



Enhancing Zimbabwe's Global Competitiveness

**ANALYSIS ON THE IMPACT OF OVERLAPPING AND MULTIPLICITY OF
REGULATIONS ON ZIMBABWE'S BUSINESS ENVIRONMENT**

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1.0 Introduction

- 1.1 Zimbabwe has multiple regulatory frameworks governing business operations, and in some cases, these regulations overlap, leading to inefficiencies, increased compliance costs, and bureaucratic delays. Overlapping regulations and multiplicity of regulators are increasingly becoming a huge burden for Zimbabwean businesses.
- 1.2 This analysis provides a snapshot of overlapping regulations impacting the business performance. Zimbabwe's regulatory requirements and implied costs result from the overlapping mandates of some key institutions, and the Commission examines these critical factors to ascertain the respective implications to the country's business performance and competitiveness.

2.0 Overlapping Mandates of Key Institutions

- 2.1 In Zimbabwe, different agencies demand separate licenses for environmental compliance, health and safety, and labour practices, even if they cover similar concerns. This duplication increases compliance costs, as companies may need to engage additional personnel or legal support to manage these requirements. An example of this regulatory-induced challenge in Zimbabwe is that of institutions with the mandate of regulating agriculture and manufacturing firms. For instance, the Environmental Management Authority (EMA) and the City of Harare administer the hazardous substance storage license. Companies must pay for two (2) licenses from different agencies which serve the same purpose. This ultimately increases the regulatory costs of companies.
- 2.2 In cases where the roles are exclusive, different institutions providing regulatory requirements for a single product are often located in different geographical locations. For instance, to import an agricultural product, a firm requires an import license from the Ministry of Lands, Agriculture, Fisheries, Water and Rural Development, a bio-safety certificate, a nursery license, a phytosanitary certificate, and a veterinary and plant permit depending on the nature of the products. In addition, the process to satisfy all the requirements is cumbersome considering that the Henderson Plant Quarantine Station (PQS), which gives nursery licenses and phytosanitary certificates is in Mazowe (Mashonaland Central Province), and the National Biotechnology Authority, which gives certificates of biosafety is in Highlands, Harare.
- 2.3 Furthermore, the business should also obtain a compliance certificate from the Agriculture Marketing Authority (AMA), located in Mount Pleasant, Harare. Housing all these agencies under the Ministry of Agriculture, which is the parent Ministry has a great propensity to reduce regulatory implied costs. Ideally, a single visit to the Ministry could result in compliance with all the requirements.
- 2.4 The same predicament is being faced in the timber industry, where a trader must drive to the Forbes Border Post first to get one document and bring it to the town office for a timber export permit. In Zimbabwe, timber is regulated by the Forest Commission of Zimbabwe. It is worrisome to note that a chemical manufacturing firm must separately deal with the EMA, the Medicine Control Authority of Zimbabwe (MCAZ), the Radiation Protection Authority of Zimbabwe (RPAZ), and Local Authorities in their area of operation.

- 2.5 Overlapping mandates of key institutions have a negative effect as they significantly impact the competitiveness of the business, particularly in terms of operational efficiency, compliance costs, and ease of doing business. They often lead to complex regulatory processes that delay production timelines. For example, if a company requires environmental clearance from two agencies such as EMA and City Councils, conflicting requirements or slow processing times can delay product launches or facility expansions. Compliance with multiple regulations from different agencies creates an administrative burden that requires time and resources to manage. This administrative load can slow down decision-making and divert attention from core business, thereby negatively impacting productivity and efficiency.
- 2.6 Overlapping mandates also lead to inconsistencies in enforcement, as different agencies may interpret regulations differently. For businesses, this uncertainty makes it difficult to develop clear compliance strategies, potentially leading to inadvertent non-compliance and associated penalties. Businesses may experience challenges when regulations change or when agencies introduce new requirements without clear communication or coordination. This regulatory instability hinders long-term planning and discourages investment in new projects or technologies due to fears of unforeseen costs.
- 2.7 Furthermore, fees for permits, renewals, and compliance assessments from multiple agencies add up, thereby impacting profit margins. High regulatory costs reduce the amount of capital available for businesses to invest in growth, technology upgrades, or hiring skilled labour that ultimately affects their competitiveness. Additionally, high regulatory costs and complex compliance processes deter foreign investors, who may view these as barriers to entering the market. Without sufficient FDI, the businesses miss out on technology transfer, knowledge-sharing, and capital that could enhance its competitiveness.

3.0 Multiplicity of Regulations

Institutions Involved in Starting a Business in Zimbabwe

- 3.1 Box 1 summarises the general steps for establishing a new business in Zimbabwe.

Box 1: Legal Requirements to Start a Business in Zimbabwe

Registering a formal business in Zimbabwe requires the investor to meet the requirements of the following institutions and regulators.

1. Registering with the Registrar of Companies

2. Opening a bank account

To register as a taxpayer at ZIMRA, one requires a bank account. However, to obtain a bank account, one requires an advice letter from ZIMRA.

