# 2023 ZIMBABWE COMPETITIVENESS REPORT

**List of Figures**

**List of Tables**

## Acronyms and Abbreviations

| | |
|---|---|
| **AfCFTA** | African Continental Free Trade Area |
| **AfDB** | Africa Development Bank |
| **AIDI** | Africa Infrastructure Development Index |
| **APP** | Approved Processing Plant |
| **BEPS** | Base Erosion and Profit Shifting |
| **COMESA** | Common Market for Eastern and Southern Africa |
| **COVID-19** | Corona Virus Disease of 2019 |
| **CPI** | Corruption Perception Index |
| **CZI** | Confederation of Zimbabwe Industries |
| **EoDB** | Ease of Doing Business |
| **GCI** | Global Competitiveness Index |
| **GDP** | Gross Domestic Product |
| **GII** | Global Innovation Index |
| **GIIR** | Global Innovation Index Reports |
| **GTCIR** | Global Talent Competitiveness Index Reports |
| **HFIEF** | Heritage Foundation Index of Economic Freedom |
| **ICT** | Information Communication Technology |
| **ICTDI** | Information Communication Technology Development Index |
| **ILO** | International Labour Organisation |
| **IMD** | Institute of Management Development |
| **IMF** | International Monetary Fund |
| **IMTT** | Intermediated Money Transfer Tax |

| | |
|---|---|
| **ITU** | International Telecommunication Union |
| **LEDS** | Low Greenhouse Gas Emission Development Strategy |
| **MAB** | Mining Affairs Board |
| **MIC** | Ministry of Industry and Commerce |
| **MMCZ** | Minerals Marketing Corporation of Zimbabwe |
| **MoFEDIP** | Ministry of Finance, Economic Development and Investment Promotion |
| **MoMMD** | Ministry of Mines and Mining Development |
| **NECF** | National Economic Consultative Forum |
| **NCC** | National Competitiveness Commission |
| **NEC** | National Employment Council |
| **NDS1** | National Development Strategy 1 |
| **NRGI** | Natural Resource Governance Index |
| **NRZ** | National Railways of Zimbabwe |
| **OECD** | Organisation for Economic Cooperation and Development |
| **PMD** | Provincial Mining Directors |
| **PMGs** | Platinum Group Metals |
| **QoL** | Quality of Life |
| **RBZ** | Reserve Bank of Zimbabwe |
| **RGI** | Resource Governance Index |
| **R&D** | Research and Development |
| **SADC** | Southern African Development Community |
| **SEZs** | Special Economic Zones |

| | |
|---|---|
| **SI** | Statutory Instrument |
| **SSA** | Sub-Saharan Africa |
| **TF** | Tax Foundation |
| **UNESCO** | United Nations, Educational, Scientific and Cultural Organisation |
| **UZ** | University of Zimbabwe |
| **WB** | World Bank |
| **WBDI** | World Bank Development Indicators |
| **WBPLI** | World Bank Logistics' Performance Index |
| **WEF** | World Economic Forum |
| **ZCR** | Zimbabwe Competitiveness Report |
| **ZEPARI** | Zimbabwe Economic Policy Analysis Research Institute |
| **ZERA** | Zimbabwe Energy Regulatory Authority |
| **ZIDA** | Zimbabwe Investment Development Authority |
| **ZimStat** | Zimbabwe National Statistics Agency |
| **ZNIDP** | Zimbabwe National Industrial Development Policy (2019 – 2023) |

## Acknowledgements

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## Minister's Foreword

Hon. Nqobizitha Mangaliso Ndhlovhu

The country's desire to attain an upper middle-income-society status by 2030 is anchored on the creation of a competitive and business-friendly environment.

This is a fundamental requirement towards attaining national vision, through structural economic transformation to achieve sustainable productivity, creating jobs, economic growth and therein improve the welfare of the Zimbabwean citizenry in the long-term.

In line with the objectives of the National Development Strategy I (NDS1), industrialization is the key to unlocking sustainable economic growth and development.

In addition, the Zimbabwe National Industrial Development Policy (2019 – 2023) and NDS 1, laid a foundation for the structural transformation of the economy through development and domestication of key industrial sectors, value addition and beneficiation in key productive sectors such as agriculture, manufacturing, mining and tourism.

As we mark the last phase of NDS1 implementation, it is critical to note that the successful execution of the Strategy hinges on creating a conducive and competitive business environment, as well as development of value chains.

As the African Continent liberalises its market through the African Continental Free Trade Area (AfCFTA), the issue of competitiveness takes centre stage. We can only take this matter lightly at our own economic peril. As collective stakeholders, we all need to put our hands on the deck, to enhance the country's competitiveness, to be able to tap into the opportunities that come with the enlarged market under the AfCFTA. I therefore earnestly call upon all industrial players to actively participate and collaborate in enhancing competitiveness and industrial development.

Enhancing business competitiveness will go hand in glove with the objectives of the ZNIDP, the bedrock of the country's industrialization agenda. To this end, competitiveness is no longer an option but a must for the industry to produce affordable quality products that are competitive in both domestic and international markets.

The local business community should therefore be alive to the competitiveness developments and work towards operational efficiency and shun uncompetitive practices that are likely to disadvantage them against international competitive rivals. I would like to urge all stakeholders not to be disheartened by our current global competitiveness scores and rankings. Instead, I would like to urge all NOT to look at this as a reflection of failure, but as an opportunity and potential for improvement.

It is for this noble cause that the Government established the National Competitiveness Commission (NCC), which falls under my purview. It is mandated to provide evidence-based policy recommendations on how to enhance productivity and competitiveness. In line with its mandate, the Commission produced the 2023 Zimbabwe Competitiveness Report, in consultation with all relevant stakeholders in Government, Industry, and Academia, among others, with a view to provide policy options to address existing competitiveness gaps. This Report is an important annual yardstick for us to look beyond short-term measures and assess the economy's progress against the full set of factors that determine productivity and competitiveness.

I would like to take this opportunity to commend the Commission for the job well done in bringing out the competitiveness gaps in Zimbabwe and, even more importantly, for proffering the appropriate recommendations thereof. I am confident that the successful implementation of the proposed recommendations would assist in bringing meaningful changes to Zimbabwe's competitiveness arena. Gone are the days when brilliant blueprints gather dust in archives without implementation and evident changes in the economy.

Let me assure you that my Ministry will also step-up efforts to address the identified competitiveness gaps as it is critical in attaining NDS 1 objectives and Vision 2030. Again, I

would like to thank the Commission for their sterling work in compiling this Report, and I look forward to engaging with them and the business community as we continue to advance the country's competitiveness agenda aimed at building and supporting a prosperous future for us all.

**Hon. Nqobizitha Mangaliso Ndhlovu (MP)**
**MINISTER OF INDUSTRY AND COMMERCE**

## Preface

The NDS 1 underscores the need for the country to enhance competitiveness to attract investment, promote economic growth and national wealth within the context of globalization. To this end, the NDS1 envisages improving the country's World Economic Forum's Global Competitiveness Index (WEF-GCI) ranking to 110 and below 100 by 2023 and 2025, respectively.

Subsequently, the 2023 Zimbabwe Competitiveness Report (ZCR) is the third Report produced by the National Competitiveness Commission (NCC), with the ultimate objective of improving the country's domestic, regional, and global competitiveness. This is in line with one of the Commission's critical functions, which is to develop Annually Benchmarked Competitiveness Reports. The Reports identifies key productivity challenges and competitiveness gaps facing the economy as well as providing appropriate policy recommendations.

The 2023 ZCR presents a balanced assessment of Zimbabwe`s competitiveness, drawing from recent globally comparable indicators and national information. The Report assesses the competitiveness pyramid, flagging out essential conditions for competitiveness, competitiveness inputs, competitiveness outputs and sustainable growth and development. It also examines the mining sector performance in relation to competitiveness.

The analysis and recommendations put forward by the Commission, include, improving ease of doing business & labour market performance, advancing digitalisation, and supporting investment in infrastructure development, among others, which are critical factors for boosting productivity and enhancing competitiveness. The successful implementation of the aforementioned, requires concerted effort from all relevant stakeholders, namely Government, Private Sector, Academia, Labour, Development Partners among others.

However, the successful implementation of the Report requires substantial support, both financial and human capital. It is my sincere hope and belief that the Government continues to grant adequate resources for the smooth implementation of the Commission's planned programmes.

Of critical importance, due to the outbreak of the COVID-19 pandemic, and non-submission of data to the WEF, countries, including Zimbabwe, have not been ranked from 2020 to 2023. Resultantly, the focus has shifted from the traditional GCI to the Heritage Foundation Index of Economic Freedom, which is the second-best competitiveness indicator, and, where necessary, other specific parameters in areas such as tourism, trade, foreign investment and information communication technology (ICT).

Resultantly, the NCC became a local Partner Institute of the World Economic Forum (WEF) in 2022 and facilitated data collection under the Executive Opinion Survey (EOS), which culminated in the publication and launch by WEF of the 2024 Future of Growth Report on 17 January 2024.

The Future of Growth Report, which takes a comprehensive and balanced approach to growth and productivity, builds on the previous GCI Report. The new approach considers dynamics in socio-economic development, focusing on the quality, balance and alignment of growth with broader global and national priorities across four pillars, namely, innovation, inclusion (inclusivity), environmental sustainability and systemic resilience. This is anchored on five (5) drivers namely talent, resources, financial, technology and institutional ecosystems.

It is critical to note that the new framework does not use country rankings as was the case in the traditional GCI but uses the scoring system on the above four broad pillars. To this end, from 2024 going forward, the analysis of competitiveness and the production of the reports thereof, will focus on this newly reconceptualised Future of Growth Report.

In conclusion, I commend all stakeholders for the support rendered to NCC throughout the development of the Report. However, I call up all our stakeholders to continue cooperating and collaborating with the Commission in its future endeavours.

**C. Msipa**

**BOARD CHAIRPERSON**

**NATIONAL COMPETITIVENESS COMMISSION**

**Remarks**

In line with the Commission's mandate of facilitating the creation of a competitive environment for Zimbabwean businesses, the Commission produced the 3rd Zimbabwe Competitiveness Report (ZCR).

Mr. Phillip Phiri | NCC Executive Director

The 2023 Report presents a timely diagnosis of the competitiveness landscape in the country and provides guidance on what can be done to enhance competitiveness, economic and social progress in Zimbabwe.

The Report, which is a result of a long-standing collaboration between Government, the Academia, Development Partners, Business Member Organisations (BMOs), economic consultative forums and research institutions, leverages on the joint knowledge and expertise of each organization aimed at developing and establishing a sense of ownership and national consensus. It is critical to note that, the Commission collaborated with key experts from the Academia and industry in developing the Report.

The Commission expresses its heartfelt gratitude to the concerted effort from the various key stakeholders and the Experts from the Academia, Research Institutions and Industry during the development of the Report. This Report would not have been produced without your valued support and contribution.

Your tireless effort, participation and collaboration is greatly appreciated, going. Finally, let us continue to work together in our quest to build a vibrant, sustainable and globally competitive economy as we triumph towards our exciting journey of becoming an Upper Middle-Income Society by 2030.

**P. Phiri**

**EXECUTIVE DIRECTOR (NATIONAL COMPETITIVENESS COMMISSION)**

## Executive Summary

The National Competitiveness Commission (NCC) is mandated to produce annually benchmarked competitiveness reports. The main objective is to assess the country's performance with a view to identify gaps and provide appropriate policy advice on enhancing productivity and competitiveness. The 2023 Zimbabwe Competitiveness Report (ZCR) was produced in consultation and collaboration with key Experts from the Academia and Industry, and Government.

The Report provides a comprehensive analysis of Zimbabwe's competitiveness landscape, utilizing a structured framework, namely the ***Competitiveness Pyramid***. This framework assesses essential conditions, policy inputs, competitiveness outputs, and sustainable growth factors crucial for enhancing competitiveness and the ultimate Zimbabwe's economic development.

Essential conditions are the critical factors shaping Zimbabwe's economic performance and competitiveness vis-a-vis institutions, macroeconomic sustainability and endowments. Zimbabwe's competitiveness inputs focus on the business environment, infrastructure, clusters and firm sophistication, and knowledge and talent.

Competitiveness outputs include business performance, costs, productivity, and employment. Sustainable development encompasses economic growth, social inclusion, environmental sustainability, and improved quality of life.

The Report also examines the mining sector performance in relation to competitiveness and benchmarks Zimbabwe's performance against regional and global peers, highlighting areas of strength and areas needing improvement.

**Key Findings**

1. **Gross Domestic Product (GDP) Growth Rate:**

   Zimbabwe's GDP growth shows positive trends, indicating potential for business growth and improved investor confidence.

2. **Current Account Balance:**

   Zimbabwe maintains a positive balance, mainly attributed to secondary income like diaspora remittances, yet these funds aren't contributing to formal sector growth due to low confidence in the financial sector.

3. **Manufacturing Sector Capacity Utilization:**

   Capacity utilization trends reflect productive efficiency and competitiveness. Zimbabwe's manufacturing sector shows slight improvements, yet idle capacity remains high, posing challenges against regional competitors. Idle capacity also indicates opportunities for improvement and enhance competitiveness in the future.

4. **Environmental Sustainability:**

   Zimbabwe has implemented various initiatives to promote environmental sustainability, including climate change adaptation and mitigation strategies. The country's commitment to sustainability is reflected in its ranking on the sustainability index, which has of late become a new competitiveness frontier.

5. **Trends and Challenges:**

   Zimbabwe's economic challenges, characterised by high inflation, exchange rate volatility, high cost of borrowing, varying and unpredictable policies, and the previous years of lack of investment and maintenance of infrastructure contribute to its low competitiveness ranking.

6. **Regulatory Quality:**

   Zimbabwe's regulatory quality has shown a decline, indicating weak policies and regulations adversely impacting private sector development and competitiveness.

7. **Government Effectiveness:**

   Government effectiveness score remains low compared to peers, affecting private sector confidence and overall competitiveness. This captures perceptions on quality of public services, policy formulation, implementation and credibility of Government commitment,

8. **GDP Per Capita and Sustainable Development:**

   Zimbabwe's GDP per capita lags comparator countries, indicating lower purchasing power and living standards.

9. **Inflation:**

   High inflation rates persist, discouraging savings and investments, thereby negatively affecting business confidence and economic growth.

10. **Exchange Rate:**

    Continued depreciation of the local currency negatively affects competitiveness, necessitating measures to stabilize the exchange rate. Multiple exchange rates have also adversely impacted on business confidence and performance.

11. **Real Interest Rates and Sustainable Development:**

    Zimbabwe's persistently negative real interest rates undermine its competitiveness compared to comparator countries. Negative real interest rates deter investment and hinder economic growth and development.

12. **Sectoral Contribution to GDP:**

    Analyzing sectoral contributions to real GDP reveals varying trends, with some sectors, such as agriculture, mining and quarrying, information and communication, among others, demonstrating competitiveness by maintaining or increasing their contributions despite economic constraints. However, the manufacturing sector continued facing challenges undermining its performance.

13. **Sectoral Output Growth:**

The growth trajectory of sectors provides insights into their competitiveness. While the ICT sector consistently grows, others demonstrate varying rates, indicating differing levels of competitiveness.

14. **Business Performance:**

Gross Domestic Product (GDP) per Capita serves as a primary indicator of competitiveness, reflecting an economy's ability to improve citizen welfare over time. Zimbabwe's declining GDP per capita compared to comparator countries signals competitiveness challenges. Sectors like mining, agriculture, and ICT are showing resilience while manufacturing continues to face challenges.

