Mbuende, 2014.

advantage of this preferential trade agreement¹⁰⁵. At present Zimbabwe’s exports to COMESA are largely comprised of fish, timber, plastic packing goods, cement, ploughs and hand tools¹⁰⁶.

Survey Findings

When asked about the importance of regional economic integration for economic growth 39.9 percent of respondents say it is very important, and 32 percent say it is important, with a further 19.6 percent finding it somewhat important. Most participants, 39.2 percent, say that custom authorities are adequately efficient at processing imports and exports. 35.1 percent of respondents indicate that the efficiency of Zimbabwean customs authorities is poor, while 16 percent say it is very poor.

61.1 percent of respondents say that import taxes and other costs do not encourage business growth. 26.2 percent of respondents say import taxes have little impact on growth. With 6.1 percent indicating that, they do not know or would not answer. When asked about measures aimed at controlling imports in order to protect domestic industries 33.5 percent of respondents think these are somewhat important. 27.1 percent find these measures important, and a further 21.8 percent say they are very important.



Source: Zimbabwe EESE Survey

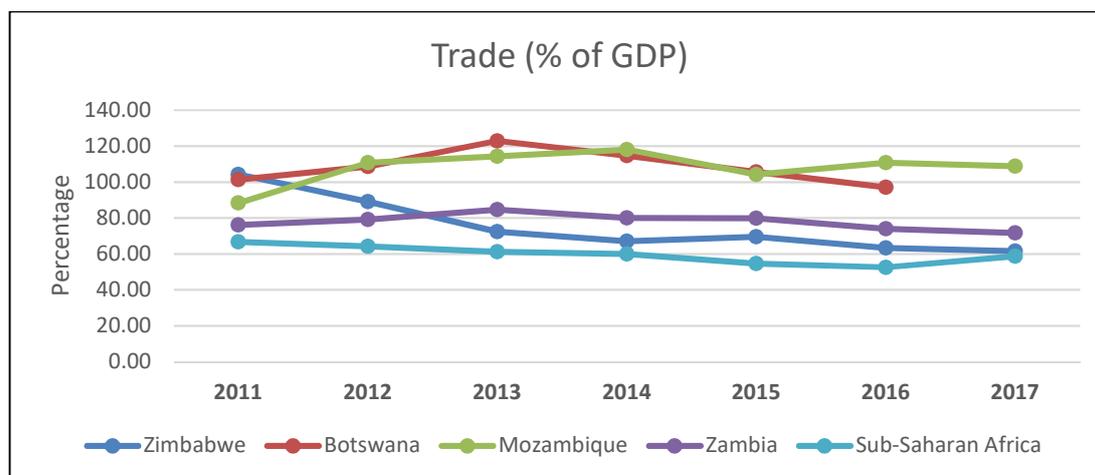
Indicators

“Trade” as an indicator measures the sum of exports and imports of goods and services as a share of GDP. Zimbabwe’s trade as a percentage of GDP has been steadily falling between 2011 and

¹⁰⁵ The Herald, 6 June 2016.

¹⁰⁶ The Herald, 6 June 2016.

2017 going from 104.28 percent to 61.52 percent. In 2016 Botswana was at 97.13 percent, Zambia at 73.96 percent and Mozambique at 110.82 percent.



Source: World Bank Databank, World Development Indicators Online

The “Enabling Trade Index” measures the factors, policies and services that facilitate the free flow of goods over borders and to final destination. The World Economic Forum changed its methodology in 2014 so recent figures may not be compared with earlier years easily. On a scale from 1 to 7 where the highest value indicates that a country is successful at enabling the free flow of trade, in 2014 Zimbabwe scored an index of 3.44, and the same in 2016. In 2016 Botswana was at 4.41, Mozambique was at 3.88 and Zambia at 3.97.

According to World Bank’s 2015 Doing Business Reports, 7 documents were required in order to export from Zimbabwe and 8 documents were required to import to Zimbabwe. This was standard over the years preceding 2015. Botswana required 6 documents for exports and 6 for imports, while Mozambique required 7 for exports and 9 for imports. Zambia, like Zimbabwe needed 7 for exports and 8 documents for imports. The World Bank’s methodology has changed since then and they no longer update this indicator.

Zimbabwe’s net inflow of FDI as a percentage of GDP rose between 2011 and 2014, after which it has fallen each year. In 2017 the FDI net inflow as a percentage of GDP was 1.62 percent. This is less than Botswana at 2.30 percent in 2017, Mozambique at 18.80 percent, and Zambia at 3.36 percent in the same year. The Sub-Saharan Africa figure was 1.46 percent for 2017.

The “Export Propensity Index” measures the export of goods and services as a percentage of GDP. In 2017, Zimbabwe registered an export propensity index of 24.12 percent, which is lower than all the comparison countries, and the Sub-Saharan Africa figure of 27.64 for the same year. Zimbabwe was at 40.56 percent in 2011, but has seen a steady and rapid decline since then. In comparison Botswana improved from 48.90 percent in 2011 to 55.11 percent in 2016, Mozambique also improved over the last few years to 38.27 percent in 2017. Zambia was at 35.24 percent in 2017.

Key Indicators

Trade (% of GDP)		2011	2012	2013	2014	2015	2016	2017
Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product. It takes values between 0 and +∞. Please note that the trade-to-GDP ratio refers to the sum of the imports and exports and could therefore exceed 100%.	Zimbabwe	104.28	89.12	72.47	67.07	69.48	63.33	61.52
	Botswana	101.36	108.65	122.95	114.77	105.69	97.13	
	Mozambique	88.33	110.83	114.38	118.12	104.21	110.82	108.91
	Zambia	76.21	79.10	84.60	80.06	79.87	73.96	71.63
	Sub-Saharan Africa	66.70	64.23	61.15	59.91	54.62	52.58	58.70
Trade share (%) in GDP.								
Source: World Bank Databank World Development Indicators Online ¹⁰⁷								

Enabling Trade Index (ETI)		Report 2009	Report 2010	Report 2012	Report 2014 (new methodology)	Report 2016
The Enabling Trade Index measures the factors, policies and services facilitating the free flow of goods over borders and to destination. The index breaks the enablers into four overall issue areas: (1) market access, (2) border administration, (3) transport and communications infrastructure and (4) the business environment. Note: As a result of methodological changes introduced in the 2014 report, the results are not strictly comparable over time.	Zimbabwe	2.91	2.98	2.96	3.44	3.4
	Botswana		4.21	4.31	4.27	4.41
	Mozambique	3.49	3.71	3.65	3.65	3.88
	Zambia	3.64	3.80	3.78	4.11	3.97
	On a scale from 1 to 7, a high score in the overall ETI indicates that a country is relatively successful at enabling the free flow of trade.					
Source: Global Enabling Trade Reports World Economic Forum ¹⁰⁸						

FDI net inflow (% of GDP)		2011	2012	2013	2014	2015	2016	2017
Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 per cent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows in the reporting economy and is divided by GDP.	Zimbabwe	2.85	2.46	2.41	2.98	2.45	2.06	1.62
	Botswana	8.74	3.70	2.67	3.17	4.71	0.83	2.30
	Mozambique	27.90	38.77	41.81	29.47	26.14	28.40	18.80
	Zambia	4.73	6.79	7.49	5.55	7.48	3.16	3.36
	Sub-Saharan Africa	2.81	2.45	2.43	2.39	2.82	2.09	1.46
FDI net inflow (in current US\$ as % of GDP).								
Source: World Bank Databank, World Development Indicators Online ¹⁰⁹								

¹⁰⁷ <http://databank.worldbank.org/data/home.aspx>

¹⁰⁸ 2008 Report <http://www3.weforum.org/docs>

¹⁰⁹ <http://databank.worldbank.org/data/home.aspx>

Other Useful Indicators

Export Propensity Index = Exports of goods and services (% of GDP)		2011	2012	2013	2014	2015	2016	2017
Exports of goods and services represent the value of all goods and other market services provided to the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude labour and property income (formerly called factor services) as well as transfer payments.	Zimbabwe	40.56	30.24	27.17	25.68	23.46	24.66	24.12
	Botswana	48.90	48.36	61.51	60.83	52.18	55.11	
	Mozambique	33.43	32.38	30.37	33.36	32.22	36.68	38.27
	Zambia	40.47	40.08	40.48	38.82	37.14	35.32	35.24
	Sub-Saharan Africa	34.08	32.57	29.20	28.61	24.86	24.31	27.64
It ranges from 0 (with no exports) to 100 (with all domestic production exported).								
Source: World Bank Databank, World Development Indicators Online¹¹⁰								

3.3. Enabling Legal and Regulatory Environment

Background

Well-designed and clear regulations, including those that uphold labour and environmental standards, are good for the promotion of start-ups and enterprise development. They facilitate formalisation and boost systemic competitiveness. Zimbabwe is in an unusual situation, having had policies for some decades that have stifled the growth of the formal economy to such a degree that the informal economy is the engine of survival at the moment for the country. The GoZ, banks, listed companies and other members of the formal economy are in crisis in Zimbabwe, so the informal economy of vendors and traders is required to keep the country afloat¹¹¹. Repeated executive interference in regulations relating to business further complicate the regulatory system.

Deindustrialization has increased in recent years, and formal wage-paying jobs have reduced greatly in number, forcing people into the informal economy. Between 2011 and 2014 the percentage of Zimbabweans earning a living in the informal economy went from 84 percent to 95 percent; of the few salaried workers left about half are employed by the GoZ, among whom a significant proportion are patronage beneficiaries with limited real duties or work¹¹². The GoZ has occasionally cracked down

¹¹⁰ <http://databank.worldbank.org/data/home.aspx>

¹¹¹ NYT, 4 March 2017.

¹¹² NYT, 4 March 2017.

violently on street vendors, breaking up markets and making it difficult to operate, as the vendors have staged protests. Industrial areas outside Harare have been abandoned. The Finance Act of 2017, in a widely criticised initiative, introduced taxes on most informal businesses in an effort to generate more revenue for the GoZ¹¹³.

The decline of the formal economy raises fears about a return to the crisis situation of 2008 with hyperinflation. Zimbabwe is facing an acute shortage of foreign currency, and the introduction of a new currency has done little to stem fears. The large GoZ arrears in external debt reduce access to multilateral funding¹¹⁴. Transparency in the regulatory system is not very high and corruption is rampant.

In terms of regulations and standards to promote formalisation Zimbabwe offers tax incentives to SMEs, defined as companies with an annual turnover of less than 1,000,000 USD¹¹⁵. ZIA encourages local investment as well as foreign, and encourages companies to register with it in a process that currently takes 90 days.¹¹⁶ SMEs could be the key to addressing Zimbabwe's worsening trade deficit but they face many obstacles to inception and growth.

In 2016 a Joint Venture Act was gazetted, the objective of which was to guide the implementation of joint venture agreements between the GoZ and contractors. A Joint Venture Unit (JVU) has been established under the supervision of the Secretary for Finance in order to consider project proposals and assess their feasibility, and technical, operation and financial risks¹¹⁷. The JVU takes over some responsibilities from the ZIA. The JVU, along with the National Competitiveness Commission (not yet established, due to lack of funds) and Zim Asset as implemented by the President's Office are designed as the main architecture of the regulatory environment for joint ventures, or public-private partnerships in Zimbabwe.

Regulatory reform is a crucial part of the policy responses that need to be adopted by the Zimbabwean government to facilitate greater economic development. While a broader reform of government and public administration might be necessary, certain specific coordinated changes might vastly improve the existing state of affairs. In 2014 the Zimbabwe Reconstruction Fund (ZIMREF) was approved by the World Bank; it is a multi-donor trust fund to "contribute to strengthening Zimbabwe's systems for reconstruction and development with a focus on stabilization, reform, reconstruction, development and poverty alleviation"¹¹⁸. ZIMREF supports the implementation of Zim Asset in the areas of private sector productivity, governance, reduced vulnerability and policy work¹¹⁹.

Survey Findings

The EESE survey results corroborate the findings of the literature review with 50.3 percent of respondents believing that the regulatory environment in Zimbabwe was sometimes a hindrance to running a small business. Only 26.3 percent of respondents say the environment is somewhat

¹¹³ Zimbabwe Independent, 13 April 2017.

¹¹⁴ U.S. Department of State, 2016.

¹¹⁵ U.S. Department of State, 2016.

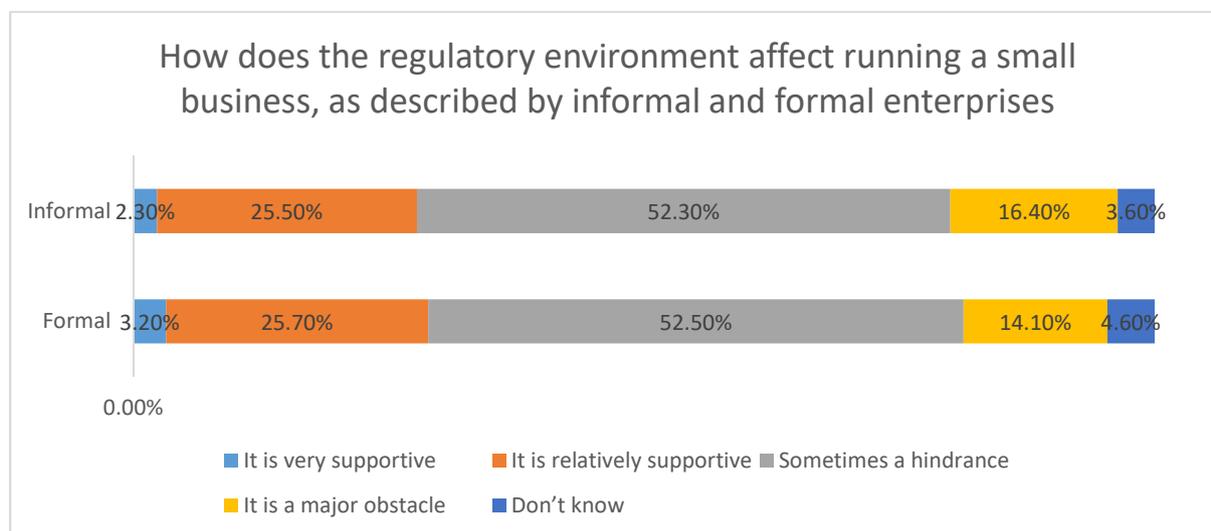
¹¹⁶ U.S. Department of State, 2016.

¹¹⁷ Zimbabwe Independent, 19 February 2016.

¹¹⁸ World Bank, 1 January 2016.

¹¹⁹ World Bank, 1 January 2016.

supportive, while 15.2 percent find it to be a major obstacle to running a small business. Respondents from the formal and informal sectors share similar perceptions. When asked about the effect of the regulatory environment on the running of large businesses 38.9 percent of respondents find it relatively supportive, while 35.2 percent think it to sometimes be a hindrance. 15.4 percent of respondents think the regulatory environment is a major obstacle to running a large business in Zimbabwe.



Source: Zimbabwe EESE Survey

When asked about how the business community understood labour laws 45.1 percent think they are partially understood. 39.2 percent think the business community generally understands labour laws, while 6.2 percent think the business community does not understand labour laws. 48.6 percent of respondents think that labour laws are partially respected, while 30.9 percent think they are generally respected by the business community. 11.9 percent of respondents think labour laws are generally not respected.

When it came to workers 47.3 percent of respondents think they partially understand labour laws. 31.0 percent of respondents think workers generally understand labour laws, while 12.9 percent think workers generally did not understand labour laws. 4.1 percent think workers widely understand labour laws. 34.6 percent of respondents think that most small business find it difficult to comply with labour laws and find them an impediment. 29.6 percent of respondents said small businesses are aware of labour laws but ignored them. When asked 19.1 percent of respondents think most small businesses are unaware of the provisions of labour laws, and 9.6 percent think that most small businesses have few problems complying with the laws as they aren't a major impediment.

When asked about the issues that affected businesses 58.8 percent of those in the informal sector and 51.7 percent in the formal sector identify the cost of inputs and services. 43.2 percent of those in the informal sector rank low market demand as the second most important issue, while those in formal enterprises find insecurity and crime to also affect them greatly. Inefficiency in the legal and commercial dispute settlement system is also singled out as an important issue facing businesses in Zimbabwe.

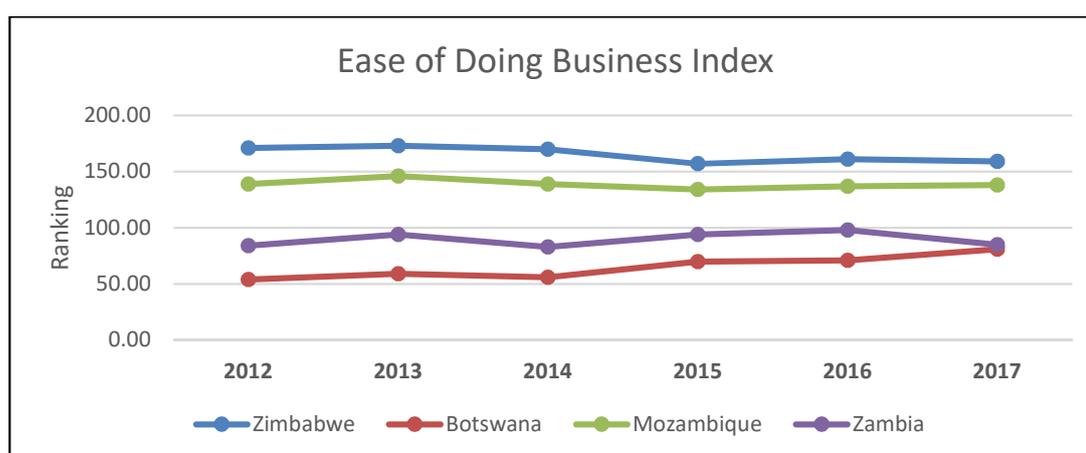
When asked about support for SMEs 63.6 percent of respondents say this is provided at the national level, 19.9 percent said they find this at the municipal level and 16.6 percent identify the provincial level. Most respondents find that simplified registration procedures are provided at the national level, followed by the municipal and provincial levels. SME financing is thought to be best, by respondents, at the national level followed by the provincial and lastly the municipal level, as well as access to tenders for small enterprises, social security benefits for small enterprises, worker or staff training programmes for small enterprises and tax benefits for small enterprises.

55 percent of respondents operating in the informal economy say they do not know how to move to the formal economy, lacking information on how and what to do to formalise. 49.5 percent of respondents from formal enterprises rank the difficulty of getting a business license as the primary barrier to formalisation. 43.7 percent of respondents in the informal sector also find the time required to formalise a significant barrier to formalizing a business, while those in the formal economy rank hiring the right personnel as the second major barrier to formalising.

Indicators

The “Regulatory Quality Index” measures the ability of a government to provide sound policies and regulations for the promotion of the private sector. Zimbabwe’s regulatory quality index has improved since 2011, going from -1.93 to -1.56 in 2017, on a scale from -2.5 to 2.5 with higher values indicating a better performance. Zimbabwe scores lower in this indicator than its three neighbouring countries selected for comparison. Botswana was at 0.46 in 2017, while Mozambique and Zambia were at -0.73 and -0.47, respectively in the same year.

Zimbabwe’s shortcomings in the legal framework for investment are reflected in the low Ease of Doing Business rankings. The “Ease of Doing Business Index” ranks economies from 1 to 190, where the first place reflects a regulatory environment conducive to business operations. This index comprises averages for 10 different topics. Zimbabwe’s ranking has improved in the last few years, going from 171 in 2012 to 159 in 2017. In 2017 Botswana was ranked 81, Mozambique was ranked 138 and Zambia was ranked 85.



Source: World Bank, Doing Business Project

The “Starting a Business Index” records the officially required procedures to start and operate an enterprise. Economies are ranked from 1 to 190, with first place indicating most favourable conditions for starting a business. Zimbabwe’s ranking declined over time, going from 144th place in 2012 to 180th place in 2017. Botswana went from 90 in 2012 to 153rd in 2017, and Mozambique’s rank reduced comparably from 70th in 2012 to 137th in 2017. Zambia slid least in that period, going from 69th in 2012 to 101st in 2017.

The number of days required to start a business in Zimbabwe decreased from 86 in 2012 to 61 days in 2017. In that sense, Zimbabwe performs much worse than its neighbours being used for comparison. In 2017 it took 48 days to start a business in Botswana, 19 days in Mozambique, and 8.5 days in Zambia.