3. Register with Zimbabwe Revenue Authority (ZIMRA) for income tax, VAT and PAYE

4. Register with the National Social Security Authority (NSSA) for pension and accident prevention.

5. Register with the Manpower Development Fund (ZIMDEF)

6. Register with the Standards Development Fund (SDF)

7. Application for a licence to the City Health Department

8. Apply to the Local Authorities Licensing Office for the issuance of new licenses

Source: CZI, 2024

- 3.2 To perform Business Registration & Licensing, Registrar of Companies (Companies and Other Business Entities Act [Chapter 24:31]) requires businesses to register as Private Limited (Pvt Ltd), Public Limited (Ltd), or Sole Proprietorships, Zimbabwe Investment and Development Agency (ZIDA Act [Chapter 14:38]), also mandates registration for foreign and large-scale investments and Local Authorities (Shop Licenses Act [Chapter 14:17]) equally demands separate licenses for operating a shop, restaurant, or other business types. Businesses, especially foreign investors, must register with multiple agencies (Registrar of Companies, ZIDA, and Local Councils), which increases compliance complexity.
- 3.3 For Taxation and Financial Reporting, Zimbabwe Revenue Authority (ZIMRA) administers Income Tax Act [Chapter 23:06], where businesses must register for corporate tax, VAT, and PAYE, the National Social Security Authority (NSSA) administers NSSA Act [Chapter 17:04], which requires separate contributions for employee pensions and worker compensation, Zimbabwe Manpower Development Fund (ZIMDEF), through the Manpower Development Act [Chapter 28:02], requires a 1% levy on wage bills for skills development.
- 3.4 Furthermore, the Financial Intelligence Unit (FIU) administers the Money Laundering and Proceeds of Crime Act [Chapter 9:24] which mandates strict financial reporting for businesses handling large transactions, and the business has to register with Standards Development Fund (SDF) for contributions towards development of industrial standards. This duplicated financial reporting to ZIMRA, NSSA, SDF and ZIMDEF increases administrative burdens. There are also contradictory tax compliance obligations such as VAT visa withholding tax exemptions.
- 3.5 Investment and indigenization regulations also provides a source of complexity. ZIDA Act promotes investment but mandates approvals for foreign firms whilst Indigenization and Economic Empowerment Act [Chapter 14:33] (Amended) still applies to some sectors such as mining, and Mines and Minerals Act [Chapter 21:05] governs mining licenses separately. Foreign investors must comply with both ZIDA and sector-specific regulations such as Indigenization Act in mining. Similarly, multiple agencies (ZIDA, Mines Ministry, Local Authorities) require duplicate approvals.
- 3.6 Labour laws and employment compliance (Labour Act [Chapter 28:01]) governs contracts, dismissals, and disputes. National Employment Councils (NECs) enforce sector-specific employment conditions and NSSA requires mandatory worker compensation schemes. Some industries follow NEC agreements and the Labour Act, leading to conflicting wage structures and compliance confusion.
- 3.7 Import and export regulations such as the Control of Goods Act [Chapter 14:05] (S.I. 35 of 2024 - CBCA) requires pre-shipment conformity assessments. ZIMRA enforces customs duties and VAT on imports, while EMA Act [Chapter 20:27] requires environmental impact assessments (EIAs) for some imports. Importers and exporters face multiple layers of approvals from ZIMRA, CBCA, and EMA, and duplicate fees and delays from different agencies.

4.0 Conclusion

- 4.1 The competitiveness of Zimbabwe's business environment is heavily affected by overlapping and multiplicity of regulations. Multiple and complex compliance processes divert resources from

productivity and efficiency improvements, making it difficult for local manufacturers to meet competitive standards.

- 4.2 The fragmented regulatory landscape forces manufacturers to dedicate time and resources to navigating different requirements, which stifles operational efficiency and drives up operational costs. As a result, Zimbabwe's manufactured goods often have higher price points, making them less competitive in comparison to imports or products from neighboring countries with streamlined regulatory environments.

5.0 Recommendations

- 5.1 Sector-specific regulatory activities should be rationalised and streamlined to eliminate duplications. The number of regulators in certain sectors should be reduced to avoid a multiplicity of mandatory regulatory inspections and compliance requirements. Certain regulators can be closed without compromising standards, for example the pharmaceutical industry is regulated by three sector regulators, and the Health Professionals Authority of Zimbabwe can be done away without compromising the standards of the sector.
- 5.2 To improve competitiveness, there is need for regulatory reform aimed at reducing redundancies and minimizing the financial and administrative burden on businesses through streamlining regulatory processes across agencies.
- 5.3 Collaborative efforts between the Government, Regulatory Authorities, Private Sector and the Academia also assist in designing a more favorable regulatory framework that balances compliance with cost-effectiveness.
- 5.4 Establishing a One-Stop Shop for business registration, tax compliance, and licensing.
- 5.5 Harmonizing taxation and reporting to reduce duplicate filings.
- 5.6 Streamlining investment and sectoral regulations under ZIDA.
- 5.7 Digitizing import and export approvals to expedite clearance.