15. **Business Environment:**

Zimbabwe's business environment is crucial for competitiveness, with taxation and legislation being key factors. While the corporate tax rate is competitive regionally and globally, tax revenue as a percentage of GDP has improved, although it still needs enhancement. Compliance costs remain high, affecting competitiveness, and legislation efficiency requires improvement for a more competitive business environment.

16. **Population:**

Zimbabwe's growing population offers potential for increased human capital and market size, which are critical in enhancing competitiveness.

17. **Labour Force:**

The expanding labour force influences competitiveness through skills, productivity, and labour market policies.

18. **Employment:**

Employment trends indicate that Zimbabwe is facing challenges in increasing formal employment and shifting from agriculture to more competitive sectors like manufacturing and services.

19. **Infrastructure:**

The previous years of lack of investment and maintenance contribute to its low competitiveness ranking. Investment in both physical and soft infrastructure positively impacts competitiveness. Zimbabwe's infrastructure, particularly transport and energy, needs improvement to reduce costs and enhance efficiency. Investment in infrastructure is crucial for economic growth and competitiveness.

20. **Clusters and Firm Sophistication:**

Clustering and firm sophistication drive national growth and competitiveness. Zimbabwe lags in business sophistication, digital skills, and cluster development compared to comparator countries. Emphasizing these areas can improve productivity and competitiveness.

21. **Knowledge and Talent:**

The availability and relevance of knowledge and talent are critical for competitiveness. Zimbabwe performs well in skills matching but lacks in the availability of professionals, researchers, and software development. Retaining skilled labour and investing in software development are expected to enhance competitiveness.

22. **Cost Drivers:**

Cost competitiveness is vital for firms to maintain profitability and competitiveness. Zimbabwe faces challenges of high utility costs, such as high electricity and diesel prices, impacting operational costs and hindering productivity and competitiveness.

23. **Productivity:**

Productivity, which is crucial for competitiveness, remains low in Zimbabwe compared to regional peers, indicating challenges in efficiently utilizing resources to generate output.

24. **Quality of Life and Sustainable Development:**

Poverty remains a significant issue, impacting purchasing power and competitiveness. Zimbabwe's low quality of life index compared to comparator countries suggests challenges in overall well-being of the population.

25. **Social Inclusion:**

Social inclusion is essential for reducing inequality, promoting empowerment, and fostering inclusive societies. Zimbabwe's inclusiveness index indicates room for improvement compared to comparator countries.

26. **Mining Sector:**

The sector plays a pivotal role in the country's economy, contributing significantly to GDP, exports receipts, fiscal revenue, foreign investment, and employment. With a diverse mineral base, including Platinum Group Metals (PMGs), gold, coal, and diamonds, Zimbabwe possesses a comparative advantage that enhances its competitiveness in the global market through value addition and beneficiation.

**Proposed Areas of Interventions:**

1. **Targeted policies and reforms to address these challenges:**
   Continued investments in infrastructure, education, institutional reforms, innovation, and entrepreneurship are crucial for enhancing competitiveness and fostering sustainable economic growth.

2. **Single-digit inflation:**
   Align with the SADC annual inflation target of between 3% and 7%. Addressing inflation is critical to enhancing the country's economic stability and attractiveness to investors.

3. **Addressing gaps and challenges:**
   Concerted effort from all stakeholders, which include Government, businesses, academia, labour, Development Partners, in addressing gaps and challenges to enhance overall competitiveness and foster sustainable economic development is very important.

4. **Natural resources development:**
   The country to take advantage of natural resources, a skilled labour force, and fiscal stability to unlock its potential for inclusive and sustainable economic growth and

development. Prioritization of reforms and investments in those areas is key in enhancing competitiveness.

5. **Improvements needed:**

   Notwithstanding the progress made in certain competitiveness inputs like corporate tax and skills matching, there are areas needing improvement, such as infrastructure, regulatory environment, digital skills, and cluster development.

6. **Policies for competitiveness:**

   Policies aimed at improving the macroeconomic environment are necessary to attract investment, enhance competitiveness, and raise living standards. Addressing macroeconomic challenges, investing in human capital, and adopting comprehensive strategies are essential for achieving Sustainable Development Goals (SDGs).

7. **Agriculture, social assistance and economic stability:**

   Improving agricultural productivity, social assistance programs, and economic stability are crucial for enhancing competitiveness and improving living standards of the citizenry.

8. **Social inclusion:**

   Embracing social inclusion, which is expected to enhance productivity, competitiveness, overall economic growth and development.

9. **Digitization of mining processes:**

   Full digitization of mining cadastre systems and accelerating amendments to mining laws are crucial steps toward achieving this goal, as well as ensuring sustainable growth and maximizing the sector's contribution to the economy.

**Preamble**

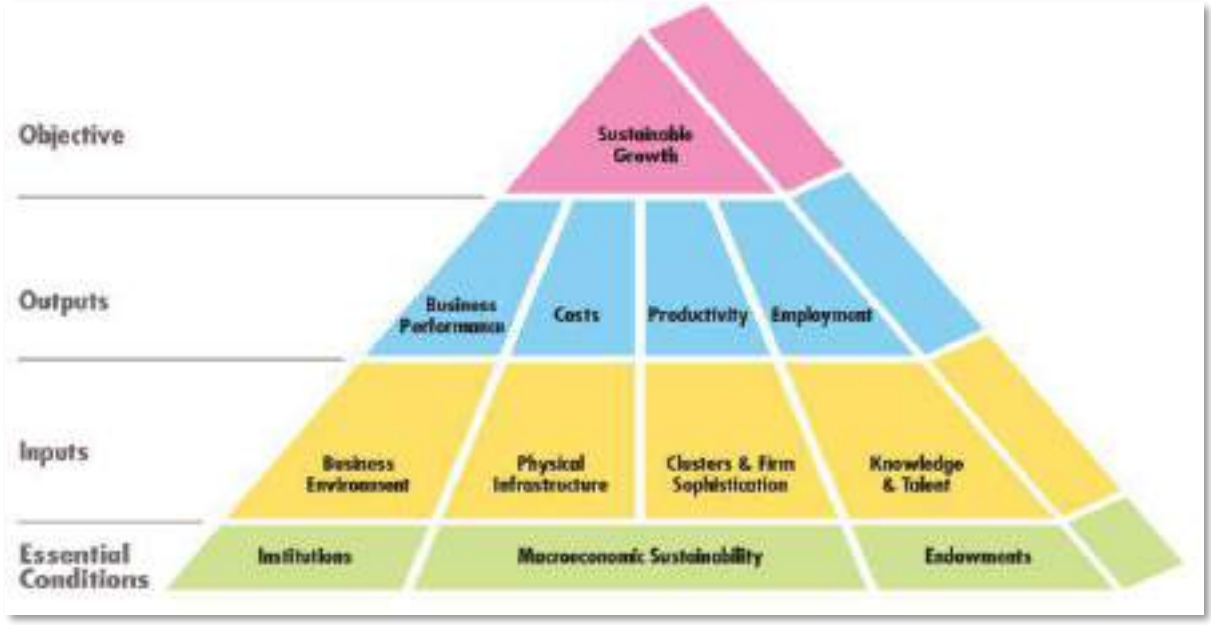
The National Competitiveness Commission (NCC) is mandated to produce annually benchmarked competitiveness reports. The main objective is to assess the country's performance with a view to identify gaps and provide appropriate policy advice on enhancing productivity and competitiveness.

Competitiveness is the ability of a firm or a nation to offer products and services that meet the quality standards of local and world markets at prices that provide adequate return on the resources employed or consumed in producing them. It is an important aspect for policymakers, as it provides information in terms of shift in economic activities, which include production and consumption patterns. The country's competitiveness report assists Government, business, academic, civil society and other leaders of society to shape national, regional and global industrial agendas. As such, the country's competitiveness involves a wholesome set of institutions, policies and factors that determine the country's level of productivity, which in turn is fundamental for economic growth and development.

The 2023 Zimbabwe Competitiveness Report (ZCR) was produced in collaboration with key Experts from the Academia and Industry, as well as in consultation with Government and Development Partners. It presents a balanced assessment of Zimbabwe`s competitiveness, drawing from recent globally comparable indicators and national information.

The analysis of the Report is guided by the competitiveness pyramid to understand the country's competitive landscape, which is a conceptual framework that explains the different levels of competitiveness within an economy or society. The assessment flags out essential conditions for competitiveness, competitiveness inputs, competitiveness outputs and sustainable growth and development. It also examines the mining sector performance in relation to competitiveness. Figure 1 illustrates the competitiveness pyramid for Zimbabwe.

**Figure 1: Competitiveness Pyramid for Zimbabwe**




***Source:*** *Adapted from Ireland 2022 Report*

At the base of the pyramid are the essential conditions for competitiveness namely institutions, macroeconomic sustainability and endowments. In the next layer above there are four sets of policy inputs that impact future competitiveness, namely, the business environment (taxation, regulation, and finance), infrastructure (hard and soft), clusters and firm sophistication, and knowledge and talent.

Above this, are the outputs where current competitiveness is evident, namely, business performance (such as trade and investment), costs, productivity, and employment. These can be seen as representing the metrics of current competitiveness. Finally, sustainable growth sits at the top of the pyramid as the fruits of competitiveness success.

Addressing each level of the competitiveness pyramid requires targeted policies and reforms tailored to Zimbabwe's specific context. This includes, among others, continued investments in infrastructure development, education and skills training programs, institutional reforms to improve governance, accountability and transparency, as well as initiatives to promote innovation and entrepreneurship. By systematically addressing these factors, Zimbabwe can

enhance its competitiveness and position itself for sustainable economic growth and development.

This Report assesses and benchmarks the country's performance on identified indicators globally and against selected regional comparator countries such as Angola, Botswana, Democratic Republic of Congo (DRC), Ethiopia, Ghana, Kenya, Lesotho, Malawi, Mauritius, Namibia, Rwanda, South Africa, Tanzania and Zambia.

The comparator countries were selected based on their strategic importance to Zimbabwe in terms of trade relationships, attracting investment and international best practices, from which the country can tap experiences thereof. Benchmarking against comparator countries is a useful analytical tool because competitiveness is a relative term, which depends on how Zimbabwe is faring in comparison to its peers.

# CHAPTER ONE

# ESSENTIAL CONDITIONS FOR COMPETITIVENESS

## 1.1 Introduction

1.1.1 The chapter assesses essential conditions that determine the country`s economic performance and competitiveness, which include institutions, macroeconomic sustainability and endowments.

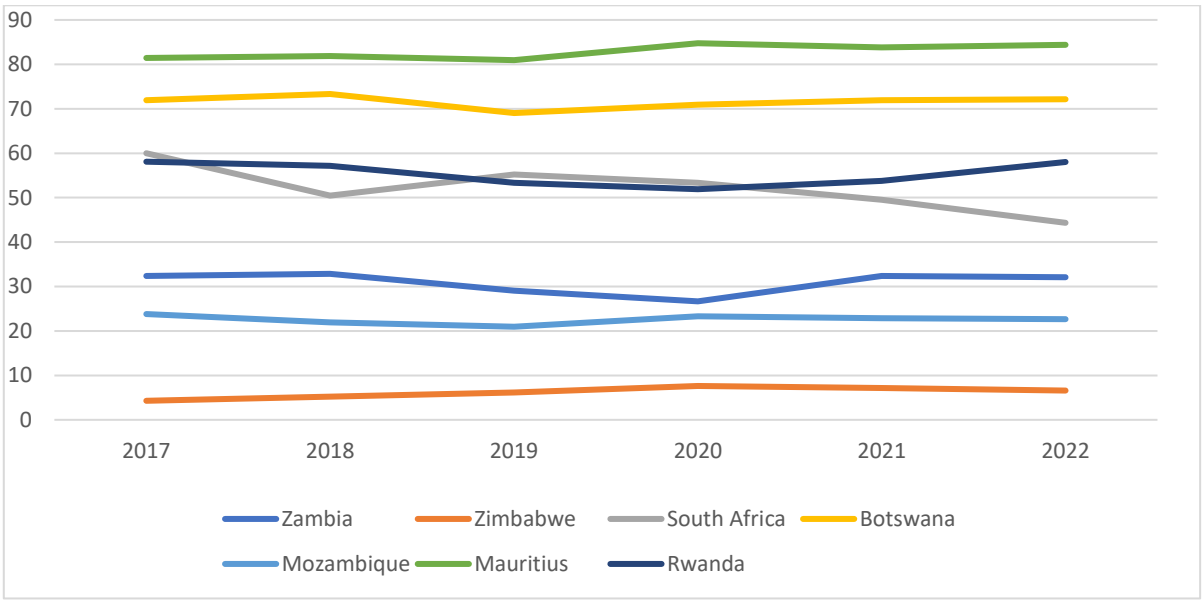
## 1.2 Institutions

1.2.1 Institutions refer to organizations that make/ implement rules, laws, norms of behaviour and traditions that can be followed when participating in any sector of the economy. The presence of transparent and democratic institutions in an economy affects the performance and efficiency of resources use and management. The extent to which institutions support in the creation of a competitive environment for businesses to thrive can be analysed in terms of the country`s performance based on percentile ranks on regulatory quality and Government effectiveness. The rank assesses the performance of countries out of a maximum score of 100, with 0 corresponding to lowest rank, and 100 to highest rank.

### Regulatory Quality

1.2.2 Regulatory quality captures perceptions of the ability of Government to formulate as well as implement sound policies/ regulations that promote public and private sector development. According to World Bank (2023), and in comparison, to other countries, Zimbabwe's regulatory quality score increased steadily from 4.3 in 2017 to a maximum of 7.6 in 2020 before declining to 6.6 in 2022, indicating worsening regulatory quality in the country (Figure 2). The deterioration in the regulatory quality indicates the existence of policies and regulations that allegedly fail to meet stakeholder expectation, which impinged on private sector development and business competitiveness.