Regulatory Quality Estimate		2011	2012	2013	2014	2015	2016	2017
The ability of the government to provide sound policies and regulations that enable and promote private sector development. Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.	Zimbabwe	-1.93	-1.89	-1.84	-1.90	-1.65	-1.72	-1.56
	Botswana	0.49	0.61	0.58	0.59	0.44	0.53	0.46
	Mozambique	-0.43	-0.45	-0.40	-0.41	-0.50	-0.70	-0.73
	Zambia	-0.44	-0.43	-0.47	-0.50	-0.44	-0.48	-0.47
		Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.						
<u>Source:</u> World Bank, Worldwide Governance Indicators ¹²⁰								

Other Useful Indicators

Starting a Business (rank)		2012	2013	2014	2015	2016	2017
Starting a Business Index records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.	Zimbabwe	144	143	150	179	182	180
	Botswana	90	99	56	135	143	153
	Mozambique	70	96	95	118	124	137
	Zambia	69	74	45	73	78	101
		The index ranks economies from 1 to 189, with first place being the best.					
<u>Source:</u> World Bank, Doing Business project ¹²¹ .							

¹²⁰ http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=worldwide-governance-indicators#c_s

¹²¹ <http://www.doingbusiness.org/EconomyRankings/>

3.4. Rule of Law and Secure Property Rights

Background

A formal and effective legal system, which guarantees that contracts are honoured and upheld, the rule of law is respected, and property rights are secure, is a key condition for attracting investment, as well as for nurturing trust and fairness in a society. The adherence to rule of law is crucial to creating an environment of confidence for businesses and investors, and despite recent reforms undertaken by the GoZ funded by the International Monetary Fund (IMF) and the World Bank legal and policy consistency remain low.

The legal system in Zimbabwe is a hybrid one including influences from Dutch civil law, English common law, and customary laws¹²². Customary law has no criminal jurisdiction in Zimbabwe, and is generally limited in scope to marriage, inheritance and guardianship¹²³. A new constitution was approved in 2013, under which Zimbabwe has an independent judicial system whose decisions are binding on the other branches of government¹²⁴. Many of the provisions of the new constitution remain unimplemented¹²⁵. There are no specialized courts to address commercial or industrial matters. In situations with political overtones the executive branch often threatens judicial independence, and there are accounts of continuous interference in the decisions of courts at all levels¹²⁶. Investment disputes can take long periods of time to resolve, and the decisions of courts, even international ones are not always respected. Court capacities are low, as are the resources allocated to them.

With FTLR, when the GoZ took ownership of commercial land it removed its value from the market, which caused complications for the commercial agricultural sector and industries linked to it¹²⁷. The banking sector was also affected; 80 percent of all loans granted in Zimbabwe before 2000 were backed by collateral in the form of land, but when the value of commercial land was removed from the market most banks were left with no collateral value against their loans¹²⁸. Banks began to lend unsecuritised loans, leading to bad debt, the failure to recover which led small banks to fail threatening the stability of the entire banking system¹²⁹.

Respecting property rights is thus crucial to maintaining the value of assets in the market, making it possible to mobilise their value when called to do so. Warnings that accompanied the FTLRP also accompany the existing indigenisation programme- the main fear seems to be that it is a vehicle to expedite the patronage system set up by Mugabe¹³⁰. Land tenure after FTLRP remains somewhat uncertain, as allocated land can be seized by the GoZ again, if the owner loses political favour. Land

¹²² ICNL, 14 April 2017.

¹²³ Globalex, February 2007.

¹²⁴ U.S. Department of State, 2016.

¹²⁵ BBC, 9 December 2014.

¹²⁶ U.S. Department of State, 2016.

¹²⁷ The Irish Times, 18 May 2015.

¹²⁸ The Irish Times, 18 May 2015.

¹²⁹ The Irish Times, 18 May 2015.

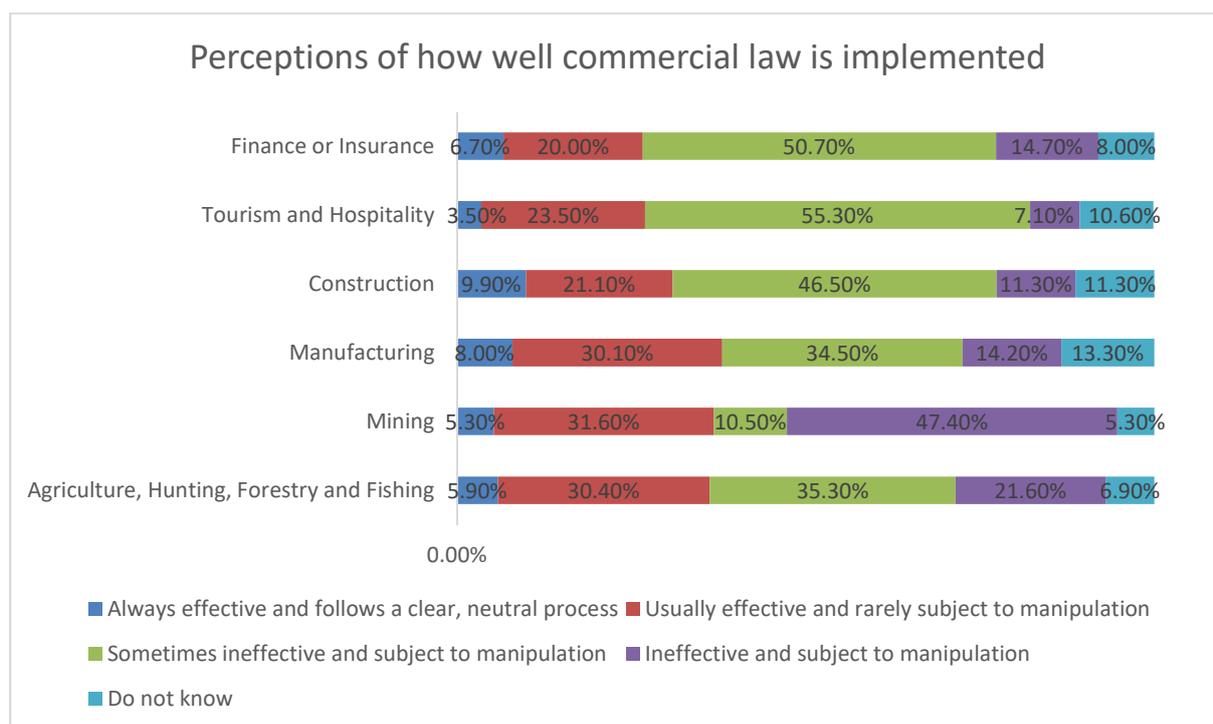
¹³⁰ The Irish Times, 18 May 2015.

administration is hampered by a lack of resources, and this poses challenges for the protection of land rights.

Zimbabwe is a member of the World Intellectual Property Organization (WIPO), and while the GoZ generally seems to honour intellectual property ownership rights, efforts are weakened by a lack of technical expertise in the area and resources. The protection of intellectual rights is guaranteed by the Constitution, and laws exist to protect patents, copyrights and trademarks. The administration of intellectual property in Zimbabwe is carried out by the Zimbabwe Intellectual Property Office, through which cases may be registered for hearing in a special IP tribunal.

Survey Findings

When asked about commercial law 41.2 percent of respondents say it was sometimes ineffective, and subject to manipulation. 26.2 percent of respondents say commercial laws for settling issues such as breaches of contract are usually effective and rarely subject to manipulation. 15.2 percent find commercial law ineffective, and 10.9 percent said they do not know. Respondents from the mining sector are much more likely than those from all the other sectors, to find commercial law ineffective.



Source: Zimbabwe EESE Survey

30.3 percent of respondents feel that the police have the capacity to protect businesses from criminal behaviour. 28.4 percent of respondents feel that the capacity of police to protect businesses is low, while 14.3 percent feel it was very low. In comparison 15.2 percent feel the police are highly capable of protecting businesses from criminal behaviour, while 10.1 percent of respondents think them very highly capable.

31.5 percent of respondents feel that physical property rights, for example those pertaining to land or buildings, are well defined but not well protected by law. 25.6 percent of respondents feel

property rights to be well defined and well protected under Zimbabwean law. 20.8 percent of respondents feel that property rights are poorly defined, and poorly protected. About intellectual property rights, 31.2 percent feel that they are well defined but not well protected. 28.3 percent of respondents feel that intellectual property rights are poorly defined and poorly protected, while 12.8 percent said they are clearly defined and well protected. 21.8 percent of the respondents say they do not know the answer, or will not say.

Indicators

Zimbabwe’s performance in the “Rule of Law Index” generally lags behind all its neighbours. Zimbabwe’s score has improved slightly over time going from -1.84 in 2009 to -1.35 in 2015 on a scale from -2.5 to 2.5 where higher values correspond to better governance. Mozambique and Zambia were also in negative figures with -0.87 and -0.25 in 2015. Botswana did best with 0.63 in 2015.

The “Property Rights” indicator estimates how well property rights are defined and protected by law on a scale of 1 to 7, where higher values indicate that property laws are clearly defined and well protected by law. In this regard Zimbabwe scored 2.6 in 2016, which is an improvement over the 2.4 they scored in 2014. Botswana did best at 5 in 2016, followed by Zambia at 4.5 and Mozambique at 3.6

The “Intellectual Property Protection” indicator assesses whether the protection of intellectual property in a country is weak and not enforced, or strong and enforced, on a scale from 1 to 7 with higher values corresponding to better performance. In 2016, Zimbabwe scored a value just above average at 3.6, registering improvement from the 2011 value of 3.1. Both Botswana and Zambia scored higher with 4.3 and 4.2 respectively, in 2016. Mozambique was lowest of the comparison countries at 3.2 in 2016.

Key Indicators

Rule of Law Index		2009	2010	2011	2012	2013	2014	2015
The extent to which agents have confidence in and abide by the rules of society, including the quality of contract enforcement and property rights, the police, and the courts, as well as the likelihood of crime and violence.	Zimbabwe	-1.84	-1.81	-1.78	-1.64	-1.59	-1.43	-1.35
	Botswana	0.65	0.67	0.66	0.66	0.59	0.63	0.63
	Mozambique	-0.59	-0.47	-0.57	-0.59	-0.84	-0.83	-0.87
	Zambia	-0.49	-0.50	-0.47	-0.39	-0.29	-0.26	-0.25
		Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.						
Source: World Bank Databank, Worldwide Governance Indicators ¹³¹								

¹³¹ <http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=worldwide-governance-indicators>

Property Rights		GC Report 2013/14	GC Report 2014/15	GC Report 2015/16	GC Report 2016/17
The World Economic Forum (WEF) Survey asked the business leaders to provide their expert opinions on the following: "Property rights in your country, including over financial assets, are 1= poorly defined and not protected by law, 7=clearly defined and well protected by law".	Zimbabwe	2.6	2.4	2.4	2.6
	Botswana	4.9	4.9	4.9	5
	Mozambique	3.5	3.4	3.5	3.6
	Zambia	4.7	4.6	4.5	4.5
1= poorly defined and not protected by law, 7=clearly defined and well protected by law.					
Source: World Economic Forum, The Global Competitiveness Report ¹³² .					

Intellectual Property Protection		GC Report 2013/14	GC Report 2014/15	GC Report 2015/16	GC Report 2016/17
The World Economic Forum (WEF) Survey asked the business leaders to provide their expert opinions on the following: "Intellectual property protection and anti-counterfeiting measures in your country are 1= weak and not enforced, 7=strong and enforced".	Zimbabwe	3	2.9	3.4	3.6
	Botswana	4.1	4.2	4.3	4.3
	Mozambique	2.7	2.7	3	3.2
	Zambia	3.9	4	4.3	4.2
1= weak and not enforced, 7=strong and enforced.					
Source: World Economic Forum, The Global Competitiveness Report ¹³³ .					

3.5. Fair Competition

Background

In order for the private sector and sustainable enterprises to develop and grow, it is important to have regulation to ensure competition, including rules for ensuring continued respect for labour and social standards. In addition, anti-competitive practices at the national level must be eliminated. Enhanced support for SMEs is a core element of Zim Asset but the reduction in business activity across the economy makes it difficult for new business density to improve, and recent data on this is scarce.

In 2001, following the merger of the Industry and Trade Competition Commission and the Tariff Commission, the Competition and Tariffs Commission (CTC) was formed under the supervision

¹³² <http://www.weforum.org/issues/global-competitiveness>

¹³³ <http://www.weforum.org/issues/global-competitiveness>

of the Ministry of Industry and Commerce. The CTC is mandated with implementing competition policy and law in Zimbabwe. It undertakes investigations into tariffs based on information forwarded to the body, with the final aim of protecting consumers from unfair business practices¹³⁴. Newspapers in 2017 reported that at least four large companies in the retail and manufacturing sectors were under investigation for unfair trade practices and anti-competitive mergers¹³⁵.

In 2016 a final draft of a new Competition Law was prepared, meant to regulate that all companies in Zimbabwe have a level playing field¹³⁶. The regulation is meant to make it possible for new entrants into the market, and is to be executed by the CTC, which received institutional support from United Nations Conference on Trade and Development (UNCTAD)¹³⁷. The CTC's work on competition advocacy, particularly in the telecommunications sector, was recognized by the World Bank in 2016¹³⁸. The CTC's work on addressing regulatory barriers in the telecommunications sector is expected to bring a significant reduction in tariffs, leading to lower money transfer transaction costs, making mobile payment systems more accessible in rural and remote areas; the reduction in tariffs is also expected to lead to price cuts across different sectors of the economy leading to an improvement in consumer spending¹³⁹.

The public enterprise sector is a major driver of employment costs in Zimbabwe¹⁴⁰. Zimbabwe had, in 2016, 76 state-owned enterprises (SOEs) or parastatals, which are companies owned completely by the state¹⁴¹. These receive benefits from the government, and operate under a set of pressures different from those that private companies encounter. SOEs in sectors such as energy, mining, and agribusiness tend to face limited competition. The GoZ does invite private investors to participate in infrastructure projects through joint ventures.

Zimbabwe does not seem to subscribe to the Organization for Economic Cooperation and Development (OECD) guidelines on corporate governance of SOEs. SOEs face many of the same challenges that other enterprises do in Zimbabwe: power shortages, mismanagement, limited access to credit, inadequate investment, lack of maintenance and indebtedness. In addition, they are often staffed by persons chosen for their political capital rather than management or technical skills, and face a higher degree of GoZ interference, making it difficult to perform well¹⁴². Few SOEs make their financial data publicly available, and financial audits are infrequent, making accountability very difficult.

¹³⁴ The Mirror, 6 March 2017.

¹³⁵ The Mirror, 6 March 2017.

¹³⁶ NewsDay, 30 September 2016.

¹³⁷ NewsDay, 30 September 2016.

¹³⁸ Chronicle, 27 May 2016.

¹³⁹ Chronicle, 27 May 2016.

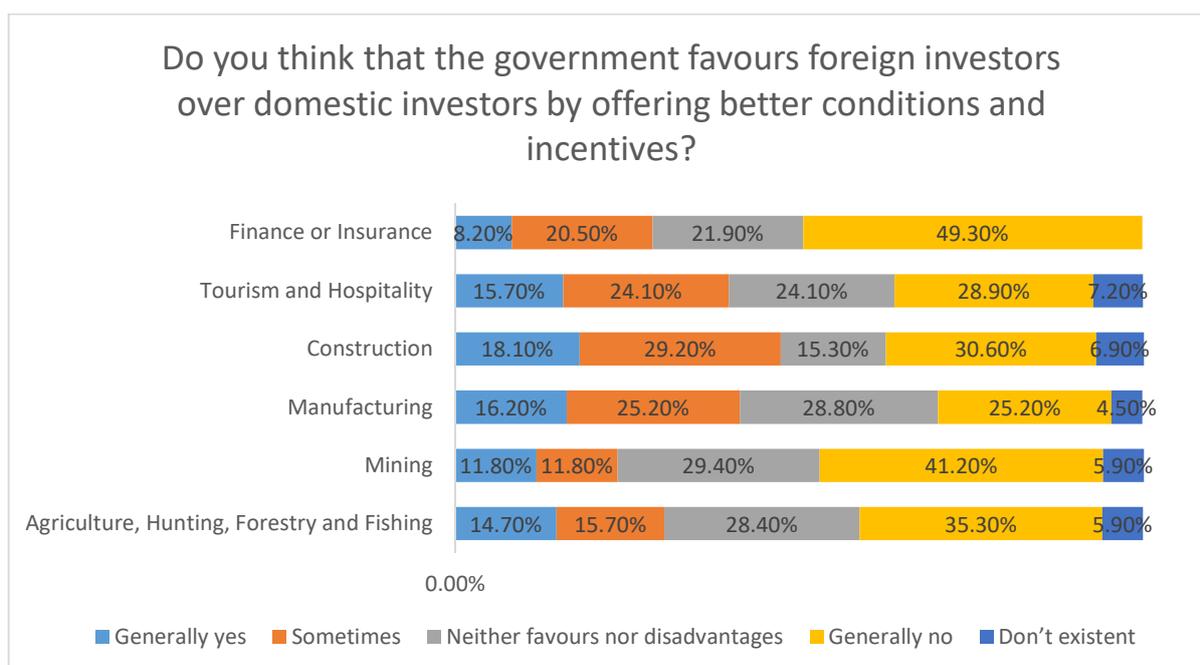
¹⁴⁰ UN, 2014.

¹⁴¹ U.S. Department of State, 2016.

¹⁴² U.S. Department of State, 2016.

Until 2009 most SOEs operated without boards of directors; since 2009 each SOE has an independent board of directors, though ministers often appoint these based on political expediency not competence¹⁴³. At the moment no corporate governance code officially guides the operation of SOEs and some of the challenges to their success and growth include ethical conduct, financial disclosure, conflicts of interest and unorthodox remuneration practices¹⁴⁴.

Survey Findings



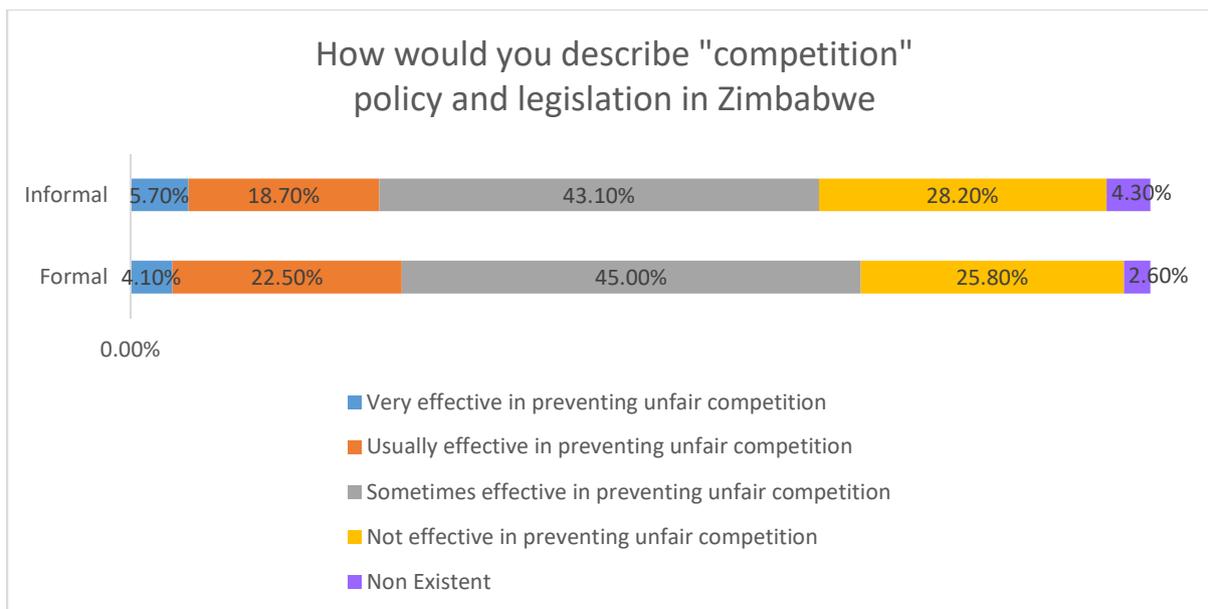
Source: Zimbabwe EESE Survey

When asked about whether the government favoured foreign investors 25.2 percent say it neither favours nor disadvantages them. 21.5 percent think the government generally does not favour foreign investors though the same percentage of respondents also think that the government sometimes does favour foreign investors by offering incentives. 13.7 percent of respondents say the government generally favours foreign investors. 41.2 percent of respondents from the mining industry believe the government does not generally favour foreign investors.