**Figure 2: Regulatory Quality Scores, 2017 – 2022**



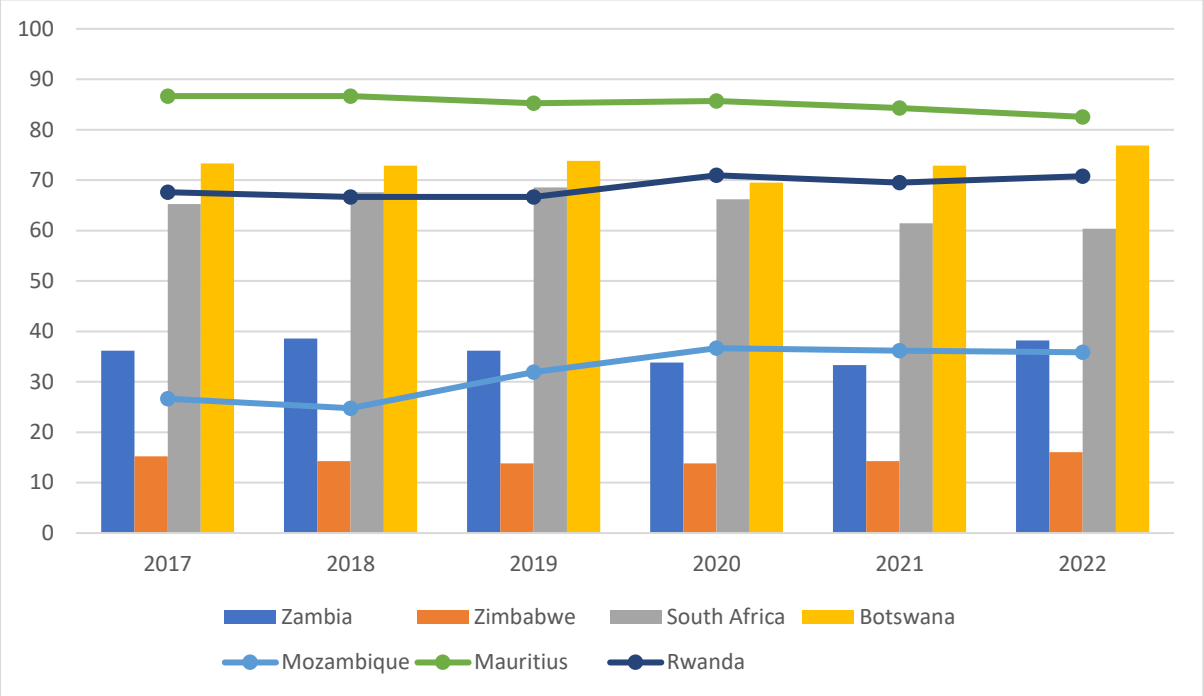

***Source** : WB*

1.2.3 Zimbabwe`s regulatory quality performance is the least among its comparator countries. Mauritius had the highest regulatory quality score trend that improved from 81.4 in 2017 to 84.4 in 2022, followed by Botswana. Implementation of sound policies and regulations that permit as well as promote private sector development enhance the regulatory quality for Zimbabwe, which in turn improves business competitiveness.

**Government Effectiveness**

1.2.4 Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of Government's commitment to such policies. Zimbabwe's Government effectiveness score declined from 15.2 in 2017 to a minimum of 13.8 in 2019 before a slight improvement to 16 in 2022 (Figure 3). The underperformance of the Government effectiveness negatively impacts on private sector confidence, which impinge on the overall competitiveness of the country.

**Figure 3: Zimbabwe's Government Effectiveness Score against Comparator Countries, 2017 – 2022**




***Source:*** *WB*

1.2.5 The Government effectiveness score trend for Zimbabwe is below that of comparator countries. Mauritius had the highest Government effectiveness score that slightly declined from 86.7 in 2017 to 82.5 in 2022. On the other hand, Zimbabwe's score has averaged around 15 for the same period, implying that the country underperformed compared to other countries. The country needs to improve her Government effectiveness (all her various sub-components) in line with comparator countries trends to enhance the competitiveness.

## 1.3 Macroeconomic Sustainability

1.3.1 The macroeconomic environment plays an important role in determining the context in which business operates and the sustainability of the country's economy. A stable environment gives business owners the confidence to invest in their businesses and improve their operations.

1.3.2 The country is characterized by economic instability (high inflation and volatile exchange rate) as well as constantly changing policies, which negatively impact on business planning and

predictability. This seriously increases entrepreneurial risk, dampening economic activity and competitiveness.

1.3.3 Some indicators are used to track the performance of the country at a macro level with leading indicators being economic growth, inflation, interest rates, exchange rates, Government finances and overall debt-to-income ratios. However, the chapter focuses on GDP growth rate, inflation, exchange rate and current account balance.

**Gross Domestic Product**

1.3.4 Zimbabwe's GDP has registered positive trends over the years notwithstanding the presence of exogenous and endogenous shocks, which included floods and droughts responsible for the fluctuations along the trend (See Figure 4). The positive trends in Zimbabwe's GDP growth, particularly from 2021 to 2023, indicates a positive signal on business growth, which is crucial in maintaining investor confidence.

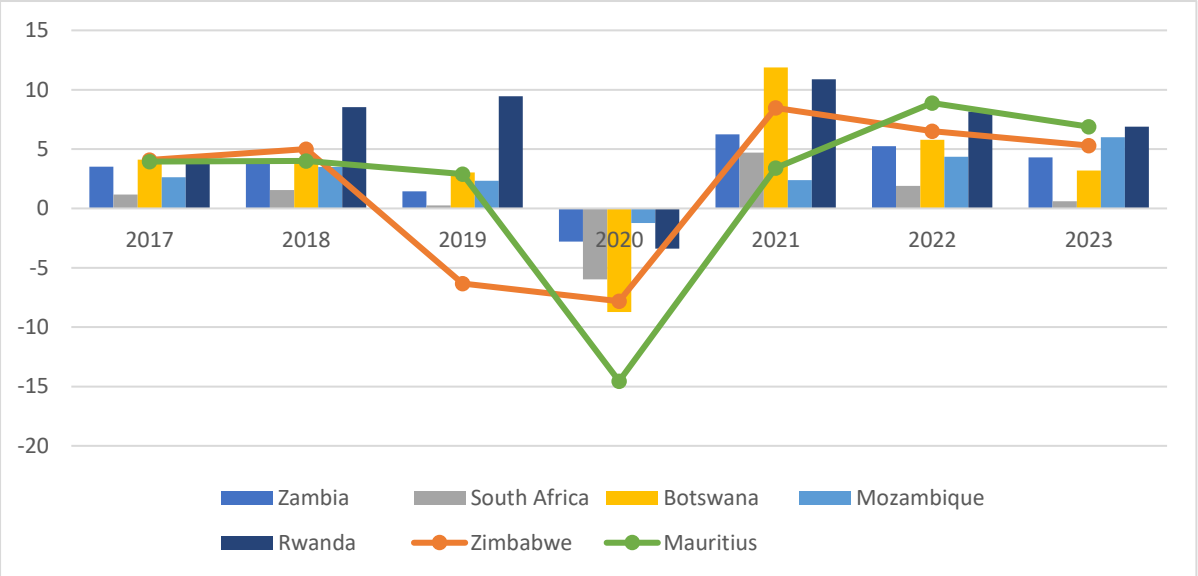
**Figure 4: Gross Domestic Product Growth Rate (%), 2017 – 2023**


***Source**: ZimStat*

1.3.5 Zimbabwe needs to ensure that mitigation measures are in place to cushion the exogenous shocks in the economy to sustain this current growth trajectory. This affects a country's performance and competitiveness as institutions as well as economic entities can suffer from disasters without assurance of getting back whatever might have been lost during the disaster periods.

1.3.6 The GDP growth trend for Zimbabwe is competitive in relation to comparator countries performance especially after economic rebound from the devastating effects of the COVID 19 pandemic in 2020 (Figure 5). Mauritius and Rwanda have the highest GDP growth rate of 6.9% followed by Mozambique at 6% and then Zimbabwe at 5.3% in 2023. The country`s performance signify improved relative competitiveness in the region in 2022 and 2023.

**Figure 5: Growth Domestic Product Growth Rate (%), 2017 – 2023**

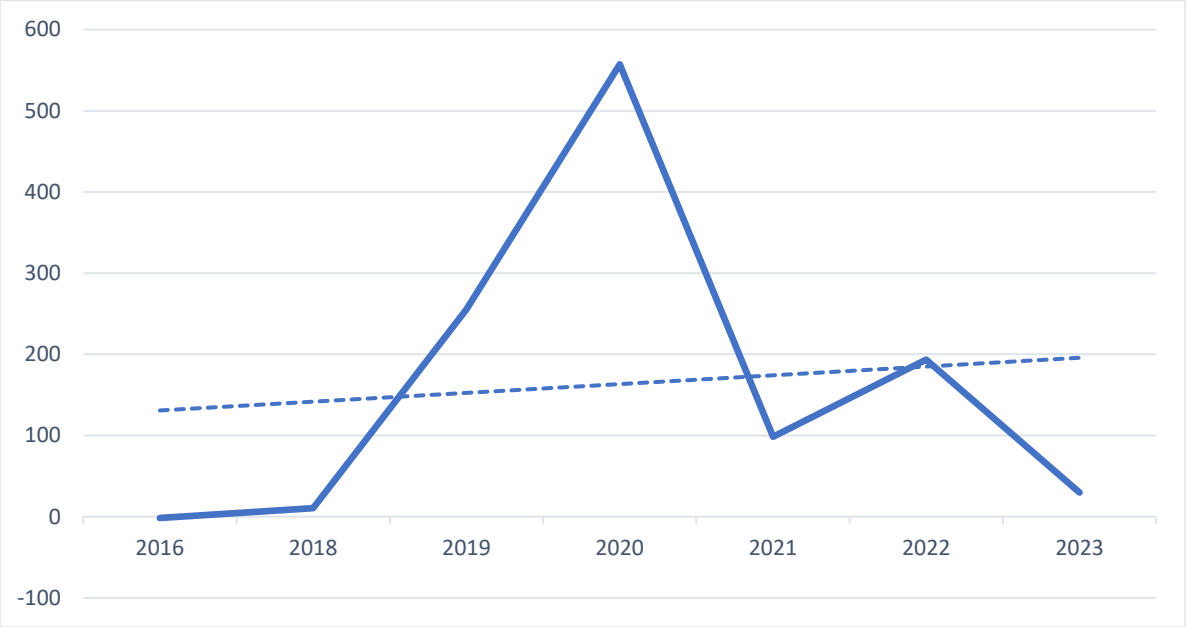



***Source**: WB*

**Inflation**

1.3.7 High inflationary pressures continue to be a challenge for the Zimbabwean economy. This discourages investors, resulting in capital flight. The annual rate of inflation rose from a minimum of -1.6% in 2016 to a maximum of 557.2% in 2020, before declining to 29,81% in 2023. This high inflationary environment has acted against business operations and growth across all sectors of the economy. Figure 6 shows Annual inflation rate (period average) in Zimbabwe from 2016 to 2023.

**Figure 6: Zimbabwe's Annual Inflation Rate (Period Average), 2016 – 2023**




***Source:*** *ZimStat*

1.3.8 Inflation pressures debauched following the recent measures put in place by Government and the RBZ, which included the liberalisation of the exchange rate, supported by the takeover of the Bank's external liabilities and the requirement for duties and taxes to be paid in local currency, which increased the demand for the local currency. Despite the rigorous efforts to tame inflation, the rate still lies above SADC macroeconomic convergence targets of between 3% and 7% and is the highest in the region.

**Table 1: Zimbabwe's Inflation Rate against Comparator Countries, 2018 – 2023**

| Country | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| Zambia | 7.49 | 9.15 | 15.73 | 22.02 | 10.99 | 13.1 |
| Zimbabwe | -1,6 | 10,6 | 255,3 | 557,2 | 98,5 | 29,81 |
| Botswana | 3.2 | 2.8 | 1.89 | 6.68 | 12.2 | 5.9 |
| Mozambique | 2.44 | 2.8 | 3.48 | 6.41 | 9.77 | 7.42 |
| Mauritius | 3.2 | 0.45 | 2.52 | 4.04 | 10.79 | 4.6 |
| South Africa | 4.7 | 4.1 | 3.3 | 4.61 | 6.9 | 5.6 |

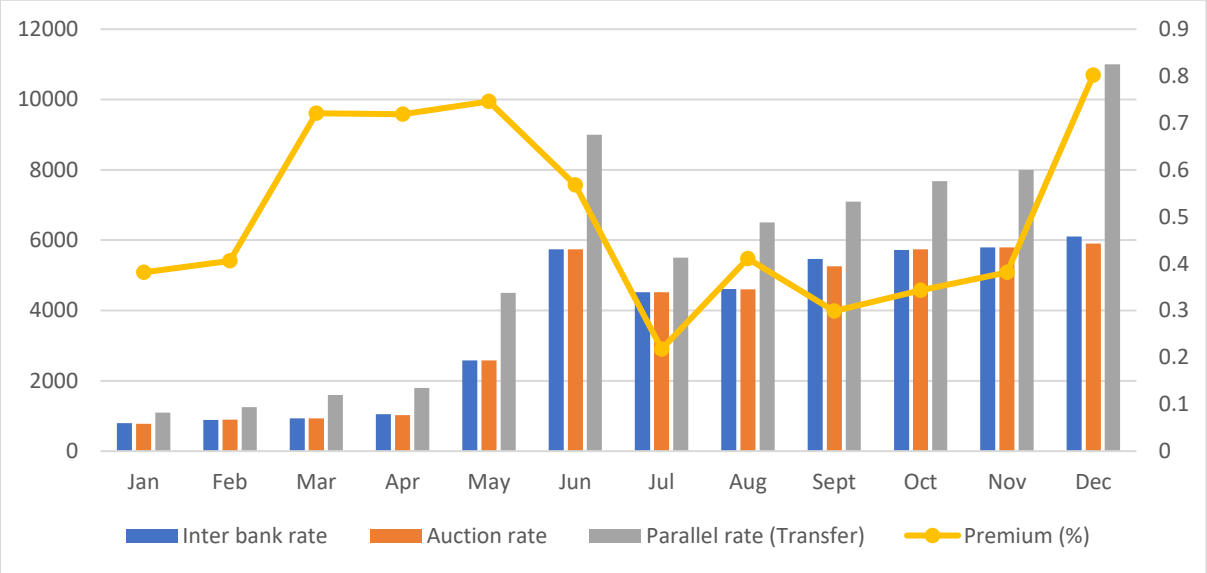
***Source****: WB & ZimStat*

1.3.9 Zimbabwe has been grappling with high inflationary pressures compared to other comparator countries. High inflation undermines a country's competitiveness by reducing purchasing power, increasing costs for businesses, deterring investment, depreciating the currency, fuelling wage-price spirals, and fostering economic uncertainty and instability. Addressing high inflation through appropriate monetary and fiscal policies is essential to restore business confidence, stabilize the economy, and enhance competitiveness in both domestic and international markets.

**Exchange rate**

1.3.10 The country has three exchange rates namely, the RBZ auction rate, inter-bank rate, and parallel market exchange rate. However, the availability of many exchange rates in the country indicates challenges with the local currency value as many people are not confident with it, and this discourages investors as they will not have confidence in the country's currency.

**Figure 7: Zimbabwe's Exchange Rate Trends, 2023**




***Source:*** *RBZ*

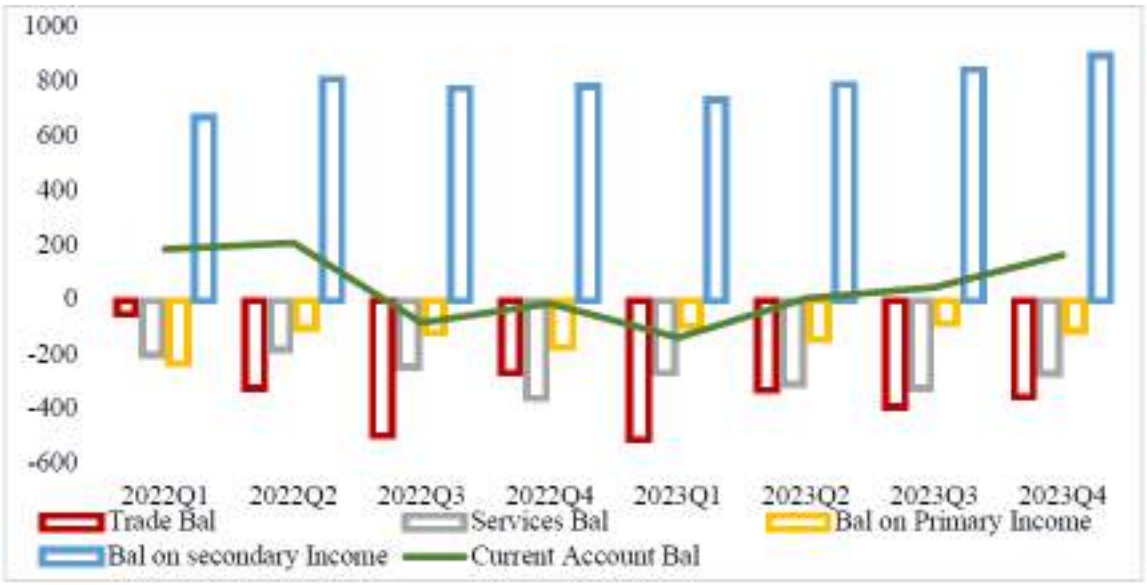
1.3.11 The continued depreciation in the exchange rate negatively impacts on the country's competitiveness by affecting trade dynamics, tourism revenues, investment flows, and

businesses bearing the burden of exchange rate losses, among other aspects of the economy. Government needs to closely monitor exchange rate movements and implement measures to mitigate any adverse effects on competitiveness, such as monetary policy adjustments or interventions in the foreign exchange market.