When asked about competition from informal businesses 39.2 percent of respondents from the informal economy say they are very much affected by competition, while 32.1 percent say they are sometimes affected by competition. In the formal economy 36.1 percent of respondents say they are sometimes affected by competition from informal businesses, while 32.4 percent say enterprises in the formal economy are very much affected by the informal economy.

¹⁴³ U.S. Department of State, 2016.

¹⁴⁴ U.S. Department of State, 2016.



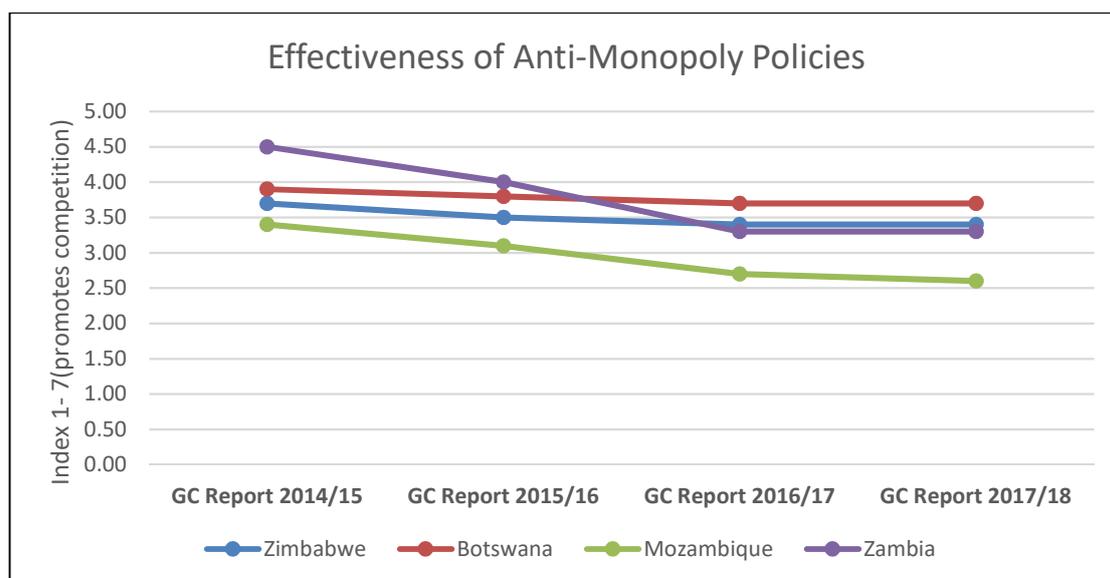
Source: Zimbabwe EESE Survey

44.3 percent of respondents describe competition policy and legislation in Zimbabwe as sometimes effective in preventing unfair competition. 25.8 percent of respondents describe policies as not being effective in preventing unfair competition, while 21.5 percent find it to be usually effective at preventing unfair competition. Respondents from the formal and informal sector have relatively similar perceptions.

Indicators

The “Intensity of Local Competition” indicator measures the level of competition in local markets from 1 to 7, 1 being limited and 7 referring to intense competition in most industries. Zimbabwe’s “intensity of local competition index” was estimated at 4.7 in 2017, having gone down slightly, from 4.9 in 2014. Mozambique was lowest in 2017, with 4.5, while Zambia and Botswana scored 4.9 and 5 respectively.

The “Effectiveness of Anti-Monopoly Policy” indicator reflects the level of efficiency of anti-monopoly policy in promoting competition, on a scale from 1 to 7, with higher values corresponding to better performance. Zimbabwe’s score has deteriorated from 3.7 in 2014 to 3.4 in 2017. In the same period of time the other three countries also registered a drop in values, with Botswana at 3.7 in 2017, Mozambique at 2.6 and Zambia at 3.3 in the same year.



Source: World Economic Forum Executive Opinion Survey, The Global Competitiveness Report

The “Extent of Market Dominance Index” indicates whether corporate activity is dominated by only a few business groups or is spread among many firms, in a range of values from 1 to 7 with higher values corresponding to more firms. In 2017, Zimbabwe scored 3.1, outperforming only Mozambique, at 2.8, out of the three comparison countries. Zambia scored 3.6 and Botswana scored 3.2 the same year.

Key Indicators

Intensity of Local Competition		GC Report 2014/15	GC Report 2015/16	GC Report 2016/17	GC Report 2017/18
Intensity of local competition indicator is based on survey data drawn from the following question: “Competition in the local markets is (1=limited in most industries and price-cutting is rare, 7=intense in most industries as market leadership)”. Source: World Economic Forum Executive Opinion Survey, The Global Competitiveness Report ¹⁴⁵ .	Zimbabwe	4.9	4.8	4.8	4.7
	Botswana	4.7	5	5.3	5
	Mozambique	4.7	4.6	4.5	4.5
	Zambia	5.6	5.5	5.2	4.9
1=limited in most industries and price-cutting is rare, 7=intense in most industries as market leadership.					

¹⁴⁵ <http://www.weforum.org/issues/global-competitiveness>

Effectiveness of Anti-Monopoly Policies		GC Report 2014/15	GC Report 2015/16	GC Report 2016/17	GC Report 2017/18
Effectiveness of anti-monopoly policy indicator is based on annual survey data. The respondents were asked to rate the effectiveness of anti-monopoly policy in their country: "Antimonopoly policy in your country is (1=lax and not effective at promoting competition, 7=effective and promotes competition)".	Zimbabwe	3.7	3.5	3.4	3.4
	Botswana	3.9	3.8	3.7	3.7
	Mozambique	3.4	3.1	2.7	2.6
	Zambia	4.5	4.0	3.3	3.3
		1=lax and not effective at promoting competition, 7=effective and promotes competition.			
Source: World Economic Forum Executive Opinion Survey, The Global Competitiveness Report ¹⁴⁶ .					

Extent of Market Dominance		GC Report 2014/15	GC Report 2015/16	GC Report 2016/17	GC Report 2017/18
Extent of market dominance indicator is based on annual survey data. The respondents were asked to rate the corporate activity in their country: "Corporate activity in your country is (1=dominated by a few business groups, 7=spread among many firms)".	Zimbabwe	3.3	3.1	3.2	3.1
	Botswana	3.1	3.2	3.2	3.2
	Mozambique	3.3	3.3	3	2.8
	Zambia	4.2	4.0	3.6	3.6
		1=dominated by a few business groups, 7=spread among many firms.			
Source: World Economic Forum Executive Opinion Survey, The Global Competitiveness Report ¹⁴⁷ .					

3.6. Information and Communication Technologies

Background

In the era of the knowledge economy, the use of information and communication technologies (ICTs), technologies which provide access to information through telecommunications, is fundamental to achieving development goals, particularly the growth of sustainable enterprises. They promote citizen participation, and Zimbabwe is among several countries in the Southern African region that have included ICTs in their national development plan. Individuals benefit from the availability and use of ICTs in many ways, as they are able to substitute phone calls for travel, able to access information on important things like prices, and so on. To fully harness the potential of ICTs an

¹⁴⁶ <http://www.weforum.org/issues/global-competitiveness>

¹⁴⁷ <http://www.weforum.org/issues/global-competitiveness>

adequate technical infrastructure is required, as well as human skills to use the existing networks and services.

Internet usage has increased substantially in Zimbabwe in the last five years, as has the use of voice mobile services. With the increased use of technology there is the opportunity to support key sectors like agriculture, tourism and mining in innovative ways. Programmes for ICT enabled learning environments for the education sector, community information centres and e-farming applications have been established¹⁴⁸. ICTs are also being seen as essential to innovative approaches to managing urban environments. There is a gender gap in the access and usage of ICTs which needs attention.

In 2012 a National ICT Policy Framework was put forth which identified the pressing need to improve communications infrastructure, ICT facilities, ICT skills, funds for ICT development, data management systems and other institutional arrangements¹⁴⁹. Drafting was finally concluded in 2015 and it was approved in 2016 to become the official framework for the GoZ's plans relating to ICTs. Zimbabwe set money aside, in the 2016 national budget, for investment in ICTs, largely from loan financing and public resources targeted at the expansion and upgrading of projects¹⁵⁰. Funds were also allocated to an e-government programme targeting the National Data Centre, communication information centres, and the creation of computer laboratories in schools¹⁵¹. There is, however, a shortage of financing for development in this area, and problems with the supply of electricity, which affect the utilization of ICTs as a tool for development.

The wide spread of mobile technology, and the relatively low cost of using it makes messaging services a vehicle for development and information services. Weather reports with implications for agricultural production, health care reminders and financial transactions may all be conveyed using mobile technology. Mobile money services allow for financial transactions between persons all over the country. It enables those who do not have access to bank branches and those who do not have bank accounts.

ICT capacity is coordinated by the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) and recent legislation has liberalized the telecommunications sector. One fixed public operator, TelOne, exists which offers local, regional and international voice telephone services. Over 50 percent of connections are in Harare. Net One is the public mobile services provider, and private ones like Africom and Econet have also entered the market in recent years. Telecel offers a mobile money service called Telecash which seems a rather obvious solution to the cash crisis currently facing Zimbabwe, however both promotion and uptake seem rather muted¹⁵². Telecash also works as a channel for remittances from South Africa, where many Zimbabweans have migrated to in search of work¹⁵³. Econet's EcoCash handles the majority of mobile money transactions at present, but the promotion of mobile banking services might remain reduced because Econet is a private sector

¹⁴⁸ UN, 2014.

¹⁴⁹ UN, 2014.

¹⁵⁰ NewsDay, 9 December 2015.

¹⁵¹ NewsDay, 9 December 2015.

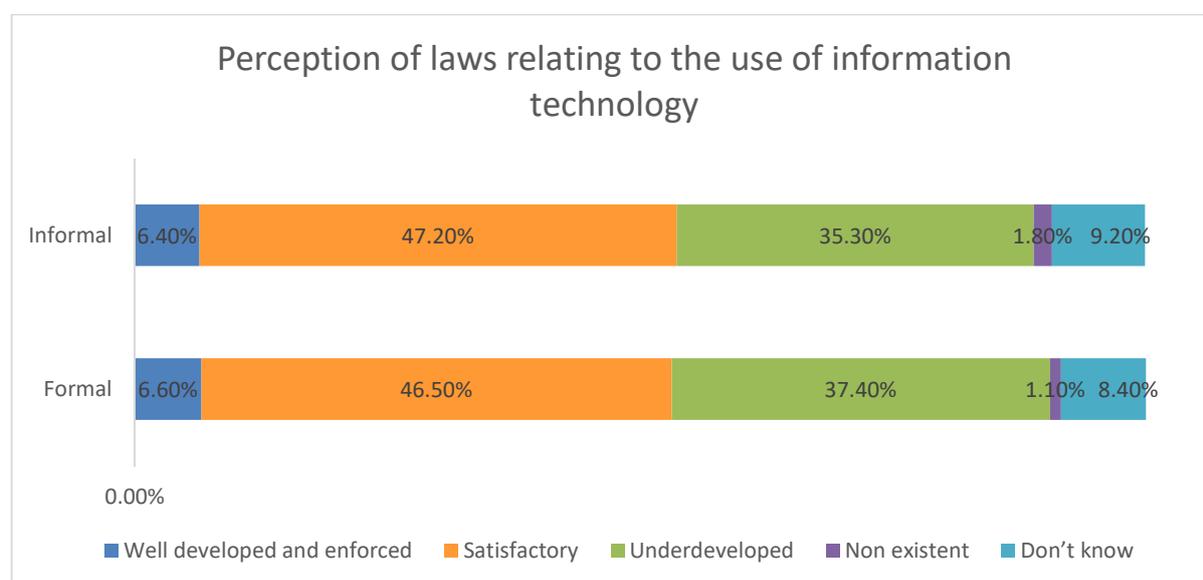
¹⁵² TechZim, 9 June 2016.

¹⁵³ TechZim, 9 June 2016.

operator, and not a public sector solution¹⁵⁴. Mobile money may invite more confidence than banks in Zimbabwe, as banking penetration has declined in recent years¹⁵⁵.

Zimbabwe suffers from poor infrastructure for communications, power and transport, which challenge the use of ICTs. Broadband communications are still not available in many parts of the country. The growing network of fibre optic cables should increase international telecommunications, internet capacity, and reduce the cost of usage all round. Zimbabwe is dependent on imported hardware, and there is a small local software industry, though the scale is rather limited. Zimbabweans, in rural areas particularly, do not have the skills to operate computers and other ICT equipment, though mobile phone usage has caught on fast, with 84.79 percent having a mobile phone subscription in 2015, according to the World Bank.

Survey Findings



Source: Zimbabwe EESE Survey

When asked about the laws relating to the use of ICTs 46.2 percent of respondents from the EESE Survey find them satisfactory, and 36.3 percent find them to be underdeveloped. The perceptions are similar across formal and informal enterprises. 52.4 percent of respondents say it is difficult for small enterprises to afford ICTs for their business activities. 33.6 percent of respondents surveyed say that ICTs are easily accessible for business activities of small enterprises.

Indicators

The “ICT Development Index” (IDI) is a composite index combining 11 indicators into a single measure that can be used as a benchmarking tool globally, regionally and at the country level. It absorbs several indicators, such as households with a computer, number of Internet users, literacy levels, etc. On a scale from 1 to 10 with higher values indicating better performance, Zimbabwe’s IDI

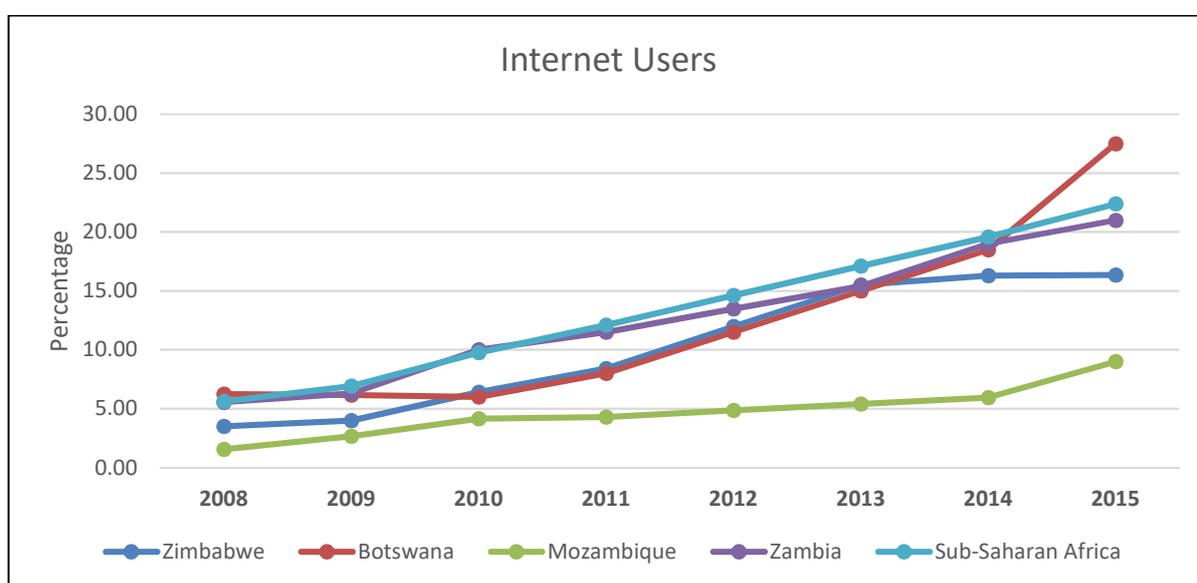
¹⁵⁴ TechZim, 5 April 2016.

¹⁵⁵ Zimbabwe Independent, 10 January 2017.

increased between 2010 and 2016, growing from 1.81 to 2.78. This is lower than that of Botswana, but better than Zambia and Mozambique. Botswana has the highest IDI at 4.17.

The “Network Readiness Index” measures the extent to which a country leverages ICTs for enhanced competitiveness. On a scale from 1 to 7 with higher values corresponding to better performance, Zimbabwe’s score improved slightly from 2.94 in 2011 to 3 in 2016. Mozambique performs the same as Zimbabwe in 2015, but Botswana and Zambia both perform better than Zimbabwe.

The number of “Internet Users” per 100 people in Zimbabwe grew from 3.5 in 2008 to 16.36 in 2015. This is lower than Botswana, which went from 6.25 in 2008 to 27.5 percent in 2015. Mozambique was lowest at 9 percent in 2015, while Zambia had 21 percent of the population being internet users in the same year.



Source: World Bank Databank, World Development Indicators

The number of “Telephone Lines” in Zimbabwe is low, at 2.22 per 100 people in 2015. Only Botswana registered a higher rate with 7.8 percent in 2015. Mozambique was at 0.33 percent and Zambia at 0.75 percent in 2015.

The number of “Mobile Telephone Subscriptions” in Zimbabwe in 2015 was 84.79 percent of the population, which is the second highest after Botswana. Mozambique and Zambia were very similar to each other in 2015 at 74.24 and 74.47, as the rate of mobile cellular subscriptions per 100 people. Botswana generally displays a better performance on ICT indicators among the four countries, and registered the highest number of mobile telephone subscribers at 169 percent in 2015.

Affordable broadband technology is also very important and should be facilitated. The number of “Fixed Broadband Internet Subscribers” per 100 people in Zimbabwe has shown growth, going from 0.37 in 2009 to 1.09 in 2015. Mozambique was lowest at 0.08 in 2015, having improved slightly from 0.05 in 2009. Zambia was at 0.15 in 2015 and Botswana at 1.79 percent of the population.

Key Indicators

ICT Development Index (IDI)		2010	2011	2012	2013	2015	2016
<p>The ICT Development Index (IDI) is a composite index combining 11 indicators into one benchmark measure that serves to monitor and compare developments in information and communication technology (ICT) across countries. The Index combines 11 indicators into a single measure that can be used as a benchmarking tool globally, regionally and at the country level. These are related to ICT access, use and skills, such as households with a computer the number of Internet users and literacy levels.</p>	Zimbabwe	1.81	2.24	2.68	2.89	2.73	2.78
	Botswana	2.59	2.67	3.92	4.01	3.79	4.17
	Mozambique	1.3	1.28	1.40	1.52	1.6	1.75
	Zambia	1.5	1.65	1.97	2.02	2.05	2.22
		Scale from 1 to 10, with lower scores reflecting lower development levels.					
		<p>Source: Measuring the Information Society Reports, International Telecommunication Union¹⁵⁶.</p>					

Networked Readiness Index		GITR 2012	GITR 2013	GITR 2014	GITR 2015	GITR 2016
		2011- 2012	2012- 2013	2013- 2014	2014- 2015	2015- 2016
<p>The NRI measures the degree to which developed and developing countries across the world leverage information and communication technologies (ICT) for enhanced competitiveness. The Index comprises three sub-indexes that measure the environment for ICT, together with the main stakeholders' readiness and usage, with a total of nine pillars and 71 variables.</p>	Zimbabwe	2.94	3.17	3.24	3.1	3
	Botswana	3.6	3.5	3.4	3.4	3.5
	Mozambique	3.0	2.8	2.8	2.9	3
	Zambia	3.3	3.2	3.3	3.2	3.2
		<p>Source: World Economic Forum, The Global Information Technology Report¹⁵⁷.</p>				

¹⁵⁶ <http://www.itu.int/pub/D-IND>,

http://www.itu.int/en/ITU/Statistics/Documents/publications/mis2014/MIS2014_without_Annex_4.pdf

¹⁵⁷ <http://www.weforum.org/issues/global-information-technology>

Other Useful Indicators

Internet Users (per 100 people)	2008	2009	2010	2011	2012	2013	2014	2015	
Internet users are individuals who have used the Internet (from any location in the last 12 months. Internet can be used via a computer, mobile phone, personal digital assistant, games machine, digital TV etc.	Zimbabwe	3.50	4.00	6.40	8.40	12.00	15.50	16.30	16.36
	Botswana	6.25	6.15	6.00	8.00	11.50	15.00	18.50	27.50
	Mozambique	1.56	2.68	4.17	4.30	4.85	5.40	5.94	9.00
	Zambia	5.55	6.31	10.00	11.50	13.47	15.40	19.00	21.00
Number of users per 100 people.									
Source: World Bank Databank, World Development Indicators. ¹⁵⁸									

Telephone lines (per 100 people)	2008	2009	2010	2011	2012	2013	2014	2015	
Telephone lines are fixed telephone lines that connect a subscriber's terminal equipment to the public switched telephone network and that have a port on a telephone exchange. Integrated services digital network channels and fixed wireless subscribers are included.	Zimbabwe	2.72	2.99	2.90	2.66	2.20	2.15	2.26	2.22
	Botswana	7.36	7.04	6.98	7.53	8.01	8.62	8.30	7.80
	Mozambique	0.34	0.35	0.37	0.36	0.35	0.30	0.33	0.33
	Zambia	0.73	0.70	0.90	0.63	0.59	0.80	0.76	0.75
Number of subscribers per 100 people									
Source: World Bank Databank, World Development Indicators. ¹⁵⁹									

Mobile Cellular Subscriptions (per 100 people)	2009	2010	2011	2012	2013	2014	2015	
Mobile cellular telephone subscriptions are subscriptions to a public mobile telephone service using cellular technology, which provide access to the public switched telephone network. Post-paid and prepaid subscriptions are included.	Zimbabwe	30.96	58.88	68.87	91.91	96.35	80.82	84.79
	Botswana	96.02	120.01	145.98	153.79	160.64	167.30	169.00
	Mozambique	25.56	30.14	31.96	34.94	48.00	69.82	74.24
	Zambia	34.36	41.21	59.88	74.78	71.50	67.34	74.47
Number of subscribers per 100 people								
Source: World Bank Databank, World Development Indicators. ¹⁶⁰								

¹⁵⁸ <http://databank.worldbank.org/data/views/reports/tableview.aspx>

¹⁵⁹ <http://databank.worldbank.org/data/views/reports/tableview.aspx>

¹⁶⁰ <http://databank.worldbank.org/data/views/reports/tableview.aspx>

Fixed broadband Internet subscribers (per 100 people)		2009	2010	2011	2012	2013	2014	2015
Fixed broadband Internet subscribers are the number of broadband subscribers with a digital subscriber line, cable modem, or other high-speed technology.	Zimbabwe	0.37	0.25	0.25	0.52	0.73	1.04	1.09
	Botswana	0.51	0.61	0.96	1.11	1.07	1.63	1.79
	Mozambique	0.05	0.06	0.09	0.08	0.07	0.08	0.08
	Zambia	0.08	0.08	0.12	0.11	0.10	0.14	0.15
Source: World Bank Databank, World Development Indicators. ¹⁶¹		Number of subscribers per 100 people						

3.7. Access to Financial Services

Background

The creation and expansion of sustainable enterprises requires access to financial resources. Access to financial resources in Zimbabwe has been impacted by the large public and external debt burden borne by the country, a situation that has been made worse because of the lack of a diversified export base and declining terms of trade. Government revenues are low, and recurrent expenditures continue to be high which constrains the fiscal space¹⁶². Liquidity in the banking sector continues to be an issue. Financing for all kinds of development projects, and lending to the private sector has been adversely impacted in an extreme way, by economic crises¹⁶³.