### Current Account Balance

1.3.12 Ordinarily, a positive current account balance indicates positive net financial inflows, which is crucial in supporting investments and promotion of competitiveness. The favourable current account balance that has been experienced by Zimbabwe in recent years need to be maintained. Figure 8 shows current account balance for Zimbabwe from 2022 to 2023.

**Figure 8: Trend in Current Account Balance, 2022 – 2023**




***Source**: RBZ*

**Key**

| | |
|---|---|
| | Trade Balance:The difference between the value of exports and imports. |
| | Balance on Primary Income: The income that a country earns from, less that they pay to, the rest of the world from working (e.g. wages) and from financial investments (e.g. dividends) |
| | Balance on Secondary Income: Consists of the redistribution of income through current transfers governments, multinational organisations or charities and include spending and transfers on foreign overseas aid, and payment to multinational bodies. (e.g. tax payments and refunds, remittances and emergency food aid ). |
| | Services Balance: The difference between the value of the services that a country exports and the value of the services that it imports. (e.g. on transportation, business services including consultancy, tourism, royalties, or licensing) |
| | Current Account Balance: Records a nation's net trade in goods and services, its net earnings on cross-border investments, and its net transfer payments—over a defined period |

1.3.13 The positive current account balance for Zimbabwe is mainly attributed to secondary income including diaspora remittances, among others. Of major concern, the inflows from diaspora remittances are not being channelled into the formal financial sector and have not contributed to financial intermediation and the economy`s competitiveness. In that regard, Government needs to put in place measures that promote financial sector competitiveness.

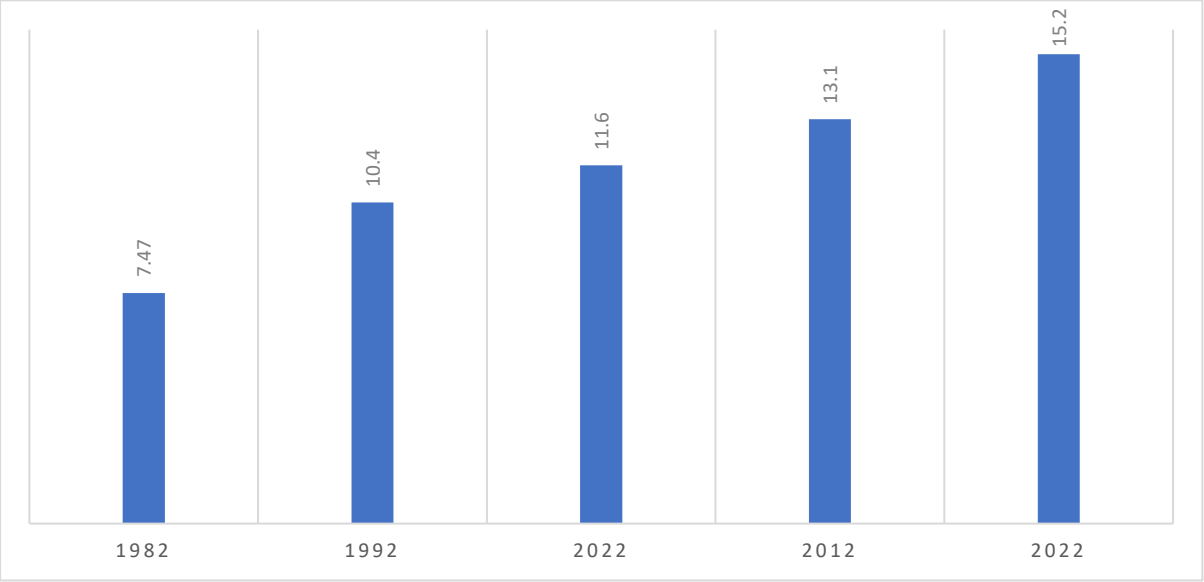
## 1.4 Endowments

1.4.1 The productive view of competitiveness emphasizes the importance of endowments in determining national competitiveness performance. The endowments include population and labour force participation rate.

### Population

1.4.2 The population of Zimbabwe, as shown in Figure 9, has been increasing since 1982 as it was 7.47 million and 15.2 million in 2022. An increase in population causes human capital to increase, which is expected to foster production. An increase in population results in the availability of a market to purchase produced goods as well as labour to participate in various production and economic activities. Thus, an increase in population especially the skilled population is good for the country and needs to be maintained as it enhances competitiveness.

**Figure 9: Zimbabwe's Population Growth, 1982 – 2022**

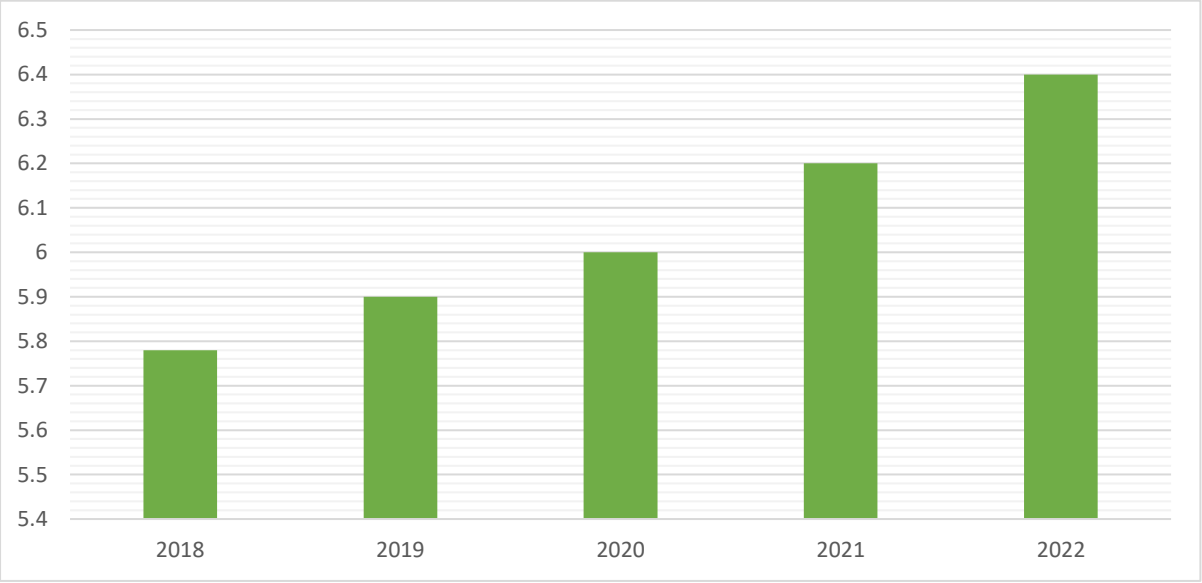



**Source**: ZimStat

## Labour force

1.4.3 Labour force refers to the total number of people that either employed or actively seeking employment. Figure 10 shows Zimbabwe labour force.

**Figure 10: Zimbabwe Labour Force, 2018 – 2022**




***Source**: WB*

1.4.4 Figure 10 shows that labour force has been increasing in Zimbabwe. The labour force significantly influences a country's competitiveness through its skills, productivity, cost, diversity, labour regulatory environment, and labour-market policies. Governments, businesses, and other stakeholders must focus on investing in human capital, promoting inclusive growth, and creating an enabling environment for labour-market dynamism to enhance overall competitiveness in the global economy.

## 1.5 Conclusion

1.5.1 Competitiveness is a multifaceted concept that involves various factors contributing to a country's ability to produce goods and services that can compete in domestic, regional and global markets. The Zimbabwean economy is struggling, when compared with other countries, on most aspects under essential conditions for competitiveness. It is crucial to note that the conditions interact and reinforce each other, and improvements in one area can have positive spill-over effects on others. It is not, therefore, surprising that underperformance in one pillar is likely to be replicated in other pillars and vice versa. Governments, policymakers, businesses, and other stakeholders, therefore, need to focus on addressing all these key areas to enhance a country's overall competitiveness and foster sustainable economic development.

# CHAPTER TWO

# ZIMBABWE'S COMPETITIVENESS INPUTS

## 2.1 Introduction

2.1.1 This chapter examines the country's competitiveness inputs namely, business environment, infrastructure, clusters and firm sophistication, as well as knowledge and talent. It explores the various factors within the business environment, including Government policies, regulations, institutional frameworks, and the EoDB. Additionally, it analyses the role of infrastructure (such as transportation, energy, and ICT), clusters and firm sophistication as well as knowledge and talent in influencing Zimbabwe's competitiveness.

## 2.2 Business Environment in Zimbabwe

2.2.1 Business environment is an essential indicator of a country's competitiveness. There are two main factors that include taxation (extent and effect on incentives to work and invest) and the general legislative conditions (protection of property rights, regulations on FDI, indicators of legal and judicial systems and market dominance) that reflect the quality of various prerequisites that are crucial for a competitive business environment.

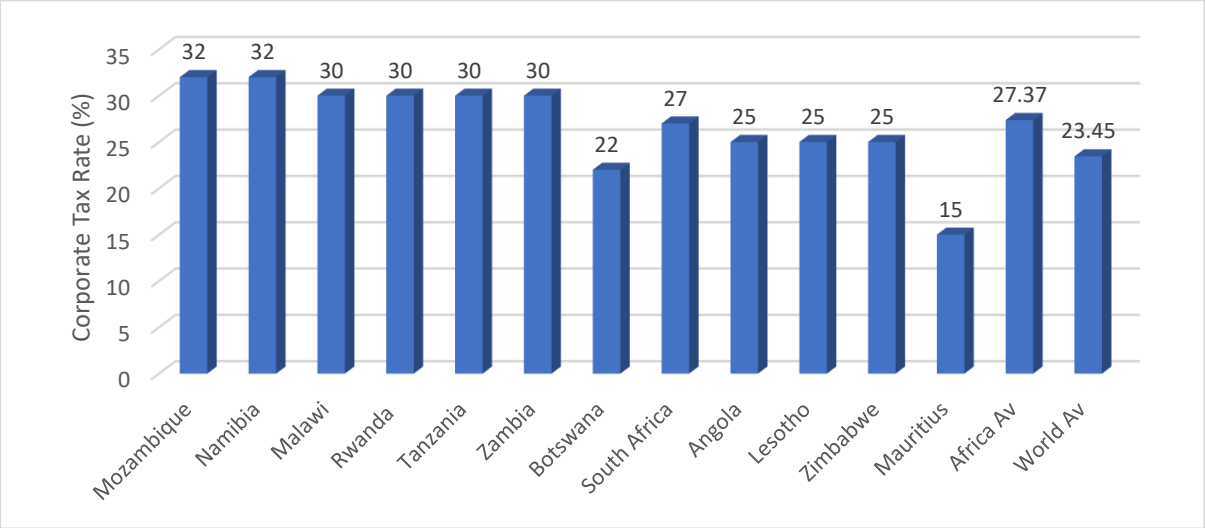
### Taxation

2.2.2 Tax efficiency, tax cuts, tax holidays and other incentives are critical to the development of business environment and enhance a country's competitiveness. Complicated tax systems are associated with high compliance costs, levels of tax evasion and avoidance, large informal sector, more corruption, and low levels of investment, making the country uncompetitive.

### Corporate Tax Rate

2.2.3 Low corporate tax rates are an incentive to invest. Countries with low corporate taxes are competitive compared to those with relatively high rates. Figure 11 shows that Zimbabwe's corporate tax rate of 25% is highly competitive in the region.

**Figure 11: Zimbabwe's Corporate Tax Rate against Comparator Countries, 2023**



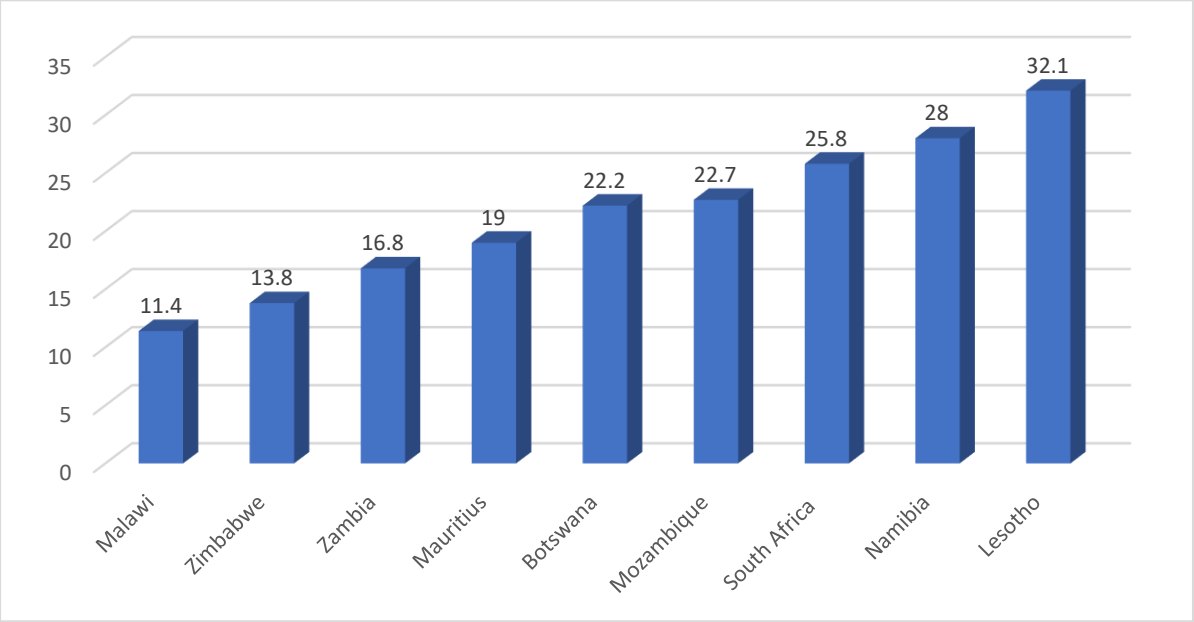

***Source:*** *TF*

2.2.4 Mauritius (15%) and Botswana (22%) are more competitive regionally. The country's corporate rate is also below the regional average of 27.4% and slightly above the world average of 23.5%. This implies that Zimbabwe's corporate tax rate is competitive both regionally and globally.

**Tax Revenue as a % of GDP**

2.2.5 Collecting taxes and fees is a fundamental way for countries to generate fiscal revenues to finance Government expenditures such as investments in human capital, infrastructure, and the provision of services for citizens and businesses, which are essential conditions for enhancing competitiveness. Figure 12 shows Zimbabwe's Tax revenue as a percentage of GDP against comparator Countries in 2022.

**Figure 12: Zimbabwe's Tax Revenue as % of GDP against Comparator Countries, 2022**



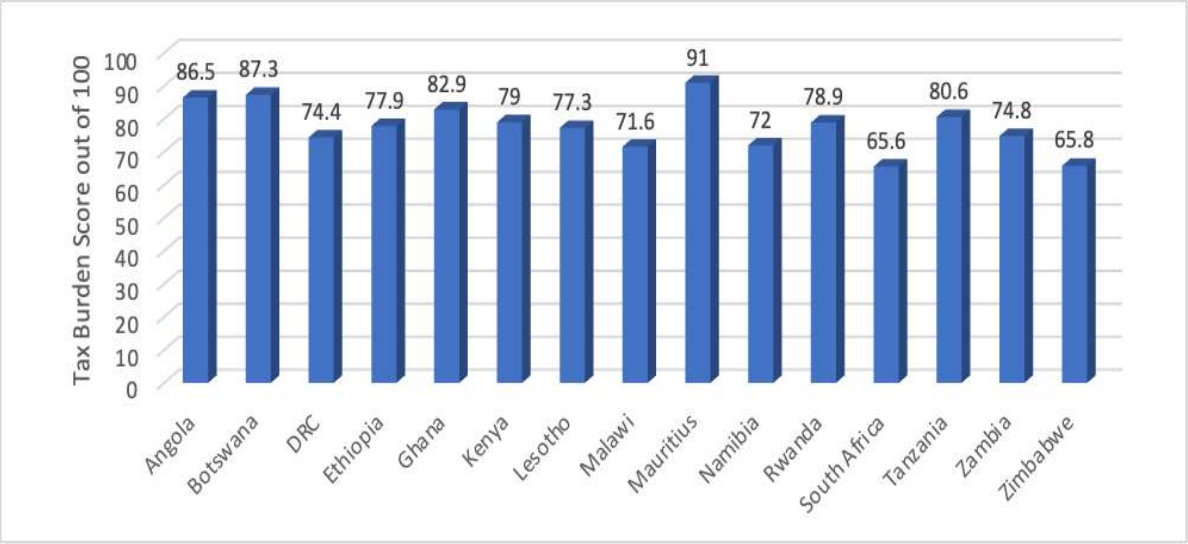

***Source:*** *WB*

2.2.6 Compared to Lesotho (32%), Namibia (28%) and South Africa (26%), Zimbabwe's tax revenue as a percentage of GDP in 2022 (13.8%) makes it uncompetitive in the region. According to the World Bank countries should collect at least 15% of GDP. It is critical to note that in 2023, Zimbabwe surpassed the 15% mark to reach 18%, which is commendable. Notwithstanding the positive developments, the country still needs to improve on tax administration and compliance levels to match comparator countries.

**Tax Burden**

2.2.7 An increase in the tax burden reduces net incomes, which is a disincentive to work, and investment. A business environment characterized by low tax rates and high tax incentives translates to competitive pricing of goods and services. Modern tax systems should seek to optimize tax collections while minimizing the burden on taxpayers to comply with tax laws.

**Figure 13: Zimbabwe's Tax Burden against Comparator Countries, 2023**




***Source:*** *HFIEF*

2.2.8 Figure 13 shows that Zimbabwe scored among the lowest in terms of tax burden, meaning it is the highest taxing country against comparator countries such as Mauritius (91), Botswana (87.3), Angola (86.5) and Ghana (82.9), among others. The average tax burden score is about 65.8. This is coming from the tax regime with the average tax rate being about 35%, which is worsen by recently introduced taxes such as IMTT tax (2% of every transfer transaction). This implies that the citizens and corporates are highly taxed compared to comparator citizens and corporates. The high tax rate implies high cost of doing business in Zimbabwe and this undermines the country's competitiveness.

## 2.3 Legislation as a competitiveness input

2.3.1 Legislation as a competitiveness input describes the strength of the protection of property rights, restrictiveness of the rules and regulations on investment, efficiency of the legal and judicial systems in settling disputes and ease of businesses to challenge Government actions and/ or regulation through the legal systems. A competitive business environment needs to have less restrictive investment rules and laws, efficient legal and judiciary systems and observe rule of law. Zimbabwe decentralised and automated the judiciary system to increase turnaround times in administration of justice. However, prolonged settlement of cases is still prevalent, making the business environment uncompetitive.

**Regulation/ Compliance Costs**

2.3.2 Compliance costs are those incurred by businesses in undertaking actions necessary to comply with the regulatory requirements. According to the Organisation for Economic Cooperation and Development (OECD), compliance costs, in most countries, form the largest component of regulatory costs borne by businesses, and noted that there is a direct link between regulatory costs and cost competitiveness.

2.3.3 The overall regulatory environment is not conducive with multiple and overlapping processes from different agencies. Licensing requirements in Zimbabwe remain costly and burdensome. For instance, application for an investment license at Zimbabwe Investment and Development Agency (ZIDA) is US$500.00 and issuance of an investment license upon approval is US$4500.00. Local investors can pay the same fees at the interbank rate of exchange. In comparison to other countries like Rwanda where investment licensees pay nominal fees of US$500, Zimbabwe becomes an unattractive investment destination. Table 2 shows that Zimbabwe's company registration and investment licence costs against comparator countries.

**Table 2: Zimbabwe's Company Registration and Investment License Costs against Comparator Countries, 2023**

| Country | Company Registration Cost (US$) | Investment Licence Fee (Application + Investment Licence fees) (US$) |
|---|---|---|
| **Botswana** | 26 | 152 |
| **Malawi** | 60 | 1,000 |
| **Rwanda** | Free | 500 |
| **South Africa** | 9 | 150 |
| **Zambia** | 100 | 560 |
| **Zimbabwe** | 180 | 5,000 |

***Source:*** *Various Sources from Individual Countries' Investment Agencies*[1]

[1] The exchange rate is at 31 December 2023.

2.3.4 Table 2 depicts that the country`s compliance costs are higher thereby affecting competitiveness.

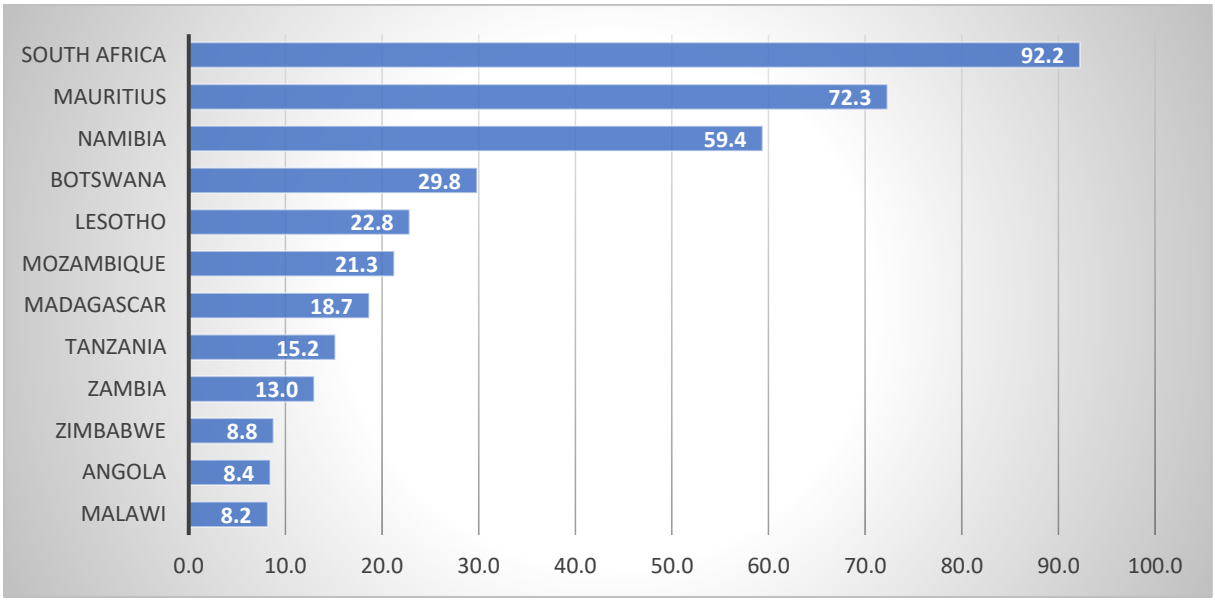
**Repatriation of Profits**

2.3.5 Investment regulations allow for transfer of funds (profits, contributions to capital, dividends, among others) upon proving that one is an investor. However, the challenges associated with free movement of funds such as Base Erosion and Profit Shifting (BEPS) militates against the country's competitiveness both in the region and globally.

**Access to Finance**

2.3.6 Access to credit measures a country's ability and easiness to give credit to economic agents. Domestic credit to private sector refers to financial resources provided to the private sector, such as through loans and other financial services. Countries with high access to credit are more competitive. Figure 14 compares Zimbabwe with selected comparator countries on domestic credit to private sector in 2022.

**Figure 14: Zimbabwe's Domestic Credit to Private Sector as a % of GDP against Comparator Countries, 2022**




***Source:*** *WB*

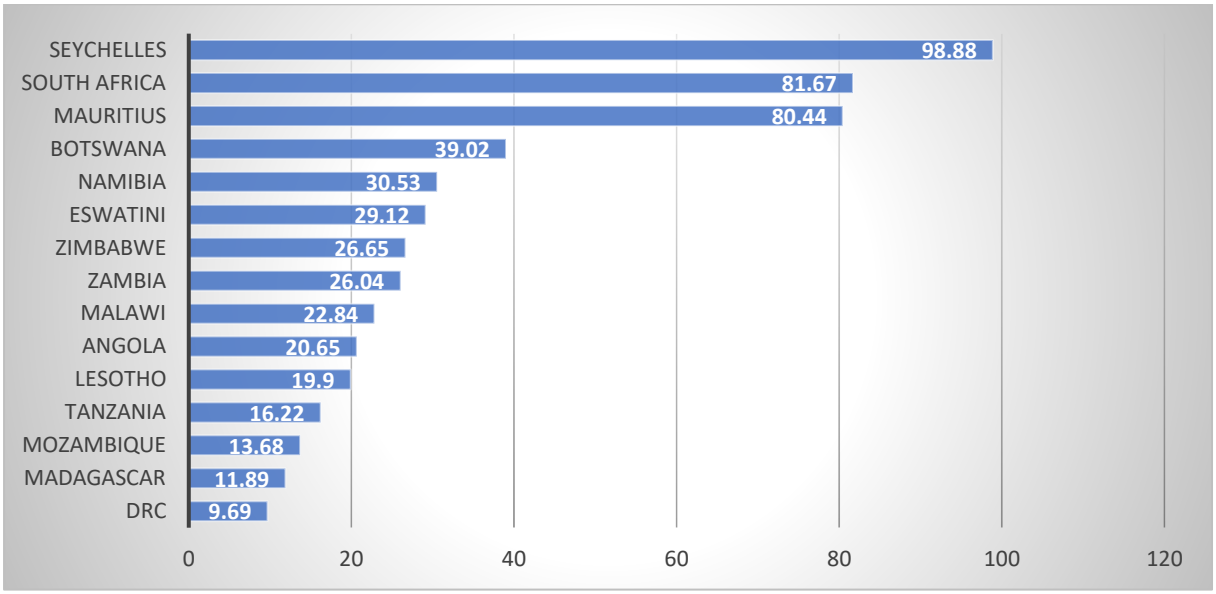
2.3.7 Zimbabwe, at 8.8%, is among the least performing countries. This implies that the banking sector is lending way less than regional peers to the productive sector, making the business environment less competitive compared to South Africa (92%), Mauritius (72%) and Namibia (59%) in 2022. Domestic credit to private sector for Zimbabwe shows that the country does not have easy access to finance. This is mainly attributed to low confidence on domestic currency and limited foreign currency, as financial services sector is only providing short term loans at high interest rate of 130% on ZWL and around 15% on USD.

## 2.4 Infrastructure

2.4.1 The fragile economic and social (such as health, education, water and sanitation) infrastructure has deteriorated due to limited maintenance, although there are now signs of concerted efforts to rebuild the country as evidenced by the infrastructure and industrial recapitalization by Government.

2.4.2 High quality infrastructure boosts productivity, competitiveness, and economic growth and development. It reduces financial, administrative and time costs, and ultimately support the economy's competitiveness. Infrastructure can be categorised into two forms namely physical and soft infrastructure. The African Development Bank (AfDB) measures the level of infrastructure development within African countries using the Africa Infrastructure Development Index (AIDI). The index is made up of four major components which are electricity, transport, ICT, and water and sanitation. Thus, all the components as discussed in the proceeding sections can be summarised using the AIDI as given in Figure 15.

**Figure 15: Africa Infrastructure Development Index, 2023**




***Source:*** *AfDB*

2.4.3 The higher the index, the better the infrastructure in that country. Thus, infrastructure in Zimbabwe is still considered poor even though in same category with most of the comparator countries except for Mauritius, South Africa and Seychelles. This indicates the need for more increased investment in infrastructure to improve the country's competitiveness, which the Government has started, especially for energy, roads, airports, dams, border posts, among others.

**Physical Infrastructure**

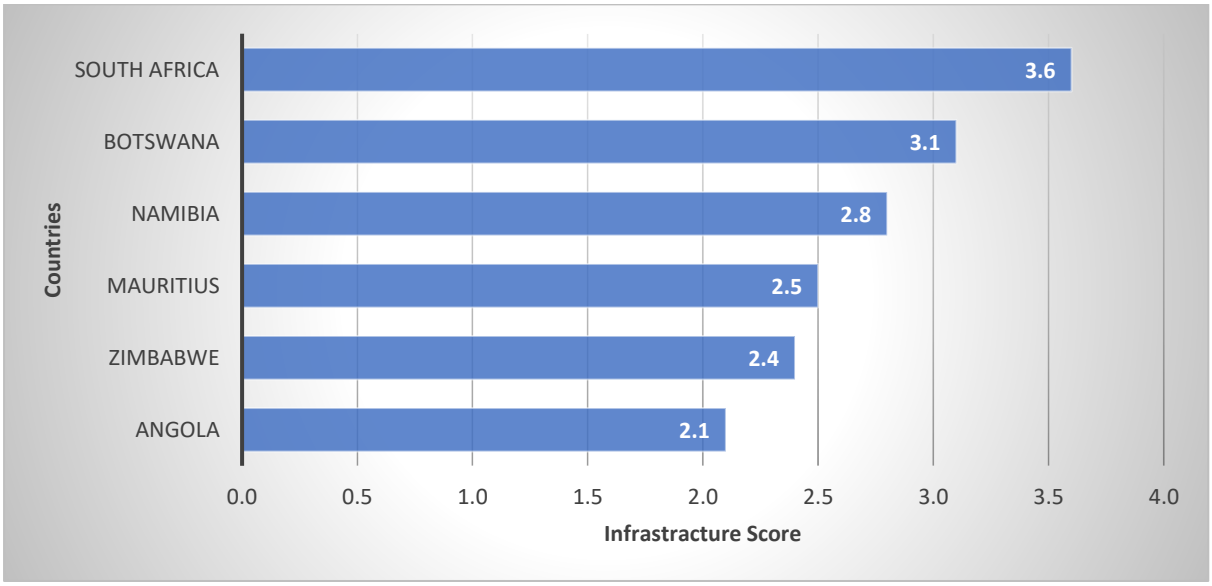
2.4.4 Physical infrastructure plays a vital role in Zimbabwe's competitiveness by providing a foundation for economic activities, facilitating trade, and enabling efficient movement of goods and services. Adequate and well-maintained infrastructure is essential for attracting investments, promoting industrial development, and enhancing overall productivity. This sub-section explores key aspects of physical infrastructure in Zimbabwe.