The central bank, the Reserve Bank of Zimbabwe (RBZ) is, tasked with creating and enacting monetary policies and the sole producer of bank notes in the country, regulating the amount of local tender in circulation. In 2016 the RBZ launched the National Financial Inclusion Framework with the priority areas of microfinance, financial consumer education, financial literacy and financial innovation, in order to improve financial inclusion in the country, particularly for the most vulnerable¹⁶⁴.

In 2015 the banking sector comprised of 13 commercial banks, one merchant bank, three building societies and one savings bank¹⁶⁵. Banking coverage has declined in recent years in Zimbabwe, and the banking environment is relatively low on trust following hyperinflation in the last decade. As telecom firms offer more financial products and services, covering insurance, savings and loans, they will enter into the territory of financial products traditionally the preserve of banks¹⁶⁶.

The trauma of hyperinflation has severely affected trust in financial institutions in Zimbabwe. Despite the adoption of the USD in order to stabilize the economy bank account user numbers have

¹⁶¹ <http://databank.worldbank.org/data/views/reports/tableview.aspx>

¹⁶² AfDB, 2016.

¹⁶³ AfDB, 2016.

¹⁶⁴ ZAMFI, 2016.

¹⁶⁵ U.S. Department of State, 2016.

¹⁶⁶ Zimbabwe Independent, 10 January 2017.

dropped; nine banks in Zimbabwe collapsed between 2012 and 2015 unable to recover from the introduction of the US dollar¹⁶⁷. Service fees for the maintenance of bank accounts are high, and the coverage of urban areas is much better than in rural areas. Following the closure of banks, the RBZ increased minimum capital requirements for banks, which has led to increased barriers to opening accounts. Small business owners must open bank accounts to register a business, and difficulties with banking are linked to the high degree of informalisation in the economy.

Just 4 percent of the population in Zimbabwe borrowed from a financial institution in 2014, though 55.4 percent took loans from family or friends¹⁶⁸. Loans from microfinance institutions can have extremely high interest rates, similar to those offered by loan sharks, which makes even entrepreneurs risk averse. After the FTLRP land titles in rural areas were removed, using land as collateral has become increasingly difficult, leaving farmers unable to access credit that is much needed to make investments towards improving agricultural productivity.

The Zimbabwe Association of Microfinance Institutions (ZAMFI) is the umbrella institution for microfinance providers, and savings and credit cooperatives in Zimbabwe, operating on the basis of voluntary membership. Like banks microfinance institutions have suffered from the contraction of the formal economy in Zimbabwe. Over 30 micro-finance institutions (MFIs) ceased operations in 2015, facing liquidity constraints and a lack of financial support from donors¹⁶⁹. Of 166 micro-finance institutions, and savings and credit cooperatives remaining in Zimbabwe in 2015 80 percent primarily served Harare and Bulawayo¹⁷⁰. At the end of 2016 there were an estimated 171 MFIs operating in the country, though 70 percent of loans were disbursed by 5 large credit-only MFIs¹⁷¹. In 2017, a reduction in interest rates was announced, which is expected to lead to increased demand for credit by individuals and SMEs¹⁷².

The RBZ is formulating measures to enhance credit risk management, and mitigate against the rise of non-performing loans, having noticed that the majority of lending by MFIs was consumption lending, and that there needed to be more productive lending¹⁷³. In the Monetary Policy Statement of early 2016 the RBZ directed MFIs to reduce their effective rates of interest to a maximum of 10 percent per month.

Most Zimbabweans did not hold bank accounts at the time of hyperinflation, but the impact of savings being eroded and financial institutions collapsing was felt disproportionately by the most vulnerable. The economic collapse of the formal sector forced people into the informal economy, where liquidity is a high priority, as individuals manage several irregular streams of income. The access to formal sources of credit is extremely low. As the informal economy expands and earnings are transferred to mobile money savings mechanisms, the GoZ finds ways to impose taxes on the informal economy¹⁷⁴, the one section of the economy that shows resilience and significant growth potential,

¹⁶⁷ Bill and Melinda Gates Foundation, 2016.

¹⁶⁸ Bill and Melinda Gates Foundation, 2016.

¹⁶⁹ The Herald, 16 December 2015.

¹⁷⁰ The Herald, 16 December 2015.s

¹⁷¹ ZAMFI, December 2016.

¹⁷² Chronicle, 16 February 2017.

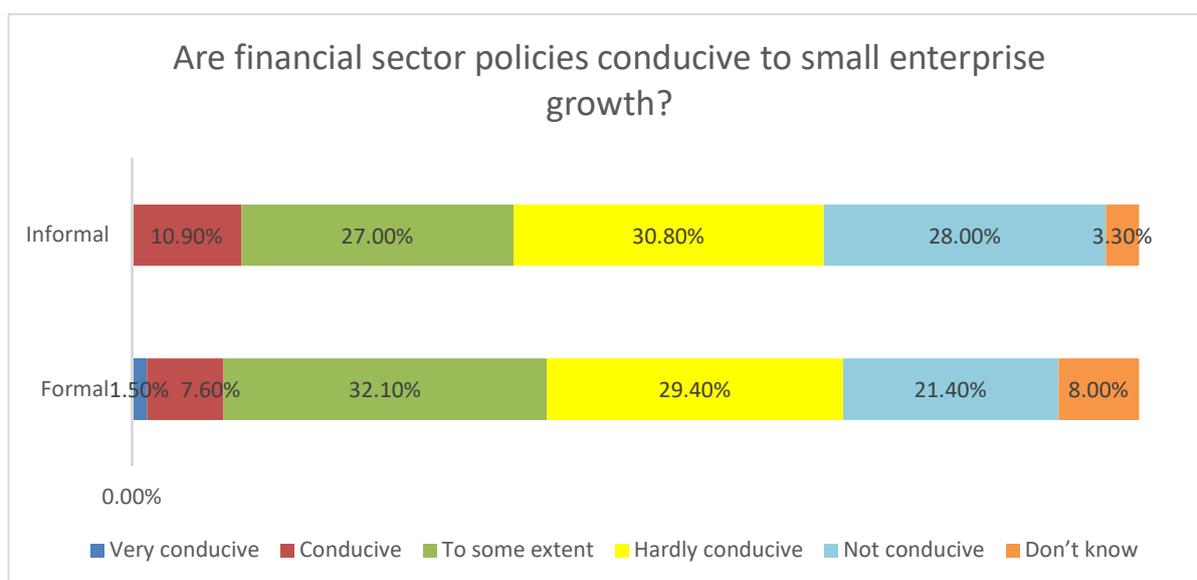
¹⁷³ Zimbabwe Independent, 8 July 2016.

¹⁷⁴ All Africa, 27 April 2017.

and in doing so the financial ecosystem within which informal enterprises operate is becoming more formalised¹⁷⁵. These efforts to raise revenue from the informal economy include taxes directed at hairdressers, tobacco farmers, driving school owners, and commuter omnibuses, to name a few¹⁷⁶.

SMEs are an important part of developing economies as they help to address employment and income distribution challenges. They are a key source of dynamism and innovation but face difficulties due to high transaction costs, and the lack of instruments with which to manage risk. Access to microfinance has been identified as a determinant of the sustainability and growth of SMEs. The informality of most SMEs contributes to their difficulty in accessing finance, their assets remain undocumented and cannot be used as collateral in formal financial institutions.

Survey Findings



Source: Zimbabwe EESE Survey

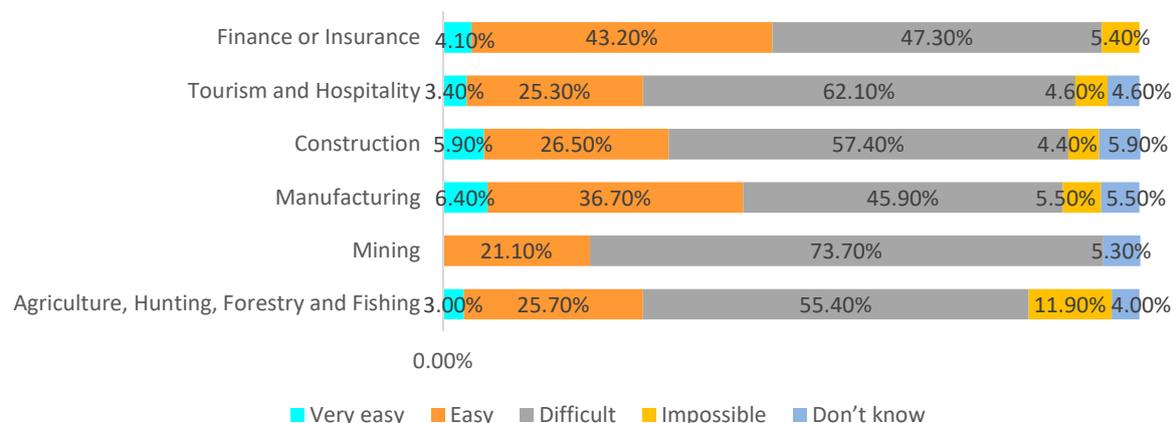
When asked about whether financial sector policies are conducive to the growth of small enterprises 30.3 percent say that this is true to some extent, while 29.4 percent say that these policies are hardly conducive to growth. 24 percent say the policies of the financial sector are definitely not conducive to growth. Generally, respondents from the informal sector do not believe that financial sector policies are conducive to enterprise growth.

52.3 percent of EESE survey participants think it was difficult to find a business loan for a small business in the formal economy. 31.7 percent find it easy to get a business loan while 6.6 percent of respondents think it impossible to get a business loan. This perception of the difficulty in accessing a business loan in the formal economy is common across industrial sectors.

¹⁷⁵ Bill and Melinda Gates Foundation, 2016.

¹⁷⁶ All Africa, 27 April 2017.

How easy do you think it is for a formal small business to obtain a business loan?



Source: Zimbabwe EESE Survey

56.8 percent of respondents say it is difficult to get equity capital for a formal business, and 23 percent think it easy to get equity capital for a small business. When asked about lease financing for a formal small business 56.4 percent think it is difficult to procure. 20.8 percent think lease financing is easy to get, while 9.3 percent think it is impossible to get. When asked about business insurance for a small business in the formal economy 44.7 percent of respondents say this is difficult to get. 35.3 percent of respondents find it easy to get business insurance, and 5.6 percent say it is impossible, to get business insurance for a small business in the formal sector.

56.8 percent of respondents say it was difficult to get a loan guarantee for a formal small business. While 23.2 percent of respondents say it is easy to get a loan guarantee 9.3 percent of respondents say it is impossible. When asked about the ease of getting a business loan for the informal sector 61.2 percent of respondents say this is difficult. 21.4 percent of respondents say it is impossible to get a business loan for an enterprise in the informal sector, while 12.1 percent say it is easy, and 1.1 percent say this is very easy.

A large proportion of respondents, 61 percent, say that it is difficult to get equity capital for an informal business. 29 percent say this is impossible to procure. When asked about lease financing for a business in the informal economy 61.8 percent of respondents say this is also difficult, with 25.8 percent saying this is impossible to get. Business insurance is also generally perceived as inaccessible for informal businesses, with 61.8 percent of respondents saying this is difficult to get, and 21.3 percent saying it is impossible. Similarly, with loan guarantees 64.9 percent say this is difficult for an informal business to obtain, while 25.2 percent say this is impossible.

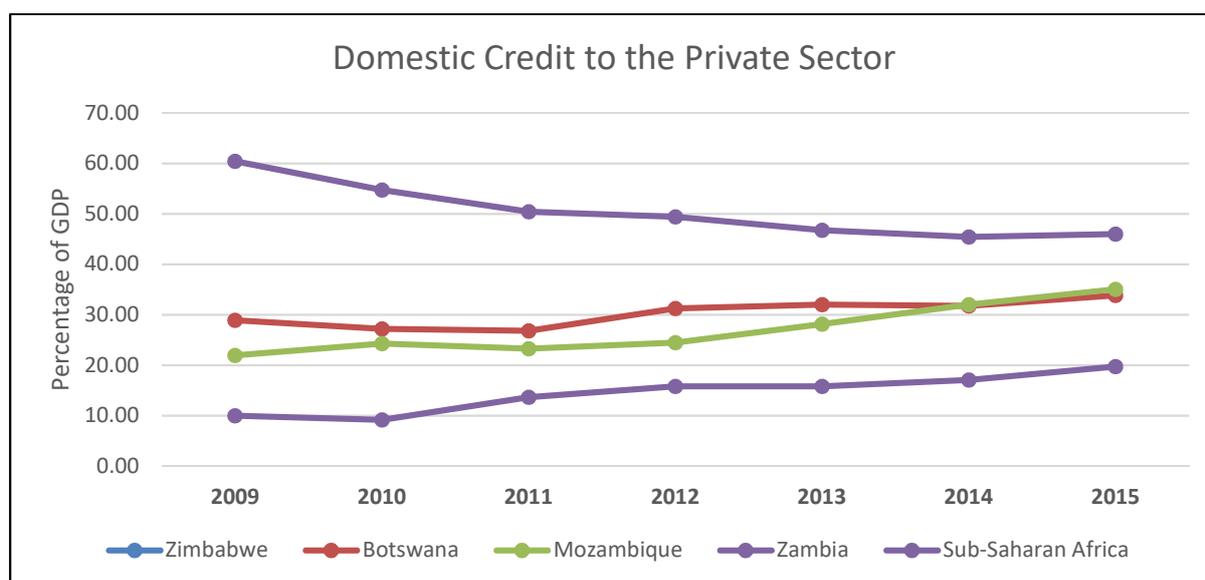
34.8 percent of respondents think youth are least likely to have access to formal finance. 12.7 percent think young men are less likely to have access to formal finance, while 16.5 percent think young women would have less access than young men.

Respondents from the formal and informal economies rank their own savings as the first source of finance that they would utilise for a new business. Those in formal enterprises look to government sourced lines of credit as a second option, while lending from other businesses is the

third most popular source among formal and informal enterprise respondents. Respondents from the formal and informal economies rank insufficient collateral as the primary obstacle faced by entrepreneurs when applying for financing. Other problems faced by entrepreneurs include insufficiently prepared business plans, lengthy appraisal and processing times, and the inability to provide the required documents, in that order.

Indicators

The share of “Domestic Credit to Private Sector” as a percentage of GDP indicator is not available for Zimbabwe. Mozambique performs best on this indicator, with 35.09 percent in 2015, while Botswana and Zambia were at 33.85 percent and 19.76 respectively. These are all lower than the Sub-Saharan Africa regional average of 45.98 percent in 2015.



Source: World Bank Databank, World Development Indicators Online

The “Depth of Credit Information Index” measures rules affecting the scope, accessibility, and quality of credit information available through either public or private credit registries. On a scale from 0 to 8 where higher values indicate better performance, Zimbabwe has improved from 4 in 2013 to 5 in 2016. Botswana stayed consistent at 6 for the years between 2013 and 2016, as did Mozambique at 4. Zambia performed best, moving up from 6 in 2013 to 8 in 2016.

The “Interest Rate Spread” indicator measures the difference between lending rate and deposit rate. Data was not available for Zimbabwe. Botswana was at 5.45 percent in 2015, with Mozambique at 6.33 percent and Zambia the lowest at 4.26 percent for the same year. All of these countries are behind the Sub-Saharan Africa regional average of 6.77 percent in 2015.

Key Indicators

Domestic Credit to Private Sector (% of GDP)		2009	2010	2011	2012	2013	2014	2015
Domestic credit to private sector refers to financial resources provided to the private sector, such as through loans, purchases of no equity securities, and trade credits and other accounts receivable that establish a claim for repayment. For some countries, these claims include credit to public enterprises.	Zimbabwe							
	Botswana	28.93	27.19	26.84	31.25	32.01	31.76	33.85
	Mozambique	21.97	24.33	23.29	24.52	28.19	32.00	35.09
	Zambia	10.01	9.20	13.69	15.86	15.82	17.09	19.76
	Sub-Saharan Africa	60.42	54.70	50.40	49.44	46.74	45.44	45.98
Credit to private sector (% of GDP).								
Source: World Bank Databank, World Development Indicators Online ¹⁷⁷								

Depth of credit Information Index		2013	2014	2015	2016
The depth of credit information index measures rules affecting the scope, accessibility, and quality of credit information available through either public or private credit registries. The index ranges from 0 to 6, with higher values indicating the availability of more credit information to facilitate lending decisions. Specifically, a score of 0 indicates that the registry is not operational or that it covers less than 0.1% of the adult population. At the other end of the scale, a score of 6 indicates that regulations guarantee borrowers the right to access their data in the largest registry in the economy and that the following information is distributed as part of a report: (1) both positive and negative credit information; (2) data on both firms and individuals; (3) data from retailers and utility companies; (4) more than 2 years of historical data; and (5) data on loans below 1% of income per capita.	Zimbabwe	4	4	5	5
	Botswana	6	6	6	6
	Mozambique	0	4	4	4
	Zambia	6	7	8	8
	Source: World Bank, Doing Business project ¹⁷⁸ .				

Interest Rate Spread		2010	2011	2012	2013	2014	2015
Interest rate spread (lending rate minus deposit rate) is the interest rate charged by banks on loans to prime customers minus the interest rate paid by commercial or similar banks for demand, time, or savings deposits.	Zimbabwe						
	Botswana	5.86	5.85	7.39	7.08	6.47	5.45
	Mozambique	6.58	6.12	5.38	6.53	6.22	6.33
	Zambia	13.52	11.81	5.15	3.03	3.70	4.26
	Sub-Saharan Africa	7.98	8.18	6.86	7.07	7.21	6.77
Source: World Bank Databank, World Development Indicators Online ¹⁷⁹ .		Interest rate spread (lending rate minus deposit rate, %).					