**Transport and logistic infrastructure**

2.4.5 Transport and logistics infrastructure development that include road networks, railways, airports, and seaports is one of the key factors that enhances competitiveness of a country.

Countries that have well-established and efficient transport and logistics infrastructure tend to be more competitive than their counterparts, as there is efficiency in the movement of goods which makes business operation easier. Efficient transportation infrastructure reduces logistics costs, improves supply chain efficiency, and enhances connectivity between production centres and markets and meet delivery timelines. Figure 16 shows the performance of transport and logistic infrastructure for selected comparator countries using scores from 1 to 5, where 1 is the lowest and 5 is the highest.

**Figure 16: Transport Infrastructure Scores for Zimbabwe against Comparator Countries, 2023**




***Source:*** *WBLPI*

2.4.6 The World Bank's Logistics Performance Index (WBLPI) ranks South Africa higher than the other countries mentioned, indicating its superior transport and logistics infrastructure. However, Botswana and Mauritius also perform relatively well in this area, benefitting from their strategic geographic locations and investment in transport infrastructure. The statistics also indicate that Zimbabwe is less competitive in terms of transport and logistic infrastructure. However, the country is making efforts to improve in that end with the upgrade of major road networks through the Emergency Road Rehabilitation Program (ERRP) and upgrade of the Robert Gabriel Mugabe International Airport and Beitbridge Border Post, among others.

**Energy Infrastructure**

2.4.7 Energy is one of the building blocks towards enhancing the country's competitiveness. Reliable and affordable energy especially electricity supports expanded industry, modern agriculture, increased trade, and improved transportation. In Zimbabwe, the energy sector has an installed capacity of approximately 2,570MW, of which about 58% is thermal. Actual generation is 1,500MW against an estimated national demand of 2,000MW. Resultantly, the sector is characterised by loadshedding making the country uncompetitive as the local industry compensates the loadshedding through own expensive means, especially the use of generators.

2.4.8 Low generation capacities also emanate from obsolete infrastructure and high maintenance costs despite the completion of Hwange 7 & 8 in 2023. Government envisages to increase the share of renewable energy to at least 2,100MW by 2030, hence the provision of tax holidays and exemption of duty on imports of renewable energy generation equipment, for instance solar equipment. The Government efforts are towards increasing the generation capacity to improve power supply, thereby enhancing productivity and competitiveness.

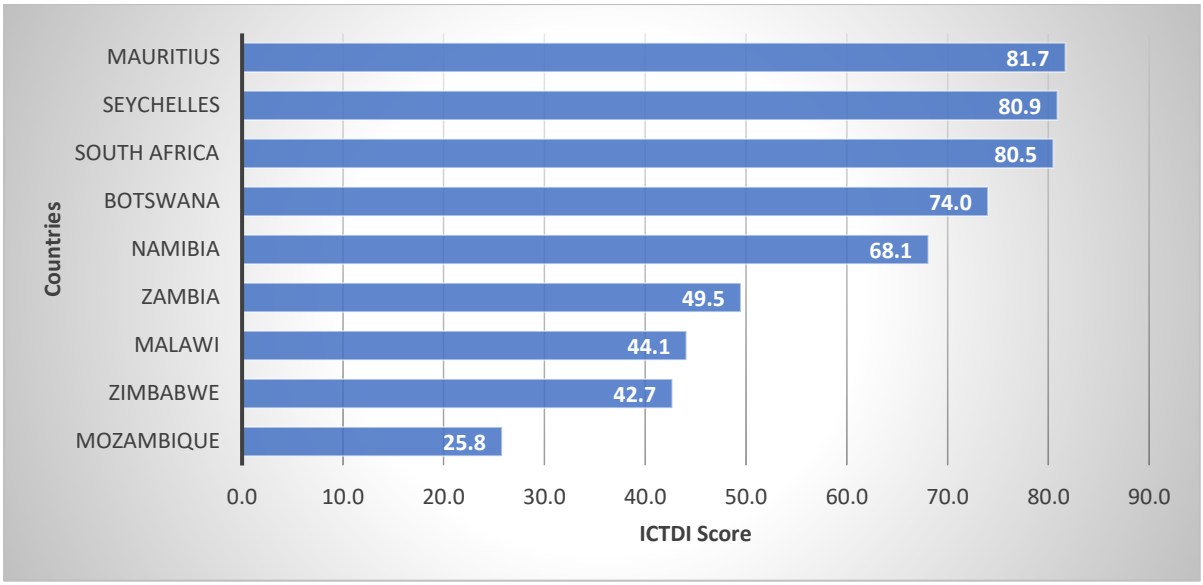
**Soft Infrastructure**

2.4.9 Soft infrastructure are intangible systems that support economic, social, and cultural activities within a country. These include ICT, health, and transport and logistics systems, among other factors. This requires investment in Research and Development (R&D). Latest statistics provided by United Nations Educational, Scientific and Cultural Organization (UNESCO) Institute for Statistics shows that Zimbabwe had lower expenditure on research and innovation (0.19%) compared to other countries such as South Africa (0.83%), Mauritius (0.74%) and Botswana (0.49%) (UNESCO, 2019). These figures indicate a relatively lower investment in R&D for Zimbabwe, which makes it less competitive. However, on a positive note, Government has recently increased investment in this area through support of Innovation hubs in many universities across the country namely, Harare Institute of Technology, University of Zimbabwe, Chinhoyi University of Technology and National University of Science and Technology, among others.

### Information Communication Technology Development Index

2.4.10 The ICT Development Index indicates the level of competitiveness for a country particularly in this Fourth Industrial Revolution era. This index comprises of access to ICT, use and skills in the use of ICT tools and systems. The dimension of access pertains to the availability and affordability of ICT infrastructure and services, which include internet access, mobile cellular subscription, among others. In terms of use, this covers the extent to which individuals use the ICT while skills cover the capacity of individuals to use and benefit from it. Thus, countries with a higher score are more competitive than those with a lower score. Figure 17 depicts ICT Development Index for Zimbabwe against comparator countries.

**Figure 17: Information Communication Technology Development Index, 2023**




***Source:*** *ITU*

2.4.11 Zimbabwe is less competitive when compared with most of the comparator countries. This implies that more investment is required in ICT infrastructure to enhance competitiveness.

## 2.5 Clusters and Firm Sophistication

2.5.1 Clustering and firm sophistication are key pillars of national growth and competitiveness. Clustering is a modern business concept, which refers to the geographic concentration of interconnected industries in a particular field. The concept is considered a driver of innovation

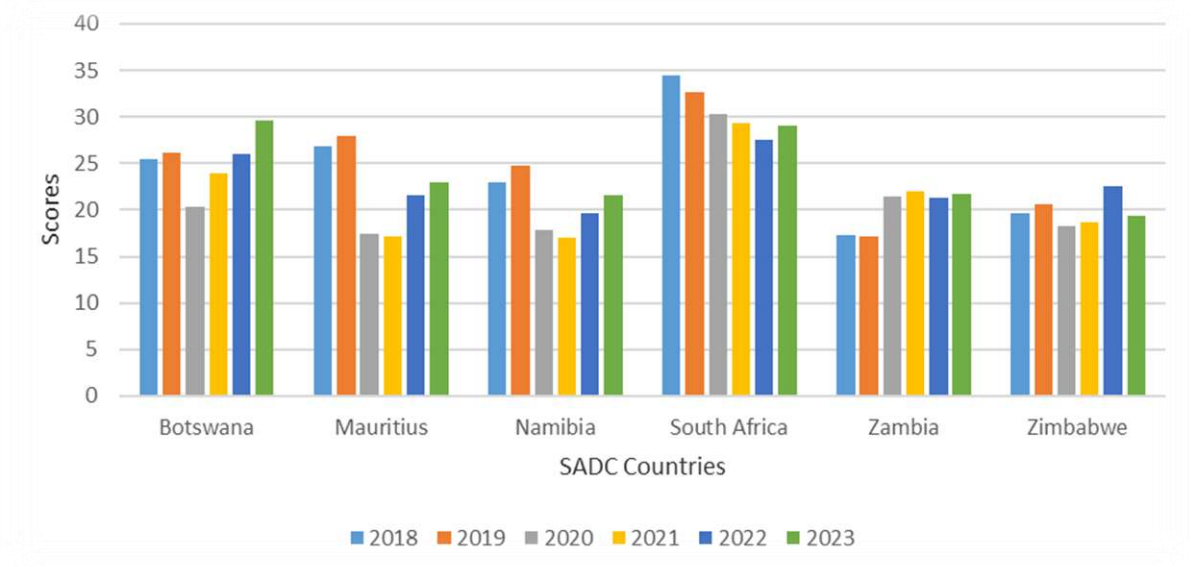
and knowledge sharing among the concentrated firms. On the other hand, firm sophistication entails its ability to improve operation efficiencies often induced by the application of advanced skills and technologies in business operations. Indicators of this competitiveness input include the level of business sophistication, digital skills application, innovation and cluster development.

**Business Sophistication**

2.5.2 Business sophistication refers to the effective use and management of information systems by businesses to gain a competitive edge in the marketplace. To remain competitive and defend existing market share, firms should embrace technology as a key component of business processes. Firms can therefore improve productivity, customer service quality and eventually enhance competitiveness at both enterprise and global levels.

2.5.3 The Global Innovation Index (GII) 2023 Report argued that businesses foster their productivity, competitiveness using sophisticated production systems. This implies that countries exhibiting high levels of business sophistication are expected to be more competitive relative to countries comparator countries. Figure 18 compares the level of business sophistication in Zimbabwe against comparator countries.

**Figure 18: Zimbabwe's Business Sophistication against Comparator Countries, 2018 - 2023**



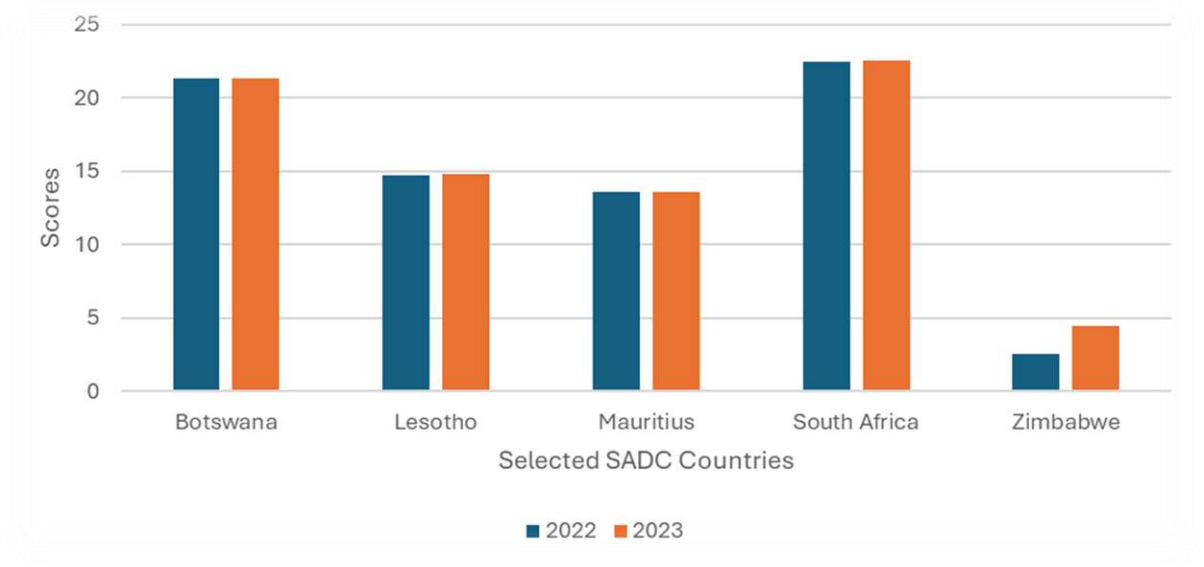

***Source:*** *GIIR*

2.5.4 As shown in Figure 18, businesses in South Africa are more sophisticated compared with businesses in other SADC countries. Zimbabwe, among the comparator countries is ranked least in terms of business sophistication. Cognisant of this, it is difficult for Zimbabwe to enjoy benefits that are associated with the AfCFTA. Government is encouraged to consider business sophistication as a key enabler of productivity and competitiveness to remain relevant in the business world.

**Digital Skills**

2.5.5 Digital skills refer to a range of abilities to use digital devices, communication applications, and networks to complete work tasks. They are crucial for businesses that want to earn competitive edge. It is believed that low levels of digital skills dampen productivity and competitiveness. Figure 19 compares Zimbabwe digital skills against comparator countries.

**Figure 19: Zimbabwe Digital Skills against Comparator Countries, 2022 – 2023**



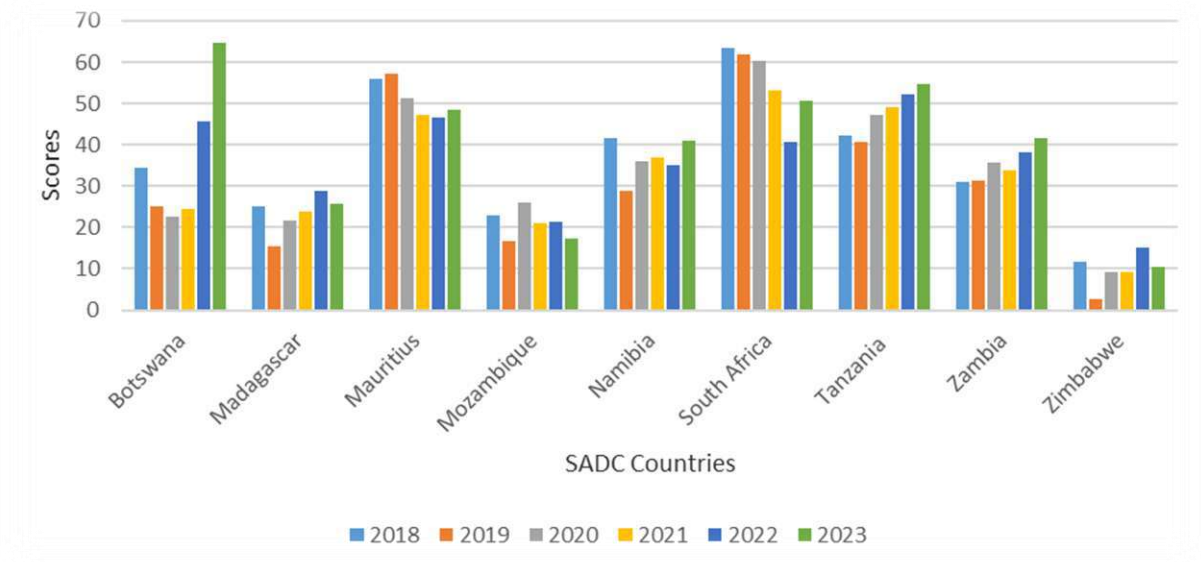

***Source:*** *GTCIR*

2.5.6 Figure 19 compares digital skills availability in Zimbabwe against SADC comparator countries. The figure shows Zimbabwe having the lowest level of digital skills than other SADC comparator countries. Given that digital skills are key enablers of business sophistication, low performance level of Zimbabwe is not surprising. Government, in partnership with the private sector, is encouraged to support and strengthen institutions that provide human capital digital skills.