¹⁷⁷ <http://databank.worldbank.org/data/home.aspx>

¹⁷⁸ <http://www.doingbusiness.org/ExploreTopics/GettingCredit>

¹⁷⁹ <http://databank.worldbank.org/data/home.aspx>

3.8. Physical Infrastructure

Background

The development of sustainable enterprises critically depends on the quality and quantity of the physical infrastructure, including transportation, water, electric and sewage systems, available. Public investment in infrastructure is central to reducing bottlenecks to growth. Access to water and energy also plays a pivotal role. Zimbabwe's most pressing challenges in terms of infrastructure involve power, transport and water. Uninterrupted, or power supply is crucial to economic growth, for which improvements to current infrastructure will be necessary. Public health must be improved by addressing water and sewerage systems in the country. Roads in Zimbabwe require investment, as international road corridors pass through the country- connections with South Africa in particular need improvement to lower the costs and times associated with imports of staples like maize.

In the early years following independence Zimbabwe made significant progress in building infrastructure, having invested in a national electricity network, and improved on the existing road network to enhance accessibility and integration across the country¹⁸⁰. Water and sewage systems were improved upon, as were dams and irrigation systems. However, since the economic crises of the late 1990s maintenance and improvements to existing infrastructure have not proceeded apace. Zimbabwe now has the worst stretch of roads on the North-South transport corridor, and rural connectivity is extremely poor¹⁸¹. Sanitation and garbage disposal systems have suffered, as governance has declined, leading to the spread of diseases, like typhoid, and even recent fears of cholera, an epidemic of which claimed at least 4000 lives in 2008¹⁸².

Recognising that poor transport and energy infrastructure are constraints on better economic growth, as they keep companies from investing and make operations difficult, the government has tried to increase spending on infrastructure. Investment in infrastructure has been prioritised by the GoZ as a key component to the recovery of the economy. Zim Asset focuses on four major clusters, of which infrastructure and utilities are one. There is a need for more adequate infrastructure to encourage domestic and foreign private economic growth. Improvements in the provision of electricity, and in the repairing of transport infrastructure linked to agriculture would greatly improve productivity. Modernisation in transport mechanisms would also help. Despite support being provided by the African Development Bank the last few years have seen low investment in infrastructure by the GoZ and private players, which has resulted in the deterioration of road and rail systems, and erratic power supply which is one of the factors impacting the development of the manufacturing sector¹⁸³.

¹⁸⁰ World Bank, March 2011.

¹⁸¹ World Bank, 2011.

¹⁸² DW, 12 January 2017.

¹⁸³ Grant Thornton, 2013.

Zimbabwe is one of the 14 signatory countries to the SADC Protocol on Transport Communications and Meteorology, which recognizes that transport is key to promoting economic growth, and calls for increasing private sector involvement in the development of infrastructure¹⁸⁴.

Corruption associated with infrastructure projects is high, and though a portion of the budget is set aside for investment in this area the gross inefficiencies in the system, reduce the positive effects¹⁸⁵. Tendering for infrastructure projects can be a contentious issue. Several SOEs operating in the realm of infrastructure have been earmarked for privatisation, commercialisation or restructuring. These include Air Zimbabwe, TelOne, Net One, the National Railways and ZESA Holdings Limited which generates and distributes electricity¹⁸⁶.

As of 2012 energy needs were primarily met by biofuels and waste (66.1 percent), followed by coal (21.6 percent), oil (7.4 percent) and hydropower (4.9 percent)¹⁸⁷. Electricity is produced through hydropower, and coal. Most rural areas have wood fuel shortages as land has moved from forested to agricultural use. In 2012 over 80 percent of electricity went to urban areas, with some estimates making it as little as 13 percent that reached rural areas¹⁸⁸. Zimbabwe imports oil and electricity each year to meet its energy requirements. Electricity generation and transmission infrastructure need to be expanded and upgraded, particularly since the SADC region has a regional power deficit¹⁸⁹.

Zimbabwe's population is relatively evenly distributed across the country, though urban areas tend to be more densely populated, and there are some areas of very low population density in the western and southern parts of the country¹⁹⁰. The roads used to be sufficient for trade but improved rural connectivity would enhance the development of agricultural and mining interests. Roads have been particularly affected by flooding associated with the El Nino phenomenon. Zimbabwe's integration into regional systems of power distribution and transportation have helped it survive the last few decades of low agricultural productivity, along with the relatively strong infrastructural system it inherited at independence. Road conditions have deteriorated so much that in 2016 the SADC began to plan a new road network to bypass Zimbabwe entirely, in order to connect Southern Africa with the rest of Africa¹⁹¹.

Zimbabwe has rail links to its four neighbours, connecting the major mining areas, heavy industrial centres and major agricultural collection centres. Rail is also used for the transport of freight across the Southern African region. The railways are a combination of narrow gauge and meter gauge. Bulawayo, Gweru and Harare are well-developed rail hubs, and the Zimbabwean rail system links to international routes between the Democratic Republic of Congo, Zambia, Botswana, Mozambique and South Africa, with links to the ports in Mozambique, South Africa and Namibia, facilitated by the SADC. In recent years train connections with neighbouring countries have reduced substantially, and direct

¹⁸⁴ AfDB, 2011.

¹⁸⁵ Zimbabwe Independent, 9 June 2017.

¹⁸⁶ Grant Thornton, 2013.

¹⁸⁷ Grantham Institute, 2015.

¹⁸⁸ Grantham Institute, 2015.

¹⁸⁹ Grant Thornton, 2013.

¹⁹⁰ World Bank, 2011.

¹⁹¹ Zimbabwe Independent, 24 March 2016.s

passenger trains to Botswana and South Africa are no longer in service. In recent years Chinese investment has enabled some improvements to infrastructure in Zimbabwe.

The dam system in Zimbabwe is well developed, so when the rains fail, sufficient water is available in most parts of the country, in order to support local populations and project development¹⁹². The last two years, however, have seen consecutive droughts, which has made the water situation in the south and marginal areas in the extreme north critical¹⁹³.

Survey Findings

49 percent of survey respondents say that roads in Zimbabwe are very poor, which keeps businesses from being able to operate effectively and efficiently. 33.9 percent find the roads to be poor, and 10.2 percent find them satisfactory, with only 3.8 percent finding the roads in Zimbabwe good. When asked about airport facilities 49 percent said they are satisfactory, while 29.5 percent said they are good, and 19 percent of respondents find them poor.

48.4 percent of respondents find rail services very poor, and 37.3 percent find them poor. 9.9 percent of respondents find the railways satisfactory with the view of enabling businesses to operate effectively and efficiently.

When asked about the supply of electricity 40.5 percent of respondents find this satisfactory, while 33.6 percent said it was poor. 14.1 percent find electricity supply to be good with respect to enabling businesses to operate effectively. 35.2 percent of respondents find the water and sewage supply poor, while 31.5 percent find it very poor. 22.9 percent of respondents find water and sewage supply in Zimbabwe satisfactory. When asked about telecommunications infrastructure 39.9 percent of respondents find it to be good, while 36.4 percent find it satisfactory.

Indicators

The percentage of Zimbabwe's population with access to improved water sources declined slightly between 2010 and 2015, going from 77.90 percent to 76.90 percent. This figure is significantly lower than that of Botswana, but higher than Zambia, Mozambique and the Sub-Saharan regional average of 67.59 percent for 2015. Botswana performs best on this indicator going from 95.90 percent in 2010 to 96.20 in 2015. Zambia was at 65.40 percent and Mozambique at 51.10, the lowest, in 2015.

The "Quality of Overall Infrastructure Index" attempts to assess whether a country's infrastructure is underdeveloped or extensive and efficient on a scale from 1 to 7, with higher values indicating better performance. Zimbabwe's index went from 3.2 in 2011, to 3 in 2015 and 3.1 in 2016. The other countries used for comparison have also seen their values drop in recent years. In 2015 Botswana performed best with a value of 4, Zambia was at 3.3 and Mozambique at 2.6.

The "Quality of Port Infrastructure Index" is meant to represent how accessible port facilities are, on a scale from 1 to 7 with higher values indicating better performance. Zimbabwe's quality of port infrastructure index deteriorated going from 4.4 in 2012 to 3.2 in 2016. Botswana fell from 3.7 in 2012 to 2.7 in 2016, and Zambia went from 4.1 to 2.2. Mozambique was the only country that

¹⁹² Grant Thornton, 2013.

¹⁹³ Famine Early Warning Systems Network, October 2016.

improved, going from 3.4 to 3.5 in 2016. Zimbabwe is landlocked but is well integrated into the transport system of the SADC, with good road connections to Namibia, South Africa and other countries with active port facilities.

Related Indicators

Improved Water Source (% of population with access)		2010	2011	2012	2013	2014	2015
Access to an improved water source refers to the percentage of the population with reasonable access to an adequate amount of water from an improved source, such as a household connection, public standpipe, borehole, protected well or spring, and rainwater collection. Unimproved sources include vendors, tanker trucks, and unprotected wells and springs. Reasonable access is defined as the availability of at least 20 liters a person a day from a source within one kilometer of the dwelling.	Zimbabwe	77.90	77.70	77.50	77.30	77.10	76.90
	Botswana	95.90	96.00	96.10	96.20	96.20	96.20
	Mozambique	48.50	49.30	50.10	50.80	50.90	51.10
	Zambia	61.40	62.20	63.00	63.80	64.60	65.40
	Sub-Saharan Africa	62.93	63.77	64.96	65.76	66.50	67.59
	World	88.39	88.90	89.49	90.06	90.55	90.97
	% of population with access						
<u>Source:</u> World Bank Databank, World Development Indicators Online ¹⁹⁴							

Quality of Overall Infrastructure Index		GC Report 2013/14	GC Report 2014/15	GC Report 2015/16	GC Report 2016/17
Survey data: "General infrastructure in your country is: 1 = underdeveloped, 7= as extensive and efficient as the world's best".	Zimbabwe	3.2	3.1	3	3.1
	Botswana	4.2	3.8	3.8	4
	Mozambique	3.1	3	2.7	2.6
	Zambia	3.8	3.7	3.6	3.3
	World	4.3	4.2		
<u>Source:</u> World Economic Forum, The Global Competitiveness Report ¹⁹⁵ .		1 = underdeveloped, 7= as extensive and efficient as the world's best.			

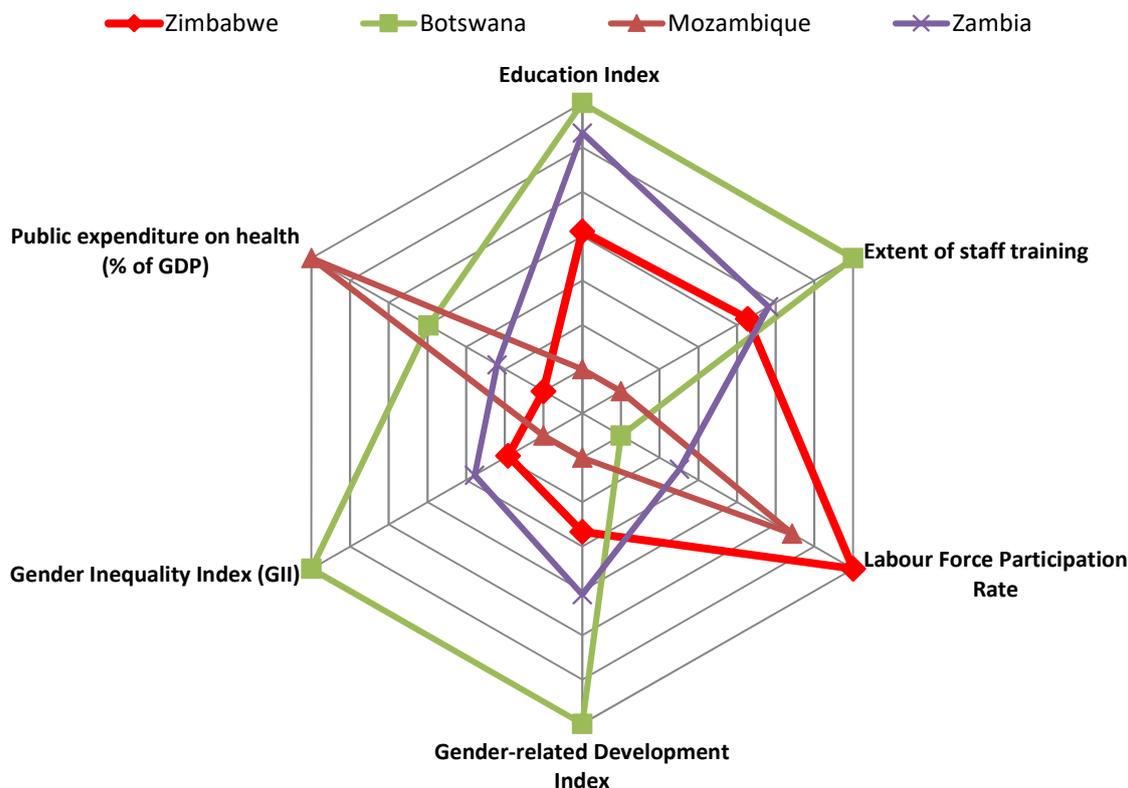
Quality of Port Infrastructure Index		2013	2014	2015	2016
Survey data: "Port facilities and inland waterways in your country are: 1=underdeveloped, 7= as developed as the world's best. For landlocked countries this measures the ease of access to port facilities and inland waterways".	Zimbabwe	4.1	3.6	3.2	3.2
	Botswana	3.6	3.0	2.7	2.7
	Mozambique	3.5	3.7	3.6	3.6
	Zambia	3.5	2.7	2.2	2.2
<u>Source:</u> World Economic Forum, The Global Competitiveness Report ¹⁹⁶ .		1= underdeveloped, 7= as developed as the world's best			

¹⁹⁴ <http://databank.worldbank.org/data/home.aspx>

¹⁹⁵ <http://www.weforum.org/issues/global-competitiveness>

¹⁹⁶ <http://www.weforum.org/issues/global-competitiveness>

4. Social Elements



Key Findings

- The heavy public investments in health and education in Zimbabwe's first decade of independence have paid off, and the adult population has higher educational attainments than many of its neighbours. According to the AfDB in 2014 literacy rates were 97 percent for women and 98 percent for men.
- Economic and political turmoil have resulted in poverty and unemployment, the scarcity of blue-collar jobs and other technical skills, a damaged infrastructure and fragile banking system.
- The GoZ has established the Ministry of Small and Medium Enterprises and Cooperative Development, in 2002 in order to support the development of SMEs.
- Social exclusion in terms of poverty, and discrimination persist, both of which have gendered dimensions. Key areas of development include improving food security, attaining universal primary education, and halting and reversing the spread of HIV/AIDS.
- In terms of literacy, income employment and HIV prevalence women are worse off than men. According to UN WOMEN violence against women continues to be endemic.
- In 2012 an estimated 20 percent of the labour force was covered by social security, this is largely due to the informality that characterises the economy.

4.1. Entrepreneurial Culture

Background

Strong public and private support to entrepreneurship, business innovation, and institutions that support and promote entrepreneurship are important determinants of an enabling environment for sustainable enterprises. The heavy public investments in health and education in Zimbabwe's first decade of independence have paid off, and the population has higher educational attainments than many of its neighbours. In the 1980s public expenditures, on health, education, rural development and other areas constituted about 45 percent of GDP¹⁹⁷. However, the economic and political turmoil of subsequent years have led to poverty and unemployment, the scarcity of blue-collar jobs and other technical jobs, deteriorating infrastructure and a fragile banking system. New growth engines need to be developed to diversify the economy from being largely dependent on natural resource extraction¹⁹⁸.

There has been phenomenal growth in informal entrepreneurial activities in the last decade as the informal economy has expanded, overtaking the formal economy in terms of growth¹⁹⁹ with many Zimbabweans having no other livelihoods opportunities than resorting to necessity entrepreneurship. The business environment presents some challenges to business development, as labour policies in the formal sector tend to be rigid whereas the informal sector is increasingly treated as extra-legal, even though its share in the economy is growing²⁰⁰. Workforce development interventions, such as on-the-job-training, tuition assistance, and other skills building efforts will be needed to strengthen growing SMEs.

The GoZ has established the Ministry of Small and Medium Enterprises and Cooperative Development (MSMECD), in 2002 in order to support the development of SMEs. In Zimbabwe small enterprises are defined as enterprises with a turnover of less than USD 240,000 and an asset base of less than USD 1,000,000, medium sized enterprises have a turnover of above USD 240,000 but less than USD 1,000,000²⁰¹. Below this threshold a business is considered a micro-enterprise, and above this a large company. SMEs may be registered with the Association of SMEs.

The Small Enterprise Development Corporation, Venture Capital Company of Zimbabwe, and Credit Guarantee Company of Zimbabwe work with MSMECD to help facilitate access to funding for SMEs. Various business organizations promote SME development through their activities, including the Zimbabwe National Chamber of Commerce, through its Small Business Support Unit, and the Confederation of Zimbabwe Industries through their Small Enterprise Promotion Unit²⁰².

¹⁹⁷ Dhliwayo, March 2001.

¹⁹⁸ USAID, October 2014.

¹⁹⁹ Munyoro et al, May 2016.

²⁰⁰ USAID, October 2014.

²⁰¹ Chivasa, September 2014.

²⁰² Chivasa, September 2014.

When ESAP was adopted in 1991 the relaxation in rules and regulations with regard to investment approval led to an increase in SME growth²⁰³. In 2008 the Indigenisation and Economic Empowerment Act was passed, and funding structures facilities were established such as the South Fund through the Commercial Bank of Zimbabwe²⁰⁴. Tax incentives are also provided in the early years of an SME such as deductions for expenditures related to business operations, and certain capital assets²⁰⁵.

In addition to the support for starting a business, innovators need to receive training to help them maintain steady profitability, which involves a degree of corporate training. Most small businesses do not survive their first five years. The vast majority of microbusinesses are in trade and agribusiness²⁰⁶. Access to capital and markets are two key components to their success and longevity, enabling them to transition from being microbusinesses to SMEs.

Survey Findings

According to the EESE Survey, 41.7 percent of respondents say that programmes which support the growth of entrepreneurial activities sometimes include or promote workers' rights. 24.6 percent say such programmes usually include workers' rights, and 19.5 percent say they rarely included workers' rights. 33.6 percent of respondents say that young people have a positive attitude to entrepreneurial activities. 37.6 percent of respondents believe that young men and young women have similar attitudes to entrepreneurship. 24.8 percent of respondents believe young men are slightly more positive about entrepreneurship while 5.4 percent believe women are slightly more positive in this regard. Young men are generally much more positive about entrepreneurship according to 18.3 percent of respondents, but women are much more positive according to 11.2 percent of respondents.

When asked if they think young people in Zimbabwe had the necessary skills and competencies needed to start and run their own business 30.1 percent of respondents from the EESE Survey say they think quite a few do while 15.4 say they do not believe they do. 45.7 percent say they do not think there is much difference when it comes to men and women about having the necessary skills and competencies for entrepreneurship. 21.5 percent of respondents think men generally have better skills, while 6.2 percent say women generally have much better skills.

29.9 percent of respondents think that there is some business and financial management training for individuals looking to establish a new business, while 16.4 percent think there is a good amount of such training. 28.7 percent, on the other hand, think that training is inadequate, while 16.3 percent find it extremely inadequate.

47.5 percent of respondents identify a lack of access to appropriate funding as the main reason that prevents young people from starting a business. Getting licenses and permits, and the inability to visualise entrepreneurship as a career option are other reasons that keep people from becoming entrepreneurs.

²⁰³ Chivasa, September 2014.

²⁰⁴ Chivasa, September 2014.

²⁰⁵ ZIMRA, 2015.

²⁰⁶ USAID, August 2016.

33.3 percent of respondents in the survey say they think there is some degree of start-up support for individuals trying to set up a new business. 29.9 percent think the support for entrepreneurs is not very good, while 17.8 percent think that the support is not good at all. 12.6 percent of respondents find the start up support available to very good, while 3.3 percent say it is very good.

When asked about whether there is adequate business coaching or mentorship for individuals looking to establish new businesses 31.7 percent say that this is true to some extent. 30.5 percent say that business coaching and mentorship provided for individuals is inadequate, while 16.7 percent think what is on offer at present is good.

When asked about adequate market information for individuals looking to establish a new business 34.5 percent of respondents think that this is available to some extent. 26.9 percent of respondents say good information is not available, while 16.6 percent say start-up support is not good at all, with 16 percent saying it is good. 32.1 percent of respondents think that to some extent information on legislative requirements for individuals wanting to establish a new business is available. 25.2 percent say the information available is not adequate, while 14.5 percent say it is completely inadequate. In comparison 20.5 percent of respondents think that the information available on legislative requirements is good.

30 percent of respondents think that there were business incubation support services to some extent, but 27.9 percent of respondents say these were inadequate, while 17.1 percent found them to be very inadequate. In comparison 16.1 percent of respondents found business incubation support services to be good and 1.1 percent found them to be very good. Procurement opportunities for individuals looking to establish a new business were generally found to be inadequate.

When asked about the technical training available for individuals wanting to establish a new business 28 percent say this is available to some extent, and 26.1 percent say that the availability is not good and 16.6 percent found it not good at all. 19.6 percent of respondents find the availability of technical training to be good and 2.9 percent found it very good.

Identifying indicators that show the degree of entrepreneurial culture in a country is difficult, and secondary data in this area is scanty. Information on new business density was only available for Botswana and Zambia, of the four countries reviewed in this report.

4.2. Education, Training and Lifelong Learning

Background

Expanding people's capabilities through high-quality education, training and life-long learning, and cultivating a skilled workforce are important elements in ensuring high levels of productivity for enterprises and the labour force. Investments in physical infrastructure, as well as developments in other economic sectors require an educated and skilled workforce to yield high returns.

Education policy in Zimbabwe is determined by the Ministry of Primary and Secondary Education, and the Ministry of Higher and Tertiary Education, Science and Technology Development²⁰⁷. Primary education comprises 7 years, and secondary education another 4 to 6 years. In 2016 Zimbabwe had 13 state universities, 5 private universities and 7 polytechnics²⁰⁸.

According to the AfDB in 2014 literacy rates were 97 percent for women and 98 percent for men²⁰⁹. The net intake rate for primary schools was 75 percent for girls and 72 percent for boys, while primary school completion rates were 98 percent for girls and 99 percent for boys²¹⁰. 81 percent of girls transitioned to secondary school, while only 77 percent of boys did; secondary school attendance rates stood at 63 percent for girls and 52 percent for boys²¹¹. A 2016 survey showed that Zimbabwean parents prioritised school fees before food and groceries in terms of expenses²¹².

One of the features of the colonial system of education was the difference between the F1 programme and F2 pathway, which separated native from white children. The F1 path prepared whites for careers in industry, education and law, while F2 had a watered down curriculum meant to create a pool of semi-skilled labour to feed into white-owned industries²¹³. Schools, particularly in rural areas had been closed during the war, but after independence enrolment figures surged, and the F1, F2 system was removed.

At independence schooling was made free, and education was recognized as a fundamental right in the Education Act of 1987, but since the introduction of the structural adjustment program in 1992, the GoZ has had to reintroduce fees at market rates²¹⁴. In 1995 the GoZ formulated a National Gender Policy to address gender sensitivity through education and training, which was to be implemented through institutions of teaching across the country²¹⁵. Low salaries for teachers remain a problem, as do infrastructural and human resources deficits. As public funding for schools has reduced grants from international donors have become necessary to sustain the educational system in Zimbabwe²¹⁶.

Technical Vocational Education and Training (TVET) in Zimbabwe was introduced under the discriminatory educational system, specifically designed for black workers to be prepared as low skilled labour for industry²¹⁷. This curriculum was abandoned after independence in 1980, and TVET subjects were integrated into the conventional school system with a reduced emphasis on skills training. TVET was reintroduced in the 1990s partly to combat youth unemployment, and to contribute to social transformation, by enabling people to set up independent businesses²¹⁸. Technical and vocational education in secondary schools has reduced, reflecting in part generally held attitudes

²⁰⁷ Higherlife Foundation, 7 October 2016.

²⁰⁸ Higherlife Foundation, 7 October 2016.

²⁰⁹ AfDB, 2016.

²¹⁰ AfDB, 2016.

²¹¹ AfDB, 2016.

²¹² Zimbabwe Independent, 30 June 2016.

²¹³ UNICEF, 2014(2).

²¹⁴ Higherlife Foundation, 7 October 2016.

²¹⁵ Mbetu-Nzvenga and Mugove, 2016.

²¹⁶ UNICEF, 2011.

²¹⁷ Chikoore and Museva, 2014.

²¹⁸ Chikoore and Museva, 2014.

about traditional academic routes versus more practical technical training, which is seen as preparing young people less for the changing needs of industry²¹⁹.

Vocational training centres were established after independence, in Zimbabwe, to train people who had demobilised, and help them start businesses²²⁰. Vocational training centres proliferated in rural and urban areas to prepare students for careers in agriculture, carpentry and building: they were established to address human capital gaps, unemployment and the shortage of practical skills²²¹. Vocational training was expanded in line with the recommendations of the 1999 Nziramasanga commission, which were that education in Zimbabwe follow a four-fold path: academic, business, technological and vocational²²².

The 2012 census revealed that 60 percent of the 80 percent of the population classified as unemployed in Zimbabwe held certificates, diplomas or degrees from a tertiary institution, which suggests that there is a lack of coherence between the vocational training provided and the demands of the job market²²³. In 2016 vocational training was being offered in 47 vocational centres, 42 of these were under the Ministry of Youth, Indigenisation and Empowerment, with five under the Ministry of Higher and Tertiary Education²²⁴.

The expansion of distance learning will be important in reducing the current urban-rural divide, which exists in education. Persons with vocational training are likely to find employment, but the mismatch between existing training and the availability of related jobs, has led to calls for policies to improve the relevance of training, and assisting graduates in finding employment. There is a growth in unskilled jobs, and a decrease in available skilled jobs in the economy.

Survey Findings

When asked if they thought workers had the skills demanded by businesses in Zimbabwe 22.2 percent of the respondents think workers have minor skills deficits, while 20.6 percent think workers have significant skills deficits. 43.2 percent of respondents think that the quality of the educational system meets the needs of the business community. 35.8 percent think the education system meets some needs while 13.1 percent think it generally meets all the needs of the business community. Male and female respondents have similar perceptions of the quality of education in Zimbabwe.

When asked about the contribution of businesses in Zimbabwe towards human resources development through internal training 48.5 percent think this is done to a moderate degree, while 27.4 percent say this happens to a low degree. 42.3 percent of respondents think that businesses in Zimbabwe contribute moderate investment towards human resources development through external training. 33.4 percent say this happens only to a small extent, while 7 percent say nothing is contributed.

²¹⁹ Chikoore and Museva, 2014.

²²⁰ Munyoro and Tanhara, 2016.

²²¹ Munyoro and Tanhara, 2016.

²²² Munyoro and Tanhara, 2016.

²²³ Munyoro and Tanhara, 2016.

²²⁴ Munyoro and Tanhara, 2016.

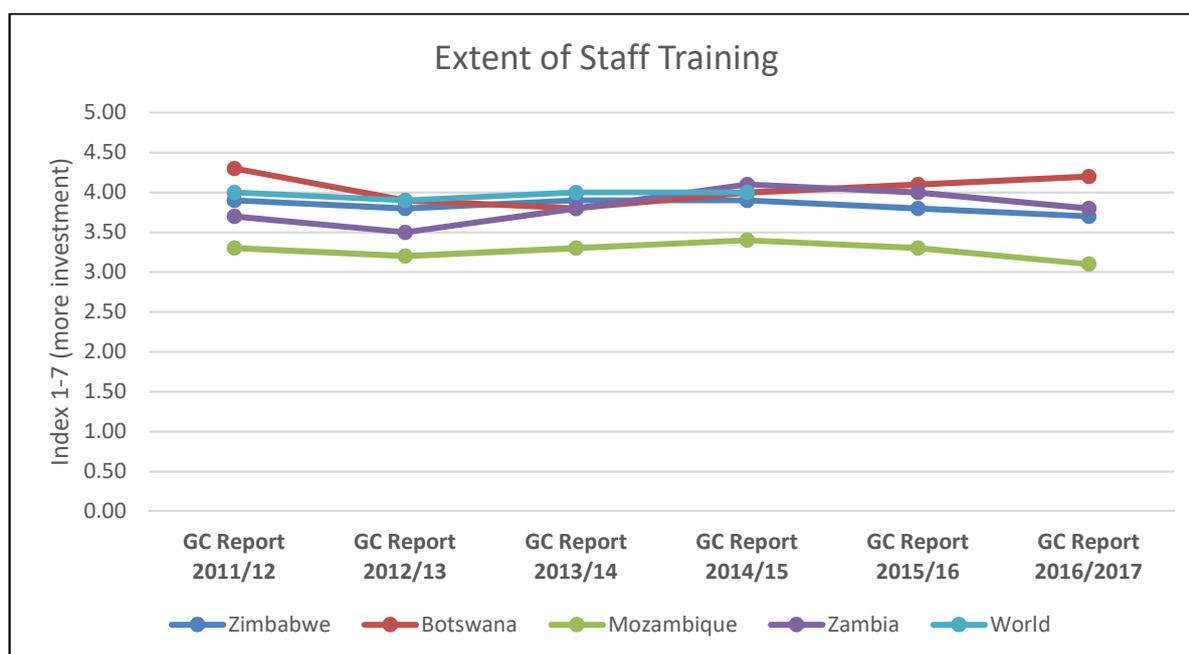
On the subject of brain drain 43.7 percent think this very negatively affects businesses in the country, while 31.8 percent think this affects businesses somewhat negatively. 16 percent of respondents are neutral.

Indicators

Data on “Public Spending on Education” is uneven. In 2010, Zimbabwe spent 1.97 percent of its GDP on education. Data for subsequent years is not available. In 2009 Botswana spent 9.63 percent of its GDP, and in 2008 Zambia spent 1.10 percent. In 2012 Mozambique spent 6.09 percent of its GDP.

The “Education Index” measures educational attainment based on the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio on a scale from 0 to 1 with higher values indicating better performance. Over the period 2008-2013, Zimbabwe went from 0.49 to 0.50 showing little improvement. This is lower than the values registered for Botswana and Zambia, but not Mozambique.

The data on “Youth Literacy Rate” for Zimbabwe is only available for 2011 and 2015, from which we see it went from 90.93 percent to 91.75 percent of literate people ages 15-24 years. Botswana was at 97.81 percent in 2015, while Mozambique was at 76.75 percent, and Zambia at 91.52 percent.



Source: World Economic Forum, The Global Competitiveness Report

The “Extent of Staff Training” indicates whether companies in a country invest little or heavily in training and employee development to attract, train and retain staff, on a scale from 1 to 7 with higher values indicating more investments. In 2016, Zimbabwe registered a rating of 3.7 which is lower than Zambia at 3.8 and Botswana at 4.2. Mozambique was at 3.1 in 2016.

Key Indicators

Public Spending on Education, total (% of GDP)		2008	2009	2010	2011	2012	2013
Public expenditure on education consists of current and capital public expenditure on education plus subsidies to private education at the primary, secondary, and tertiary levels.	Zimbabwe			1.97			
	Botswana		9.63				
	Mozambique					6.08	6.48
	Zambia	1.10					
	Sub-Saharan Africa	3.72	4.08	4.05	3.90		3.97
	World	4.41	4.87	4.63	4.62	4.42	
Source: World Bank Databank, World Development Indicators Online ²²⁵ .	Public spending on education as share (%) of GDP						

Education Index		2008	2009	2010	2011	2012	2013
It measures the educational attainment. The Education Index is measured by the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio. The adult literacy rate gives an indication of the ability to read and write, while the gross enrolment ratio gives an indication of the level of education from kindergarten to postgraduate education. It is a weighted average of Adult literacy index (with two-thirds weighting) and the combined primary, secondary, and tertiary gross enrolment ratio (Gross enrolment index [0, 100]) (with one-third weighting).	Zimbabwe	0.49	0.50	0.50	0.50	0.50	0.50
	Botswana	0.61	0.62	0.62	0.62	0.62	0.62
	Mozambique	0.37	0.37	0.37	0.37	0.37	0.37
	Zambia	0.56	0.57	0.58	0.58	0.59	0.59
Source: UNDP, Human Development Report ²²⁶ .							

²²⁵ <http://databank.worldbank.org/data/home.aspx>

²²⁶ <http://hdrstats.undp.org/en/indicators/default.html>

Extent of Staff Training		GC Report 2013/14	GC Report 2014/15	GC Report 2015/16	GC Report 2016/17
The World Economic Forum (WEF) Survey asked the business leaders to provide their expert opinions on the following: "The general approach of companies in your country to human resources is: (1=to invest little in training and employee development, 7=to invest heavily to attract, train, and retain employees)".	Zimbabwe	3.9	3.9	3.8	3.7
	Botswana	3.8	4.0	4.1	4.2
	Mozambique	3.3	3.4	3.3	3.1
	Zambia	3.8	4.1	4.0	3.8
	World	4.0	4.0		
	1= to invest little in training and employee development, 7= to invest heavily to attract, train, and retain employees.				
Source: World Economic Forum, The Global Competitiveness Report ²²⁷ .					

Literacy Rate, youth total (% of people ages 15-24)		2011	2012	2013	2014	2015
Youth literacy rate is the percentage of people ages 15-24 who can, with understanding, read and write a short, simple statement on their everyday life.	Zimbabwe	90.93				91.75
	Botswana				97.68	97.81
	Mozambique					76.75
	Zambia					91.52
	Sub-Saharan Africa					
	World					
Source: World Bank Databank, World Development Indicators Online ²²⁸ .		% of people				

4.3. Social Justice and Social Inclusion

Background

In recent years Zimbabwe's progress on many social indicators has stagnated. The reduced ability to spend on improving social justice and social inclusion has had wide ranging impacts on the quality of life across the country. Social exclusion in terms of poverty, and discrimination persist, both of which have gendered dimensions. Key areas of development include improving food security, attaining universal primary education, halting and reversing the spread of HIV/AIDS, and attaining gender parity in school enrolment.

In 2018 cereal production has been forecast to be 24 percent lower on an annual basis, but still above the previous five-year average²²⁹. The decline in agricultural production, i.e. the reduced output of maize, tobacco and cotton has effects on incomes and food security in the country²³⁰. Maize production was expected to have decreased by 70 percent between 2014-2015 and 2015-2016 due to

²²⁷ <http://www.weforum.org/issues/global-competitiveness>

²²⁸ <http://databank.worldbank.org/data/home.aspx>

²²⁹ FAO, 11 July 2018.

²³⁰ AfDB, 2016.

erratic rains.²³¹ Cash crops, tobacco and cotton, are forecast to increase by 3 percent in 2018 compared to last year; soybean output is also significantly higher reflecting a larger harvested area.²³² Despite the continued government support for agricultural production through several programmes overall lower agricultural output is expected to intensify food insecurity in 2018-2019.²³³

In 2017 the GoZ and partners, including UN Agencies, NGOs and other international organizations conducted a Zimbabwe Vulnerability Assessment Committee (ZimVAC) survey, to assess the livelihoods of people residing in rural areas, seeking in particular to understand the level of food security, and vulnerability to drought²³⁴. The 2016 ZimVAC study showed that due to the 2015-2016 drought 4.1 million people were facing food and nutrition insecurity²³⁵. In 2018-2019 about 2.4 million people are expected to be severely food insecure, which translates to about 28% of the rural population²³⁶. In the last two years cereal availability has gone up, but so has the requirement²³⁷.

The GoZ recognizes all those of non-white descent as indigenous to Zimbabwe, and native to the land. Many different tribes and indigenous groups exist among which the Shona and Ndebele are the largest. The Tshwa and the Doma are two groups, in the western and north-central regions respectively, which are particularly marginalized, experience severe discrimination and reduced access to food and social services. English, Shona and Ndebele are the official languages, along with 13 minority languages that are also recognized.

The new Zimbabwean constitution includes an expanded declaration of rights with a section on women's rights. Gender equality is foregrounded in national planning objectives as well, but customary practices make equal rights for men and women very difficult to achieve. A Gender Commission was appointed in 2015, to promote gender equality as provided for in the constitution²³⁸. Staff and budget allocations are too low for the Commission to perform its duties, including public education on gender and awareness, investigating violations of human rights related to gender, research, and monitoring compliance with gender equality commitments²³⁹. Efforts have been made to improve the participation of women in government and the civil service but they remain underrepresented²⁴⁰. The representation of women at higher levels of government has improved, but at local authorities it has reduced in recent years²⁴¹.

While land redistribution meant that many smallholder farmers were able to access land some 300,000 black farm labourers lost their jobs. More than half the women who live in rural areas work in agriculture, but despite the redistribution the GoZ did not pursue the opportunity to abandon traditional hierarchies by allowing women rights to run expropriated farms²⁴². Of the 70 percent of

²³¹ AfDB, 2016.

²³² FAO, 11 July 2017.

²³³ FAO, 22 July 2017.

²³⁴ UNICEF, 2018.

²³⁵ UNICEF, 2018.

²³⁶ ZimVAC, 31 July 2018.

²³⁷ ZimVAC, 31 July 2018.

²³⁸ AfDB, 2016.

²³⁹ NewsDay, 6 February 2017.

²⁴⁰ ILO, 2012.

²⁴¹ AfDB, 2016.

²⁴² DW, 19 May 2015.

women who live in rural areas more than half work in the farm sector. Many women remained trapped in agriculture or other low productivity activities, and their labour market participation is slightly lower than that of men, at 89 percent to 92 percent for men, in 2014²⁴³. In general, in Sub-Saharan Africa, women are over-represented in agriculture, informal businesses and poorly remunerated jobs, and this is true in Zimbabwe as well. As the 2016 Zimbabwe National Statistics Agency report²⁴⁴ on gender equality in Zimbabwe indicates economic opportunities are vastly different for men and women, despite the adoption of legislation that accords men and women equal rights.

In terms of income, employment, and HIV prevalence women are worse off than men²⁴⁵. Some customary laws and practices also place women at a disadvantage. Violence against women continues to be endemic²⁴⁶. Older persons are also an extremely vulnerable group²⁴⁷. Since incomes are so low, and social protection is not comprehensive old persons are more likely than others to be impoverished, and lacking basic needs such as food and shelter. Ageism has a gendered aspect as well-in certain areas the phenomenon of witchcraft allegations against older women continues²⁴⁸. These sometimes surface in the context of inheritance disputes with younger male members, and older women can be socially discredited and vilified by being accused of being involved in witchcraft. There are few support structures to protect women from this kind of social stigmatisation. High rates of sexual violence experienced by adolescent girls, early pregnancies and child marriage²⁴⁹. The school dropout rate for adolescent girls is high as well. There is gender parity at the primary school level but at higher levels of education this tapers off²⁵⁰.

A Health Development Fund was launched in 2015, to raise money over a five year period to support maternal, reproductive, child and adolescent health-related issues²⁵¹. The Fund is administered by UNICEF and UNFPA- it is also expected to increase access to family planning, eliminate transmission of HIV from mother-to-child, malaria, and other preventable diseases. In 2017 the HIV/AIDS adult prevalence rate was an estimated 13.3 percent, making it the sixth highest in the world²⁵².

Maternal mortality rates have gone down from 960 per 100,000 to 614 per 100,000 in the period between 2009 and 2014²⁵³. Zimbabwe has an extremely high rate of HIV/AIDS incidence, compared with the rest of the world; with about 15 percent of the population, i.e. 1.4 million people living with HIV in 2014²⁵⁴. Zimbabwe pays very little towards the AIDS response, with most of the money coming from donor funding. TB is less prevalent, but malaria remains a risk in the region.

²⁴³ AfDB, 2016.

²⁴⁴ ZIMSTAT, November 2016.

²⁴⁵ ZIMSTAT, November 2016.

²⁴⁶ UN WOMEN, 2 January 2014.

²⁴⁷ IRIN News, 2 September 2014.

²⁴⁸ The Standard, 29 November 2015.

²⁴⁹ Amnesty International, 2016.

²⁵⁰ ILO, 2012.

²⁵¹ AfDB, 2016.

²⁵² CIA World Factbook, October 2018.

²⁵³ AfDB, 2016.

²⁵⁴ AfDB, 2016.

According to 2017 estimates 38.9 percent of the population of Zimbabwe was under the age of 14, which underscores the need for improving economic stability and growth to prevent a prolonged crisis²⁵⁵. A further 20.47 percent is between the ages of 15 and 24²⁵⁶. Zimbabwe has a population growth rate of 1.56 percent, with a median age of 20 years²⁵⁷. The rate of urbanisation is 2.19 percent annually, and existing urban infrastructure is ill-equipped to handle the increased number of people moving to urban areas in search of work²⁵⁸.

There has been an exodus of skilled and unskilled labour from the country, many moving to neighbouring South Africa for work, and sending remittances, which are a significant source of income for those in the country. Increasing urbanisation has had public health implications as well, for communicable diseases like HIV/AIDS, and water-borne ailments.

The limited foreign investment that exists has not led to enough spill-overs in the domestic economy in the manner of business linkages, employment generation, value addition and poverty reduction. This might be particularly true of investments in the extractives sector. There has been discussion of setting up a sovereign wealth fund, to use profits from mineral extraction for public investment, but this has not been operationalised yet.