**Cluster Development**

2.5.7 Cluster development refers to the economic development of business clusters. It is a modern concept, which can lead to increased innovation, productivity and competitiveness. Cluster development is therefore key in enhancing export competitiveness. It is believed that countries that have engaged in cluster development as an economic strategy are more competitive relative to counterparts. Figure 20 depicts cluster development levels across SADC countries.

**Figure 20: Zimbabwe's Cluster Development Levels against Comparator Countries, 2018 – 2023**




***Source:*** *GTCIR*

2.5.8 Figure 20 indicates that Zimbabwe is lagging comparator countries, with South Africa leading, in the development of economic clusters. Other countries, such as Botswana have intensified cluster development in 2023. Although Zimbabwe adopted Special Economic Zones (SEZs) as a clustering model in areas such as Sunway City, Victoria Falls, Mutare and Bulawayo, among others, there has been little progress, hence local businesses are not tapping from the advantages thereof, such as knowledge sharing and collaboration, economies of scale and scope, supply chain optimisation, policy support and development, market access and export opportunities, which are key for firm-based and national competitiveness. All other things being equal, chances are that Zimbabwe's competitiveness would continue lagging other countries up until cluster development, among other strategies have been seriously considered fundamental in the growth and development discourse.

## 2.6 Knowledge and Talent

2.6.1 Knowledge and Talent are one of the critical factors that determines competitiveness. The availability of knowledge, talent and skills is key in fostering productivity and enhancing national competitiveness. There are two important aspects to knowledge and talent. First, there

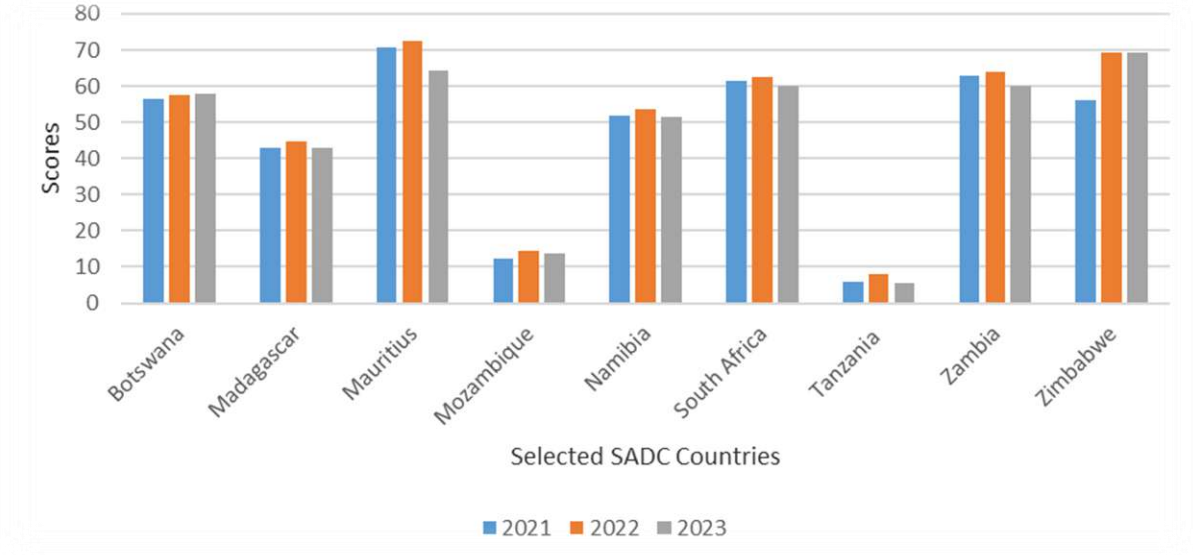
is the availability of high-level skills, which improves processes and helps creates new product markets. The second aspect of knowledge and talent is the level and relevance of skills in the labour force (skills matching), along with experience, and talent.

2.6.2 Indicators for this section are the availability of researchers and professionals with relevant knowledge to stimulate business systems and product innovation, availability of relevant skills to stimulate productivity as well as ability to develop business systems and software, which gives industry competitive advantage over others.

**Skills Matching**

2.6.3 The second aspect of knowledge and talent is ensuring that the labour force has people with the right skills, experience and talent to maximise productivity. Evidence from Figure 21 suggest that Zimbabwe is performing very well in this aspect. This implies the availability of relevant skills in the labour market that matches the industry requirement. It also compares the level of skills matching in Zimbabwe against comparator countries.

**Figure 21: Zimbabwe's Skills Matching against Comparator Countries, 2021 – 2023**




***Source:*** *GTCIR*

2.6.4 Figure 21 indicates that Zimbabwean labour market, compared to comparator countries, has appropriate skills that match the industry requirements. Zimbabwe is ranked second after

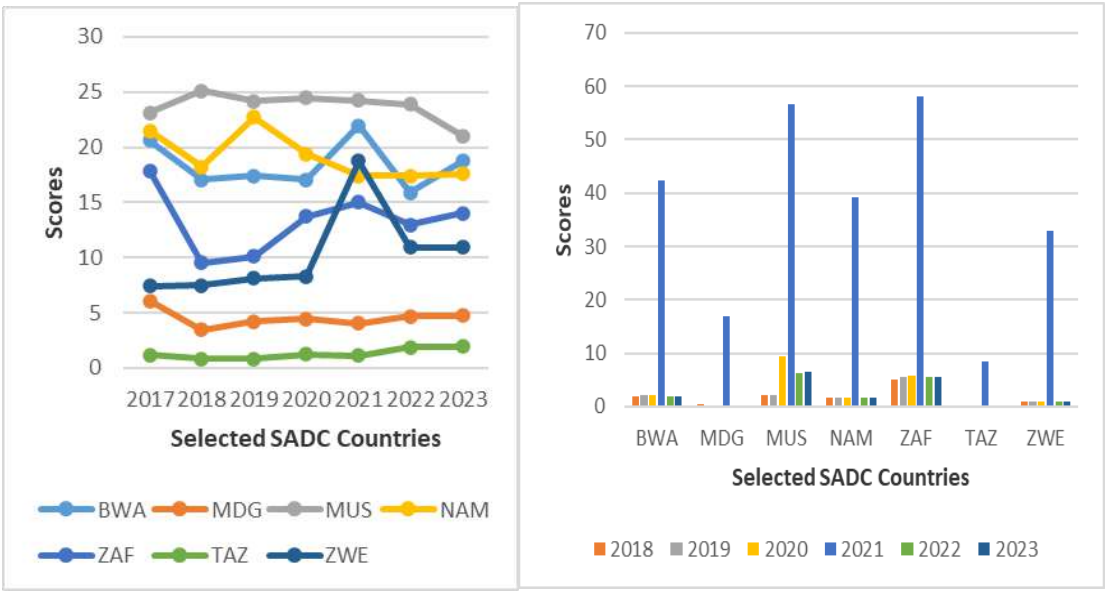
Mauritius, and therefore, urged to take advantage of the relevant skilled labour force endowments to drive forward its competitiveness aspirations. The establishment of the Ministry of Skills Audit and Development in 2023 is envisaged to consolidate the country's performance under this pillar.

**Research and Professionals**

2.6.5 Figure 22 (a) and (b) depicts comparison of the availability of professionals and researchers in Zimbabwe against SADC comparator countries.

**Figure 22: Zimbabwe's Researchers and Professionals against Comparator Countries, 2017 – 2019**

*Figure 22(a): Professionals* *Figure 22(b): Researchers*




*Key:* **BWA = Botswana; MDG = Madagascar; MUS = Mauritius; NAM = Namibia; ZAF = South Africa; TZA = Tanzania; ZWE = Zimbabwe**

***Source:*** *GTCIR*

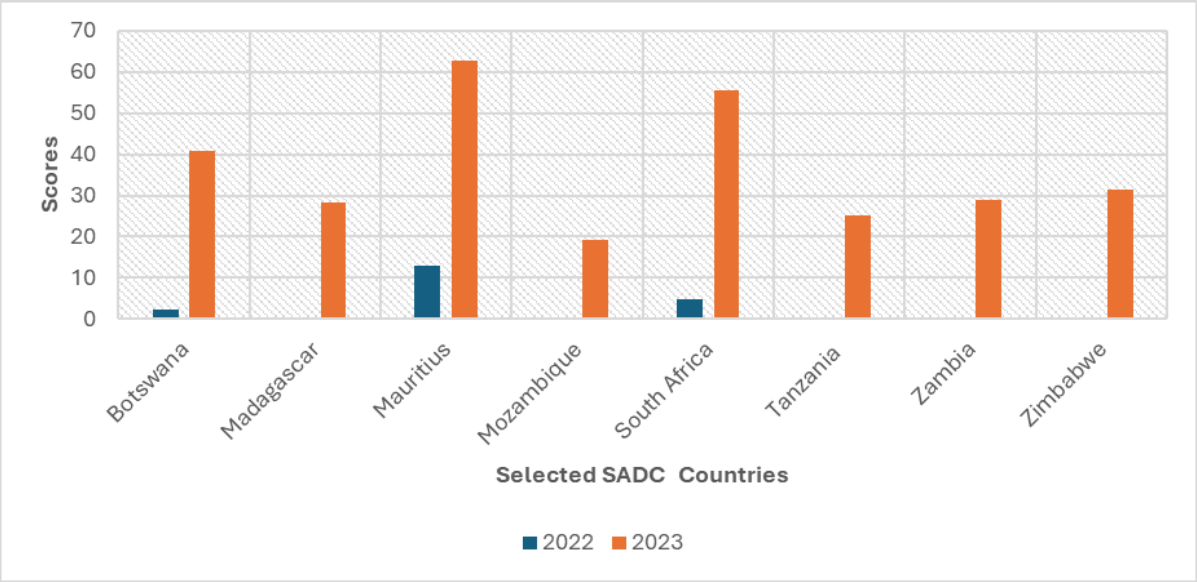
2.6.6 Figure 22 (a) and (b) shows that Zimbabwe has low performance in both indicators compared to comparator countries. Figure 22 (a) indicates inconsistencies in the level of professionals and researchers available in the country suggesting the negative effect of brain drain. The figures show a sharp increase in the level of professionals and researchers in Zimbabwe

between 2020 and 2021. Therefore, Zimbabwe is urged to develop strategies to retain professional workers and researchers.

**Software Development**

2.6.7 Software development is the process of designing, creating, testing, and maintaining different software applications that can be applied in business processes. When applied in business, software enables automation of tedious tasks, streamline processes as well as increase productivity, efficiency and competitiveness. Figure 23 compares the level of software development in Zimbabwe against comparator countries.

**Figure 23: Zimbabwe's Software Development against Comparator Countries, 2022 – 2023**




***Source:*** *GTCIR*

2.6.8 Figure 23 indicates Mauritius as the leading SADC country in terms of software development followed by South Africa, Botswana and Zimbabwe. The figure depicts a great improvement from 2022 software development levels across all SADC countries. Whereas majority of SADC countries scored less than 1 in 2022, all of them scored above 18 in 2023 with Zimbabwe scoring above 30 from 0.34 in 2022. Considering this improvement, Zimbabwe is encouraged

to continue investing in business software development to further simplify business processes and stimulate productivity and competitiveness.

## 2.7 Conclusion

2.7.1 The state of Zimbabwe's competitiveness inputs is mixed. In some areas, such as corporate tax, skills matching, repatriation of profits, the country has made great progress in providing these essential inputs. However, more effort is needed in areas, such as provision of domestic credit to private sector, tax burden, inconsistence regulatory environment, high compliance cost, cluster development, digital skills and business sophistication.

# CHAPTER THREE

# COMPETITIVENESS OUTPUTS

## 3.1 Introduction

3.1.1 This chapter discusses the effectiveness of a country's economic system to transform factors of production (through competitiveness inputs) into competitiveness outputs. The key set of competitiveness output indicators tracked in this chapter relates to four areas namely: (i) business performance; (ii) costs; (iii) productivity; and (iv) employment. Their importance in relation to competitiveness are discussed as follows:

## 3.2 Business performance

3.2.1 Business performance in this chapter is measured through four categories, and these are discussed in this sub-section.

### Gross Domestic Product (GDP) per Capita

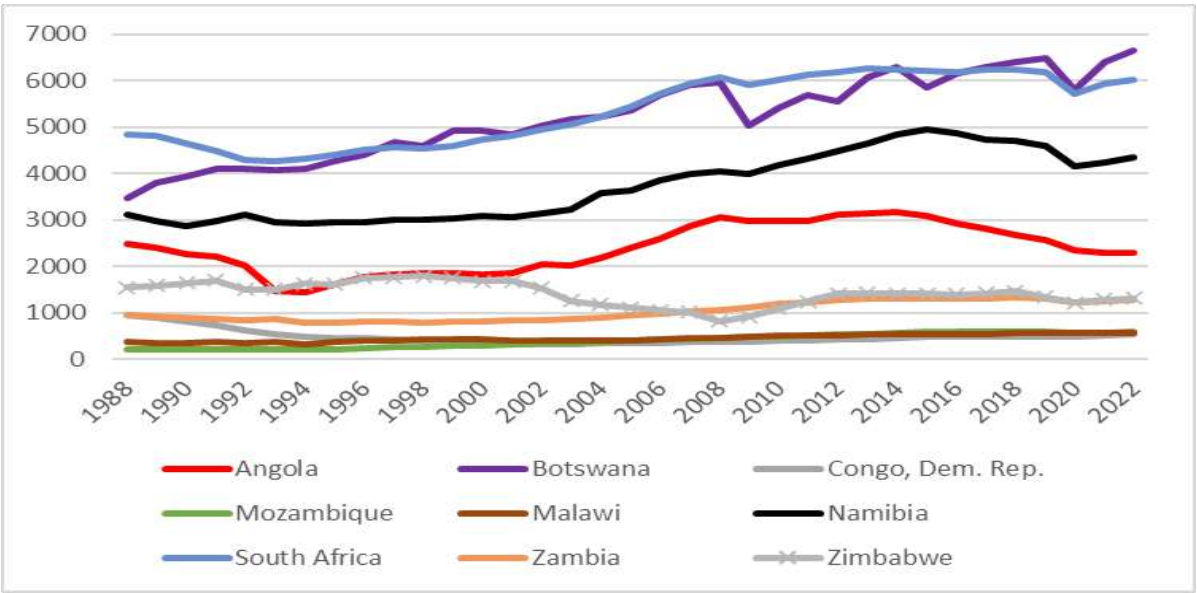
3.2.2 Although input factors, including cost competitiveness and productivity are important in determining competitiveness, the main outcome factor that is commonly considered critical in determining competitiveness is a general improvement in economic performance. Thus, in assessing outcome indicators of competitiveness, the starting point should be GDP per capita as the main indicator of outcome competitiveness (Aiginger, Bärenthaler-Sieber, & Vogel, 2013). In other words, if an economy is competitive, then key economic sectors would be expected to create output, which would translate into citizen welfare.

3.2.3 Thus, GDP per capita trends over a period is an important measure of competitiveness. GDP per capita gives an indication of the total value of output, which each person in the economy enjoys given the overall performance of the economy if resources were to be shared equally. Resultantly, an economy that is competitive is the one that can sustain or improve the total value of output that each person enjoys over time.