Survey Findings

87.3 percent of respondents think men and women have equal access to formal schooling, while 8.9 percent think men have better access than women. 76.2 percent of respondents think men and women have equal access to technical vocational training, though 19.8 percent say men have better access to it. Male respondents are more likely to believe that access to technical and formal training favours men. Similarly, when it comes to employment opportunities more male respondents think these favour men than women do. 62 percent of all respondents think women and men have equal access to employment opportunities, while 19.3 percent think men have better access and 17.1 percent think women have better access. 52 percent of respondents think laws supporting equal opportunities for men and women in the workplace exist but that they are not well enforced. 33.8 percent of respondents think these laws are well developed and well enforced, while 9.2 percent think they are underdeveloped.

Indicators

The “GINI Coefficient” measures the extent to which the distribution of income among individuals or households within an economy is equal. Absolute equality corresponds to a value of 0, whereas absolute inequality is represented by 100. Data for Zimbabwe is available for 2011, when the indicator was 43.15. In 2010 Zambia was at 55.62. Mozambique was at 45.58 in 2008 and Botswana was the most unequal at 60.46 in 2009.

The “Gender-related Development Index” measures average achievements in a long and healthy life, knowledge and a decent standard of living, adjusted to account for inequalities between men and women. Higher values indicate a better situation. Zimbabwe improved its index in the last

²⁵⁵ CIA World Factbook, October 2018.

²⁵⁶ CIA World Factbook, October 2018.

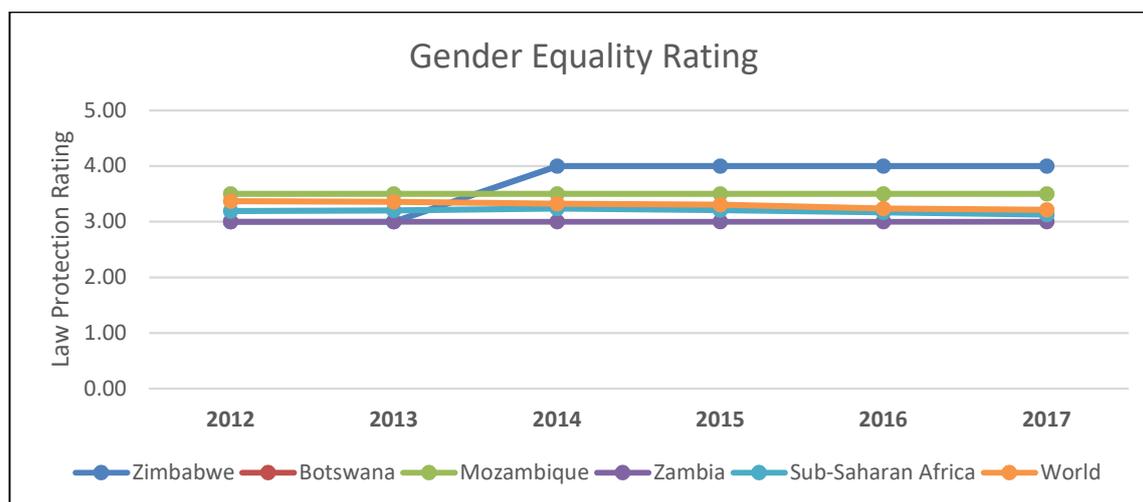
²⁵⁷ CIA World Factbook, October 2018.

²⁵⁸ CIA World Factbook, October 2018.

three years going from 0.922 in 2014 to 0.924 in 2017. Botswana and Zambia perform better than this in 2017, at 0.976 and 0.941 respectively. Mozambique was lower than Zimbabwe at 0.904. All four countries registered an improvement over time.

The “Gender Empowerment Measure” (GEM) is an index measuring gender inequality in economic participation and decision-making, political participation, and decision-making and power over economic resources. The lower the value, the more heavily a society is penalized for having inequalities. The measure is not available for Zimbabwe or Mozambique. Botswana was at 0.55 in 2009 and Zambia at 0.43.

The “Gender Equality Rating” measures the extent to which a country has implemented institutions and programmes to enforce laws and policies aimed at promoting equal access for men and women to education, health, the economy, and legal protection. The rating is done on a scale from 1 to 6, with higher values indicating better performance. Zimbabwe improved, on this indicator, going from 3.00 in 2012 to 4.00 in 2017. Data for Botswana is not available. Mozambique and Zambia both scored lower than Zimbabwe, in 2017, with 3.50 and 3.00 respectively. The regional average for Sub-Saharan Africa was 3.13 in 2017, while the world average was 3.22.



Source: World Bank Group Databank, World Development Indicators Online

The “Gender Inequality Index” (GII) measures the loss due to inequality in achievements in health, empowerment and the labour market. Values range from 0, reflecting perfect equality, to 1, reflecting total inequality. Zimbabwe was at 0.534 in 2014, and at the same value in 2017. In 2017 Botswana scored better than Zimbabwe at 0.434, while Mozambique was at 0.552 and Zambia at 0.517.

Key Indicators

GINI Coefficient		2007	2008	2009	2010	2011
Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal	Zimbabwe					43.15
	Botswana			60.46		
	Mozambique		45.58			
	Zambia				55.62	

distribution. A value of 0 represents absolute equality, a value of 100 absolute inequality.

Source: World Bank, Development Research Group. Data are based on primary household survey data obtained from government statistical agencies and World Bank country departments²⁵⁹.

Note: Data for Kenya is not available

0= perfect equality, 100= perfect inequality

Gender-related Development Index (GDI)		2014	2015	2016	2017
<p>The GDI measures gender gaps in human development achievements by accounting for disparities between women and men in three basic dimensions of human development—health, knowledge and living standards using the same component indicators as in the HDI. The GDI is the ratio of the HDIs calculated separately for females and males using the same methodology as in the HDI. It is a direct measure of gender gap showing the female HDI as a percentage of the male HDI.</p> <p>Source: UNDP Human Development Report²⁶⁰.</p>	Zimbabwe	0.926	0.922	0.923	0.924
	Botswana	0.992	0.979	0.979	0.976
	Mozambique	0.903	0.904	0.904	0.904
	Zambia	0.933	0.935	0.939	0.941
	The lower the value, the more heavily a society is penalized for having inequalities.				

Gender Empowerment Measure (GEM)		2005	2006	2007	2009
<p>A composite index measuring gender inequality in three basic dimensions of empowerment – economic participation and decision-making, political participation, and decision-making and power over economic resources.</p> <p>Source: UNDP Human Development Report²⁶¹.</p>	Zimbabwe				
	Botswana	0.51	0.50	0.52	0.55
	Mozambique				
	Zambia				0.43
	The lower the value, the more heavily a society is penalized for having inequalities.				

Gender Inequality Index (GII)		2014	2015	2016	2017
<p>The Gender Inequality Index is a composite index measuring loss in achievements in three dimensions of human development—reproductive health, empowerment and labour market, due to inequality between genders.</p> <p>Source: UNDP, Human Development Report²⁶².</p>	Zimbabwe	0.534	0.54	0.537	0.534
	Botswana	0.452	0.445	0.435	0.434
	Mozambique		0.56	0.552	0.552
	Zambia	0.561	0.546	0.519	0.517
	Values range from 0 (perfect equality) to 1 (total inequality).				

²⁵⁹ <http://databank.worldbank.org/data/home.aspx>

²⁶⁰ <http://hdr.undp.org/en/reports/>

²⁶¹ <http://hdr.undp.org/en/reports/>

²⁶² <http://hdr.undp.org/en/reports/>

4.4. Adequate Social Protection

Background

Providing citizens with access to key services, such as quality health care, unemployment benefits, maternity protection, and a basic pension, is key to improving productivity. Protecting workers' health and safety at the workplace is also vital for sustainable enterprise development and productivity gains.

In 2012 an estimated 20 percent of the labour force was covered by social security in Zimbabwe²⁶³. This is largely due to the informality that characterises the economy, making it difficult to make formal arrangements for social security coverage such as those between an employer and employee as mandated by the state. Recognizing that previous fragmented efforts at social protection programmes had not produced the desired result a National Social Protection Policy Framework was launched in 2015 to create a single guiding policy on the protection of vulnerable persons²⁶⁴. The emphasis is on formalization, to bring more people into social protection programmes funded by employer and employee contributions.

The National Social Security Authority (NSSA) was established in 1989 as a statutory corporate body tasked with the GoZ to provide social security. In 1994 the National Pension Scheme was introduced based on contributions from employers and employees. This covers all workers in the formal economy, permanent, seasonal, contractual or temporary employment, though it does not include domestic workers or those in the informal sector²⁶⁵.

In 2016 the NSSA registered 2887 new companies employing more than 18,192 people²⁶⁶. Some companies voluntarily register with the NSSA while others are made to comply with government regulations after inspections and interventions from the GoZ. The NSSA has a current list of over 24,000 companies in Zimbabwe, though about 4000 had to be struck off the rolls in 2016 for having gone out of business²⁶⁷. Companies in financial troubles have difficulty remitting the contributions deducted from employees' salaries, resulting in them dropping out of the social protection mechanism.

Many targeted means tested transfer programmes exist, which exclude large population segments. Programmes like the Basic Education Assistance Module exist, which are non-contributory, and pay school fees for orphans and vulnerable children²⁶⁸. Compensation is provided to war victims who were affected by the war of liberation, but only injuries or deaths before 1980 are covered. Health bills for some vulnerable sections of society are covered, while others receive subsidized grain. Disabled, elderly, and drought-prone vulnerable sections of the population also receive cash transfers.

²⁶³ NSSA, 2013.

²⁶⁴ The Herald, 17 July 2015.

²⁶⁵ NSSA, 2016.

²⁶⁶ The Sunday Mail, 5 March 2017.

²⁶⁷ The Sunday Mail, 5 March 2017.

²⁶⁸ NSSA, 2013.

Informal coverage mechanisms like cooperatives, burial societies, and collective orphan care exist as well²⁶⁹.

In 2012 the GoZ introduced a Harmonized Social Cash Transfer Programme, which provided an unconditional cash transfer targeted at ultra-poor households with high dependency ratios²⁷⁰. The aim was to reduce fluctuations in consumption linked to shocks, to protect their food security. Community-based processes and selection committees at the ward district and provincial levels have been organised in order to identify vulnerable sections of the population needing support²⁷¹. Social protection programmes like the Basic Education Assistance Module, Food Deficit Mitigating Strategy, Harmonised Cash Transfers, Crop Input Support, Support for People Living with Disabilities, and Antiretroviral Therapy are among those administered in this fashion²⁷².

Primary health issues in Zimbabwe include child mortality and poor maternal health. Health spending has plummeted since the first decade of independence. A 2010 survey found that 39 percent of children suffered from chronic undernutrition²⁷³.

Recent findings from national HIV surveys in Zimbabwe point towards significant progress being made in addressing the HIV epidemic²⁷⁴. Data indicates that investment made in national HIV programs is showing good results, with the rate of new infections stabilising. Food insecurity is a serious issue.

Despite having ratified the ILO Conventions relating to child labour an estimated 13 percent of children are engaged in work, driven by poverty, the lack of social protection, and the poor enforcement of legislation²⁷⁵. Challenges to expanding the social safety nets include the difficulty of finding funding for comprehensive coverage, and the weak administrative system. Pension programmes cover people employed in the formal economy, which leaves the vast majority of the work force without coverage²⁷⁶.

There is little or no social protection for workers in the informal economy, from their employers and from government. The need for a social protection framework is closely linked to the poverty and vulnerability of workers. It is difficult to design measures that will cover workers in the informal sector but efforts to do so would help to end the vicious cycle of poor job quality, low income, and dangerous working environments.

The seasonality of income in the informal sector contributes to exclusion from existing social security schemes. Due to the unreliability of income, membership and regular contributions are not always possible, which keeps workers in the informal sector from being able to qualify, even if they were willing to put aside money for this. The question of how to extend coverage in a highly informal labour market environment remains a pressing one.

²⁶⁹ NSSA, 2013.

²⁷⁰ UNICEF, September 2016.

²⁷¹ AfDB, 2016.

²⁷² AfDB, 2016.

²⁷³ KAS, 2015.

²⁷⁴ Medical Xpress, 16 January 2017.

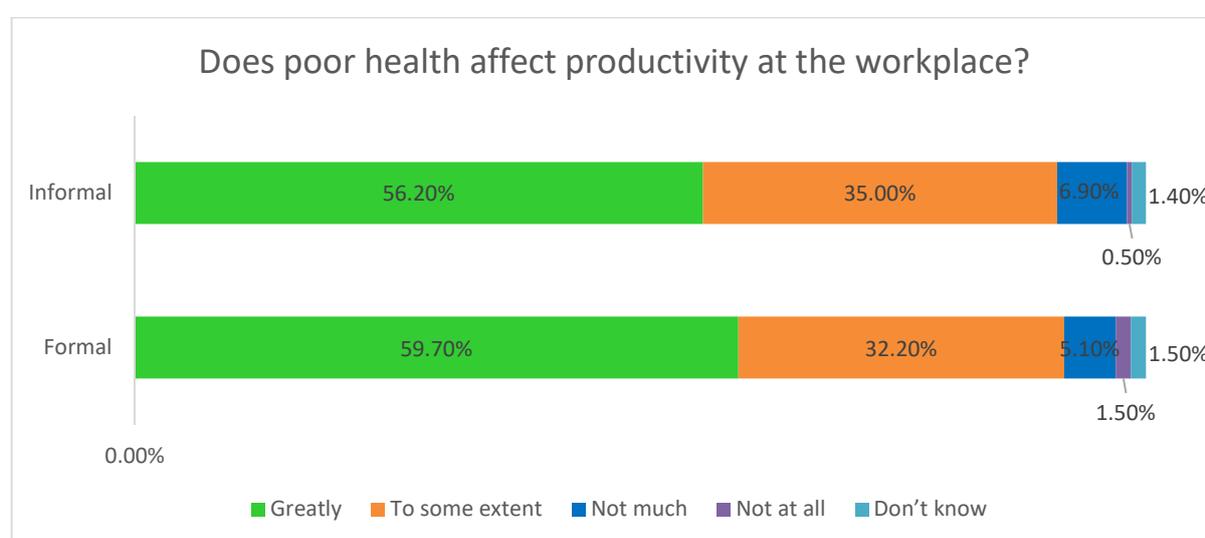
²⁷⁵ AfDB, 2016.

²⁷⁶ AfDB, 2016.

Survey Findings

The survey indicates that 74 percent of the employees who have health insurance, have their premiums paid for by their employers, though only about half of the employees surveyed have any form of social security. Most employees remain outside the scope of any formalised protection. This is particularly worrying given that 36 percent of employees report seeing or suffering work place injuries in the last 12 months. 53 percent of these employees are of the view that the compensation paid out is insufficient.

55.9 percent of respondents think that poor health greatly affects productivity in the workplace, while 32.7 percent find it affects productivity to some degree. 5.5 percent of respondents think poor health does not have much effect on productivity. Perceptions about the impact of poor health are similar across formal and informal sectors.



Source: Zimbabwe EESE Survey

When asked about maternity protections in Zimbabwe 52.2 percent of respondents say the condition is satisfactory. 24.4 percent say maternity protection functions well, while 16.3 percent say they are underdeveloped. 34.2 percent of respondents believe that statutory social security contributions negatively affect businesses, while 25.8 percent believe they positively affect businesses, 21.7 percent say they do not know, and 18.3 percent of respondents say statutory social security contributions do not affect business at all. When asked about occupational safety and health practices 50.3 percent of respondents say enterprises in Zimbabwe are fairly conscious of them, while 25 percent say they are not very well sensitised to them.

Indicators

Zimbabwe's "General Government Final Consumption Expenditure" as a percentage of GDP has increased steadily between 2009 and 2015, going from 11.17 percent in 2009 to 23.41 percent in 2015. It might be worth noting that Zimbabwe's GDP growth has fallen steadily over the same period, so it is not likely that the absolute amount of spending has increased. Over the same period Botswana's spending fell, but Mozambique and Zambia saw increases in social expenditure.

Mozambique was at 26.66 percent, while Botswana was at 17.42 percent and Zambia at 14.78 percent in 2015.

Data on “Public Expenditure on Health” as a percentage of GDP revealed an increase in the proportion of the GDP Zimbabwe spent on public health- going from 1.48 percent in 2009 to 2.47 percent. It spends the least of the countries used for comparison. Zambia was next with 2.76 percent in 2014, while Botswana spent 3.19 percent of its GDP on public health and Mozambique spent 3.94 percent. All of these are better than the Sub-Saharan Africa mean of 2.31 percent for 2014.

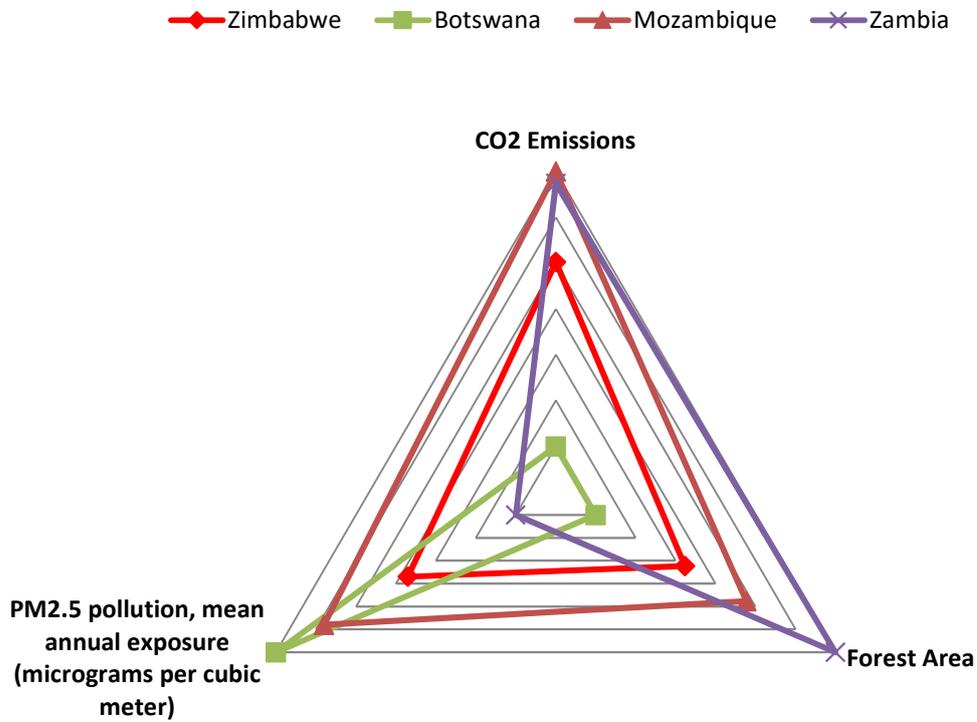
General Government Final Consumption Expenditure (% GDP)		2009	2010	2011	2012	2013	2014	2015
General government final consumption expenditure includes all government current expenditures for purchases of goods and services (including compensation of employees). It also includes most expenditures on national defense and security, but excludes government military expenditures that are part of government capital formation.	Zimbabwe	11.17	15.89	20.29	19.14	21.22	24.06	23.41
	Botswana	21.09	19.76	18.10	18.94	18.87	16.42	17.42
	Mozambique	18.08	18.60	19.95	20.84	23.87	26.06	26.66
	Zambia		9.38	10.25	11.90	12.18	14.52	14.78
	Sub-Saharan Africa	15.84	14.64	14.69	14.98	14.90	16.06	14.67
	World	17.88	17.52	17.28	17.24	17.22	17.15	17.20
	Government Expenditure excluding military as a % of GDP							
Source: World Bank national accounts data, and OECD National Accounts data files ²⁷⁷ .								

Health expenditure, public (% of GDP)		2011	2012	2013	2014
Public health expenditure consists of recurrent and capital spending from government (central and local) budgets, external borrowings and grants (including donations from international agencies and nongovernmental organizations), and social (or compulsory) health insurance funds.	Zimbabwe	2.12	2.77	2.85	2.47
	Botswana	3.24	3.96	3.51	3.19
	Mozambique	2.66	2.78	3.12	3.94
	Zambia	2.15	2.54	2.77	2.76
	Sub-Saharan Africa	2.62	2.54	2.46	2.31
	World	5.98	5.94	5.92	5.99
	Source: World Health Organization National Health Account database (www.who.int/nha/en) supplemented by country data ²⁷⁸ .				

²⁷⁷ <http://data.worldbank.org/data-catalog/world-development-indicators>

²⁷⁸ <http://databank.worldbank.org/data/home.aspx>

5. Environmental Elements



Key Findings

- Droughts are a frequent challenge to agriculture and development. Changing weather patterns are a result of global warming.
- The erosion of predictable planting and harvesting seasons has meant that new strategies for producing food need to be found, and families need to find alternate sources of both nutrition and income.
- Climate change impacts different groups of society differently, and in Zimbabwe the consequences also have a gendered dimension. Women are more vulnerable to the impacts of climate change.
- Current environmental concerns include deforestation, soil erosion, land degradation, air and water pollution, poaching of endangered animals particularly large mammals, and the results of poor mining practices such as toxic waste and heavy metal pollution

5.1. Responsible Stewardship of the Environment

Background

In the absence of appropriate regulations and incentives, markets can lead to undesirable environmental outcomes. The development of sustainable enterprises and the protection of the environment require sustainable production and consumption patterns. The effects of general environmental degradation are most severely felt by the most vulnerable sections of society, and successful long-term poverty alleviation strategies must include sustainable environmental management as a component.

Zimbabwe is a landlocked country with a tropical climate moderated by altitude. Most of the terrain is high plateau with a higher central plateau and mountains in the east; there are three biomes, savannah, grassland and forest, the largest part being savannah²⁷⁹. Irrigated land forms a small proportion of the total. Droughts are a frequent challenge to agriculture and development. Variability in harvests coming from a change in weather patterns leads to farmers and their crops struggling to survive²⁸⁰. Changing weather patterns are a result of global warming. The erosion of predictable planting and harvesting seasons has meant that new strategies for producing food need to be found, and families need to find alternate sources of both nutrition and income²⁸¹.

Zimbabwe is a signatory to the UN Framework Convention on Climate Change, the Convention on Biodiversity and the Convention for Combating Desertification among other international instruments. Environmental issues are primarily addressed at the national level, not the regional. The 2014 National Climate Change Response Strategy is a response to the challenges posed by climate, and the need for adaptation and mitigation strategies²⁸². In 2014 a Ministry of Environment, Water and Climate was created under the new government²⁸³, which merged the former Ministry of Water Resources Development and Planning and the 2009 established Ministry of Environment and Natural Resources Management²⁸⁴.

The Zimbabwe Reconstruction Fund (ZIMREF) includes a Climate Change Technical Assistance programme to improve strategies for climate change adaptation in the areas of agriculture, energy and water use, and forestry²⁸⁵. The Ministry of Agriculture, Mechanization and Irrigation Development (MAMID) will work with ZIMREF on improving technical capacity to deal with climate change.

Current environmental concerns include deforestation, soil erosion, land degradation, air and water pollution, poaching of endangered animals particularly large mammals, and the results of poor mining practices such as toxic waste and heavy metal pollution²⁸⁶. Industries are concentrated around

²⁷⁹ FAO.

²⁸⁰ World Bank, 2017.

²⁸¹ World Bank, 2017.

²⁸² GoZ, 2014.

²⁸³ GoZ, 2014.

²⁸⁴ UNCCD, 2014.

²⁸⁵ World Bank 2017.

²⁸⁶ CIA World Factbook, October 2018.

Harare, where air quality due to vehicle emissions, dust and smoke, and industrial production, is a concern. The lack of updated and reliable environmental statistics is a problem in Zimbabwe.

Zimbabwe is rich in wildlife, and is highly dependent on tourism revenues. There is a long history of biodiversity preservation through national parks, reserves and community-based sustainable-use projects like CAMPFIRE, which encourage rural communities on communal lands to conserve local wildlife populations²⁸⁷. Hunting permits bring several million dollars in revenue each year. In 2013 0.29 percent of the GDP in Zimbabwe came from trophy hunting, to which 17 percent of the land is given²⁸⁸. Estimates vary as to how much of the money makes its way into public coffers, and how much is siphoned away. Natural resources are also under threat from a growing and increasingly impoverished population. Problems of land degradation are increasing on marginal lands where large numbers of people and livestock are concentrated²⁸⁹. There is high demand for more irrigation, but appropriate technologies must be utilised, making sure they are water efficient and small-scale in order to avoid long-term shortages. Innovative management techniques will be required for the forestry sector as well.

Climate change affects different groups of society differently, and in Zimbabwe the consequences have a gendered dimension. Women are more vulnerable to the impacts of climate change. Perhaps the most striking impact of climate change is the interference with food security. Agriculture is the source of livelihood for the vast majority of Zimbabwe's population, and it is dependent on rainfall, which is increasingly unpredictable. Food insecurity leads to the working population becoming weak, the inability to work has income effects that compound health problems, and the malnutrition leads to a higher susceptibility to disease. Unreliable water availability has an effect on the crops, and prices, but also impacts the outbreak of diseases like malaria, cholera, diarrhoea, and typhoid.

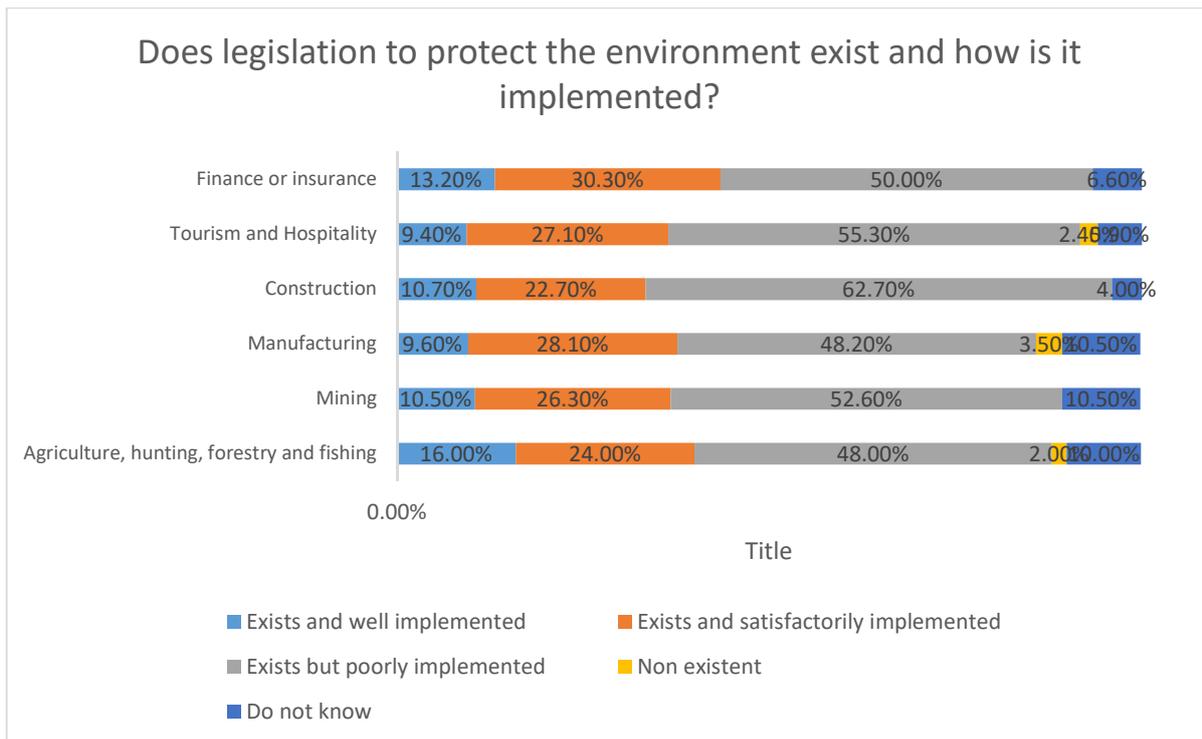
Survey Findings

Most survey respondents, 41.9 percent, believe that environmental issues are a concern and partially addressed by the business community in Zimbabwe. 33 percent of respondents say environmental concerns are not being adequately addressed by the business community, while 14 percent indicate they are being adequately addressed by the business community. Participants from the informal sector are more likely to think of environmental responsibility as a corporate concern that is not being adequately addressed. The belief that legislation is poorly implemented is prevalent across different industries. 51.7 percent of respondents think Zimbabwe has the legislation to protect the environment but that it is poorly implemented. 26.2 percent of people surveyed say legislation is satisfactorily implemented while 12.2 percent think it is well implemented.

²⁸⁷ FAO.

²⁸⁸ BBC, 30 July 2015.

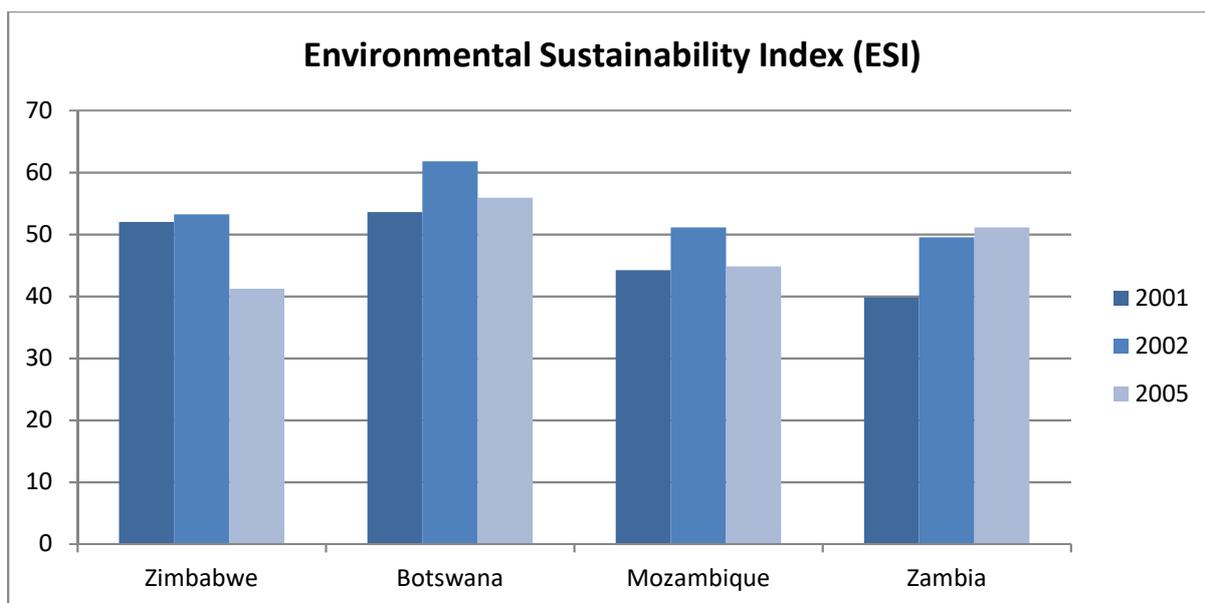
²⁸⁹ FAO.



Source: Zimbabwe EESE Survey

Indicators

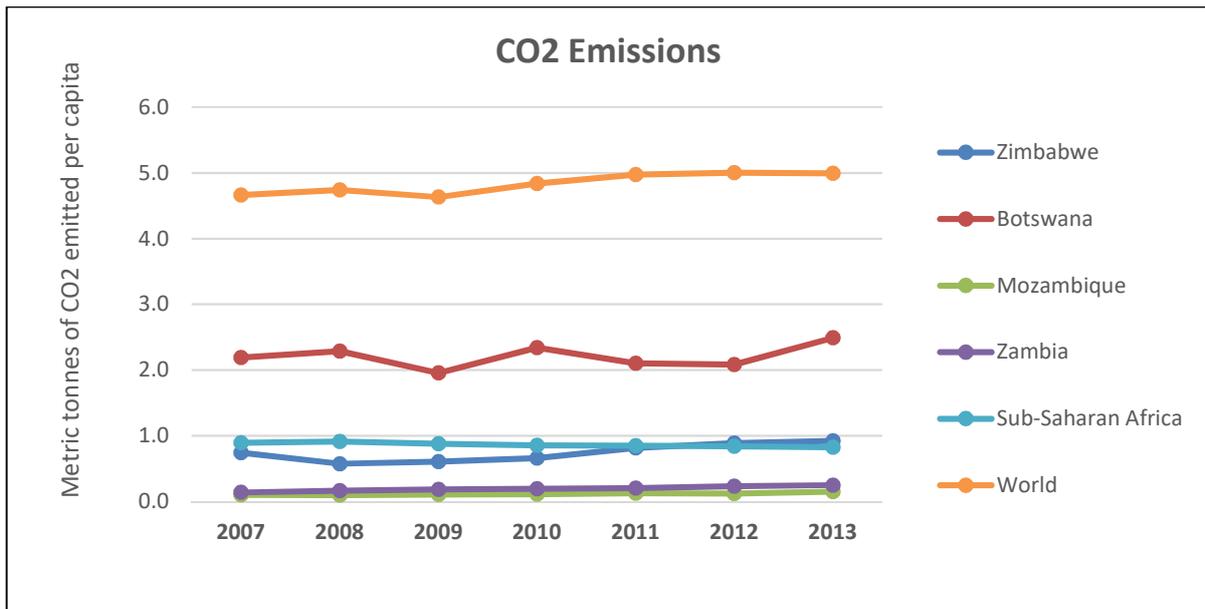
The “Environmental Sustainability Index” (ESI) indicates the ability of nations to protect the environment over the coming decades. The higher a country’s ESI score, the better positioned it is to maintain favourable environmental conditions into the future. Although the available data is out- dated, it does not show a positive trend for Zimbabwe, as it went from 52 in 2001 to 41.2 in 2005. Botswana performed best at 55.9 in 2005, while Mozambique was at 44.8 and Zambia at 51.1.



Source: Environmental Sustainability Reports 2001, 2002, 2005

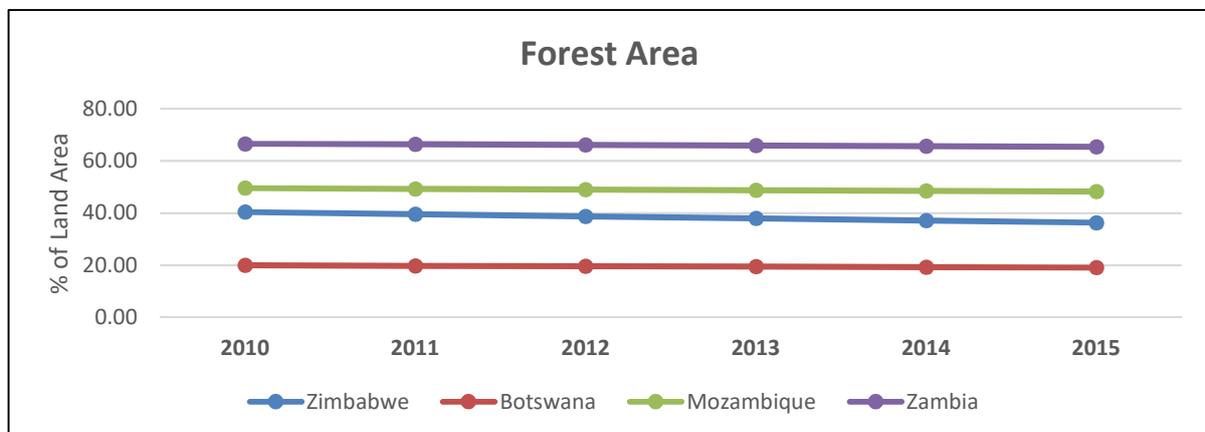
Zimbabwe’s “Total Ecological Footprint” stayed stable between 2005 and 2007 at 1.11. Botswana has reduced over the same period going from 2.85 in 2005 to 2.5. Both Mozambique and Zambia were lower than this, at 0.73 and 0.78 respectively in 2007.

Additional information on responsible stewardship of the environment can be obtained by considering other indicators. For example, Zimbabwe emitted 0.93 metric tons of CO2 per capita in 2013, which means that the negative environmental impact of this country in this regard is rather low, especially if compared to the world average of 4.99 the same year. Out of comparison countries the lowest emissions were registered by Mozambique amounting to 0.15 metric tons of CO2 in 2013.



Source: World Bank Databank, World Development Indicators Online

Zimbabwe’s forest area as a percentage of land area has fallen steadily every year. In 2015 it was at 36.35 percent, which is lower than the comparison countries except Botswana (19.12 percent). Zambia’s forest area was highest with 65.42 percent, followed by Mozambique at 48.25 percent. Anthropogenic factors for deforestation include overgrazing, the high demand for wood energy, and clearing or agriculture or settlement.



Source: The World Bank Databank, World Development Indicators

The “Environmental Performance Index” ranks 178 countries based on 20 indicators. The higher the score, the better is the environmental performance of the country. Zimbabwe scored 59.25 in 2016, which is lower than all the comparison countries except Mozambique. Botswana performed best at 70.72, with Zambia following at 66.06, and Mozambique last at 41.82.

Total Ecological Footprint (EFP) (global hectares per capita)		2005	2006	2007
The Ecological Footprint (global hectares per capita) measures the amount of biologically productive land and sea area an individual, a region, all of humanity, or a human activity requires to produce the resources it consumes and absorb the waste it generates, and compares this measurement to how much land and sea area is available.	Zimbabwe	1.10	1.06	1.11
	Botswana	2.85	2.87	2.50
	Mozambique	0.73		0.73
	Zambia	0.68	1.13	0.78
	World	2.69	2.59	2.70
Global hectares per capita, lower value= better performance. For 2005, humanity's total ecological footprint was estimated at 1.3 planet Earth's - in other words, humanity uses ecological services 1.3 times as fast as Earth can renew them.				

Environmental Performance Index (EPI)		2010	2014	2016
The Environmental Performance Index (EPI) is constructed through the calculation and aggregation of 20 indicators reflecting national-level environmental data. These indicators are combined into nine issue categories, each of which fit under one of two overarching objectives. Owing to changes in methodologies and underlying data, 2010 EPI scores and ranks cannot be directly compared to 2006 and 2008 scores and ranks and therefore are not considered in the present analysis.	Zimbabwe	47.8	49.5	59.25
	Botswana	41.3	47.6	70.72
	Mozambique	51.2	29.97	41.82
	Zambia	47	41.72	66.06
	The higher the score the better the environmental performance of the country (range of 0-100)			
Source: Environmental Performance Index, Yale University. ²⁹⁰				

²⁹⁰ <http://epi.yale.edu//epi/country-rankings>

6. Assessment Results and the Way Forward

The final results of the overall assessment on an enabling environment for sustainable enterprises in Zimbabwe based on primary and secondary data, workshop discussions, and a thorough literature review, indicate that there is space for improving the situation in all of the 17 conditions agreed to by the International Labour Conference.

In order to focus attention and concentrate efforts toward a deep analysis of emerging issues, some of the 17 conditions were prioritized by tripartite constituents at the consultative workshop held in October 2016 in Harare. These areas were perceived as those where interventions for improvement are most needed. The selected conditions are as follows:

- Sound and stable macroeconomic policy and good management of the economy
- Enabling legal and regulatory environment;
- Rule of law and secure property rights;
- Access to financial services;
- Physical infrastructure;
- Peace and political stability;
- Good governance;
- Responsible stewardship of the environment.

The preliminary findings of the overall evaluation were presented, discussed and validated at a tripartite workshop held in Harare in June 2017. Several issues were discussed and indicated as major constraints for the development of sustainable enterprises in Zimbabwe. It was said that the 2017 political situation was not conducive to enterprise creation and growth. The lack of good governance and in particular widespread corruption and mismanagement of public finance were other factors hindering business development. Weak political institutions, especially public ones, further limit the business potential of the country. It was agreed that efforts to improve the business environment should be concentrated on areas that are key for the ILO and its constituents, and are not the focus of actions already being undertaken by national stakeholders and international donors. Emphasis for future action toward improvement was hence placed on only two of the priority conditions listed above:

- Enabling legal and regulatory environment (with emphasis on restrictive legislation);
and
- Responsible stewardship of the environment.

On the subject of enabling legal and regulatory environment, the need to simplify burdensome regulations to register a business was expressed. Restrictive legislation, such as the Indigenization Act, should also be reconsidered. In addition, taxation levels should be reviewed, so that they are not excessive for firms.

On the environmental dimension of sustainable enterprises, emphasis was put on charges from the Environmental Management Agency, which are perceived to be too heavy for businesses.

An action plan with specific outputs stemming from outcomes linked to priority areas and key players for action has been drafted by tripartite participants. The action plan will be finalized following the launch of this final EESE report in late 2018 in the presence of high-level policy makers and organised business and labour. The implementation of the action plan will address the main issues emerging from this assessment and will contribute to the improvement of the enabling environment for sustainable enterprises in Zimbabwe.

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