3.2.4 An economy that is able to consistently improve its GDP per capita is generally considered competitive, as this means that the country has managed to secure the income even during this period of global competition. An increase in GDP per capita would generally mean that all the agents in the economy have managed to increase their output to levels that are above the demand arising from the growing population.

3.2.5 A look at the trends for Zimbabwe and select SADC countries shows that while real GDP per capita (constant 2015 US$) has generally increased significantly since 1988 for South Africa, Botswana and Namibia, Zimbabwe is again characterized by declining and fluctuating trends (Figure 24). Zimbabwe's GDP per capita was about US$1,548 in 1988 and it fell to about US$1,306 in 2022. Thus, while countries such as Zambia, Malawi, Mozambique and DRC are even worse off than Zimbabwe, the productive capacity of the economy has not been able to adjust and increase to provide for the growing population. This can be attributed to competitiveness challenges encountered by economic agents, which prevent them from exploiting opportunities in the local and global markets. The declining GDP per capita and relatively poor performance compared to other countries shows that the country is not competitive.

**Figure 24: Zimbabwe's GDP per Capita (US$) against Comparator Countries, 1988 – 2022**




***Source:*** *WB*

**Sectoral Contribution to GDP**

3.2.6 While GDP per capita can be used to reflect the general competitiveness of the whole economy, a look at the sectoral trends would also be instrumental in determining whether all the economy's subsectors are equally competitive. Thus, subsector contribution to GDP trends would also help in showing the specific sectors that might be competitive and those that are struggling, whose performance is being masked in overall GDP trends.

3.2.7 Given that GDP growth can be used to reflect the extent to which an economy is competitive, breaking down the GDP of an economy into the various contributing sectors can be instrumental in revealing sources of competitiveness. About 70% of Zimbabwe's economy in terms of overall real GDP is explained by only six sectors[2], namely:

- Agriculture, Hunting and Fishing and forestry;
- Mining and Quarrying;
- Manufacturing;
- Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles;
- Financial and Insurance Activities; and
- Information and Communication.

3.2.8 By looking at the trends over the seven-year period (Figure 25), it can be established that:

- Since 2017, the mining, agriculture, financial & insurance, as well as the ICT subsectors have been characterized by a positive trend in terms of contribution to real GDP relative to the other six subsectors. These sectors can not only be regarded as resilient over this period but also demonstrating some competitiveness as they were able to improve their

[2] Out of about 20 disaggregated contributing heads

overall contribution to the economy in the face of the economic constraints that were taking place over this period.

- Manufacturing sector is struggling to sustain its relevance with respect to contribution to real GDP over this period. This generally could reflect that there are some competitiveness challenges associated with this sector, which makes it struggle in the face of competing services from other firms in the global market.
- Although the wholesale and retail sector has maintained its position as the leading sector in terms of contribution to real GDP, there is a noticeable declining trend since 2019. While this could have largely been driven by the falling manufacturing sector contribution, which means less locally manufactured products available, the decline is not as pronounced as in manufacturing, demonstrating that the sector has been able to wholesale and retail imported products. This also demonstrate that the sector can indeed be competitive.

**Figure 25: Sectoral Contributions to Real GDP (%), 2017 – 2023***


***Source**: ZimStat*

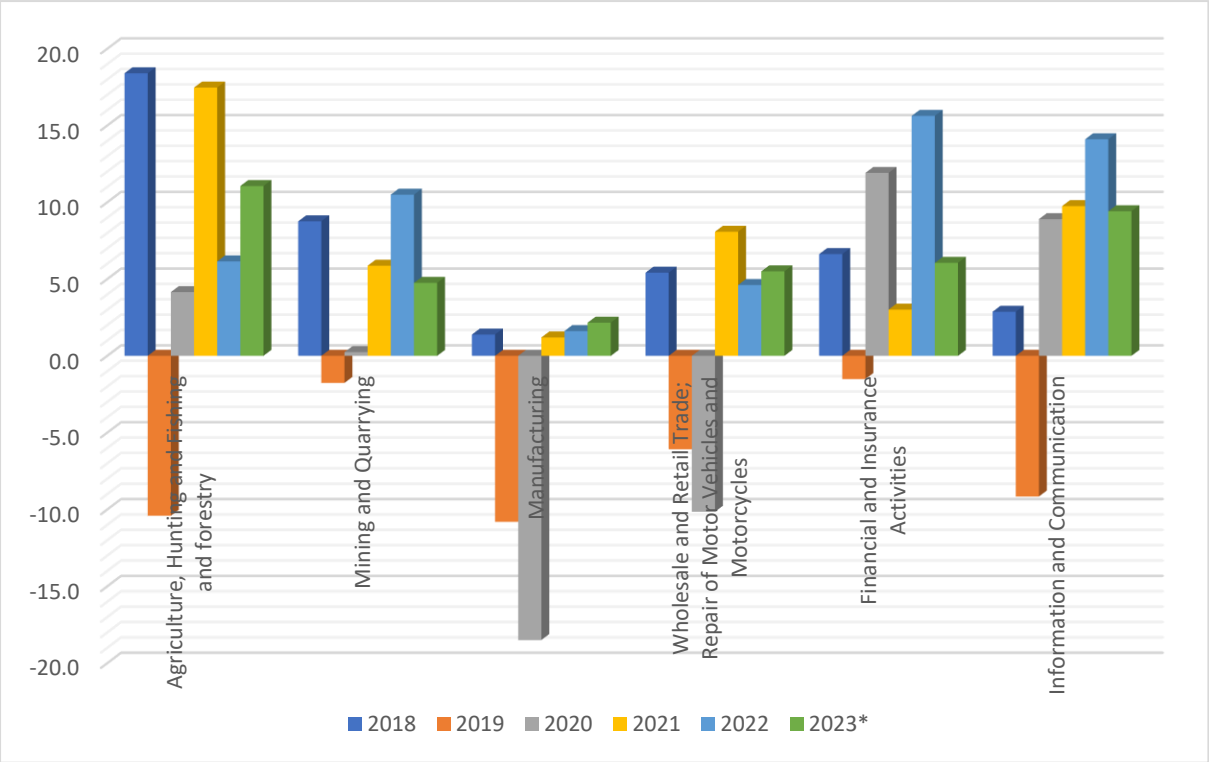
**Sectoral Output Growth**

3.2.9 An economy is made up of several subsectors, whose performance generally contributes to the overall economic performance. The competitiveness of an economy's subsectors is thus also instrumental in influencing the overall competitiveness of the economy. One of the means of measuring subsector competitiveness is to assess the extent to which it is able to sustain or increase growth over time. This is based on the reality that global competition results in all subsectors facing competition from their international counterparts. Any subsector that is not competitive would see reduced business activity as a significant share of the business is taken over by its international competitors. Thus, the growth trend of a subsector over time is one possible ways of measuring competitiveness as this generally reflects the extent to which the sector has been able to withstand competition from its international competitors.

3.2.10 The growth of the sectors also helps in reflecting the extent to which trends in overall contribution to real GDP is related to the actual sectoral performance. The ICT sector is the

only one that has been consistently registering an increasing growth trajectory over the past three years to 2022 (Figure 26). The finance and insurance sector registered the largest real growth rate in 2022, which could reflect that the sector is fairly competitive. However, all the top six contributors registered growth in 2022, which could also reflect that they are working on strategies to gain competitiveness.

**Figure 26: Sector Output Growth Rate (%), 2018 – 2023***




***Source**: ZimStat*

**Manufacturing Sector Capacity Utilization**

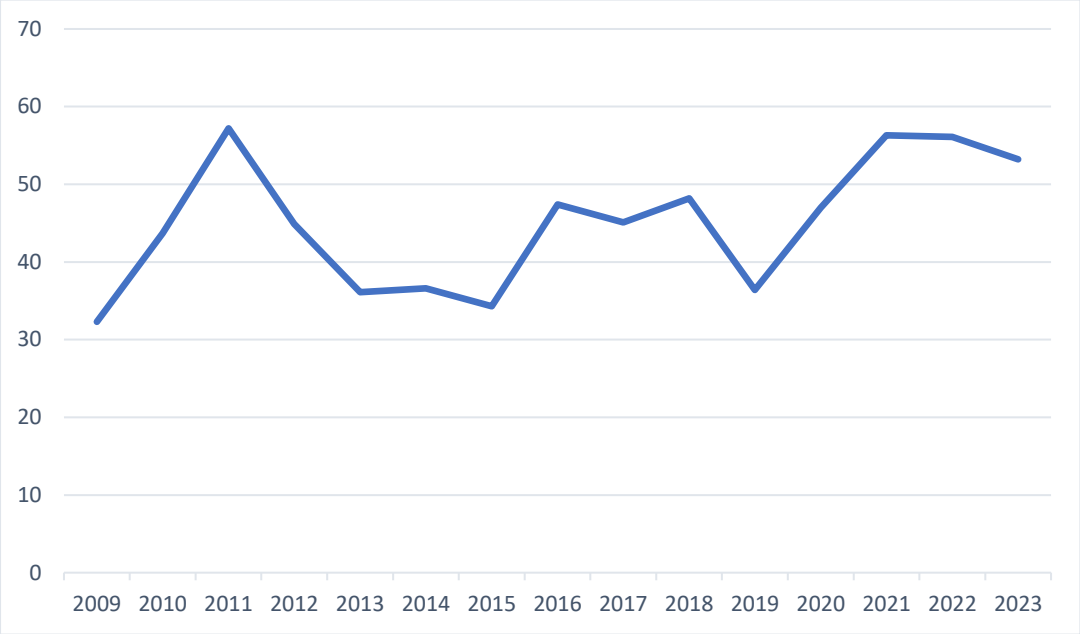
3.2.11 Capacity utilisation can be defined as the extent to which the productive capacity of a business is being used. In their annual survey of the manufacturing sector, the Confederation of Zimbabwe Industries (CZI) defines capacity utilisation as the ratio of actual manufacturing output to potential full capacity output, with potential output defined based on equipment supplier manuals (CZI, 2022). This means that if the plant size is designed to do two shifts as per the supplier manual, then the potential output could double what the firm is currently producing with only one shift. Capacity utilization is a useful indicator of productive efficiency

and hence competitiveness. Generally, if a business is operating at a higher capacity or is fully utilising its productive capacity, average costs of production would be expected to fall, resulting in the firm becoming more competitive. When a firm has spare capacity as reflected by low-capacity utilisation levels, some resources are not being used to their maximum potential, hence the products produced need to be priced a little higher for profitability. Thus, the capacity utilisation trends of the manufacturing sector are also critical in reflecting whether the manufacturing sector is expected to be competitive.

3.2.12 The CZI 2022 Manufacturing Sector Survey shows that due to the availability of foreign currency at the auction, the manufacturing sector created an additional capacity of about 29% as about 40% of the firms invested into new plants and equipment or into expanding existing capacities. The average capacity utilization for the manufacturing sector was about 56.3% in 2022 (Figure 27), which declined to 53.2% in 2023. By looking at the historical trends, there has been a slight improvement in capacity utilization since 2019. This improvement in capacity utilization would give an expectation that competitiveness is improving, as this would imply that firms are now operating at a scale, which results in lower average production costs.

3.2.13 However, a capacity utilization level of about 53.2% (in 2023) also implies that there is 46.8% idle capacity. This also means that if regional firms are utilizing higher levels of their respective capacity, Zimbabwe firms would be easily outcompeted as they would have lower production costs.

**Figure 27: Capacity Utilization Trends, 2009 – 2023**




***Source**: CZI & MIC*

## 3.3 Cost drivers

3.3.1 A competitive firm is the one that is able to produce output using the lowest possible costs, which would also translate into lower prices compared to what other rival firms can achieve. Cost competitiveness can be defined as a production level that allows a firm to win sales at a price that generates a sufficient level of return both for stakeholders and for the investment needs of the business (The Institute of Cost Accountants of India, 2016). In general, cost efficiency positively affects firm profitability (Phornlaphatrachakorn, 2018). To be competitive, firms need to keep the cost at the minimum level without compromising upon the quality aspect.

3.3.2 However, while firms can individually invest in different cost minimization strategies, there are also some costs, which are beyond their influence and thus can be taken as given. Examples include utility charges and compliance costs, which are externally determined but also need to be factored in on pricing, which is a critical determinant of competitiveness. Thus, the extent to which the cost burden from overheads and other charges is heavy on Zimbabwe firms

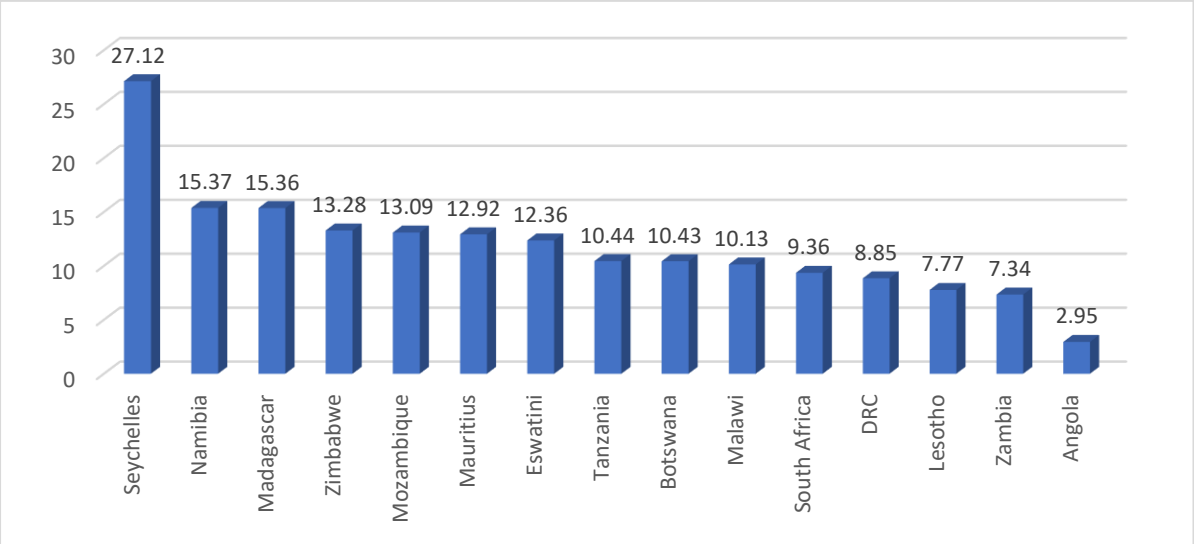
compared to other regional firms is also critical in determining competitiveness of Zimbabwe firms.

3.3.3 While management of costs that are internal to firms is generally an issue, which any firm that needs to have a stronghold in the competitive market should always strive to manage, there are also other cost drivers that are generally outside the control of the firms. In addition to utilities, compliance costs as well as the poor service delivery, which imposes additional costs as firms seek alternatives, are also pertinent.

***Electricity Charges***

3.3.4 Despite consuming the same amount of electricity, firms in two different markets can have different competitiveness abilities depending on how different the electricity charges are. A comparison across selected countries in the region based on averages (Figure 28) shows that electricity charges are higher in Zimbabwe compared to other SADC countries, with the country being the fourth most expensive. Although Seychelles is by far more expensive than Zimbabwe at average cost of about US$0.27 per kwh [Energy Regulatory Authority (ERB), 2023], it is also expected that firms in countries such as Angola, Zambia and Lesotho would have a competitive edge as far as managing utilities costs is concerned, which is also expected to be reflected in the final product pricing.

**Figure 28: Zimbabwe's Electricity Charges against Comparator Countries (USc/kwh), 2023**

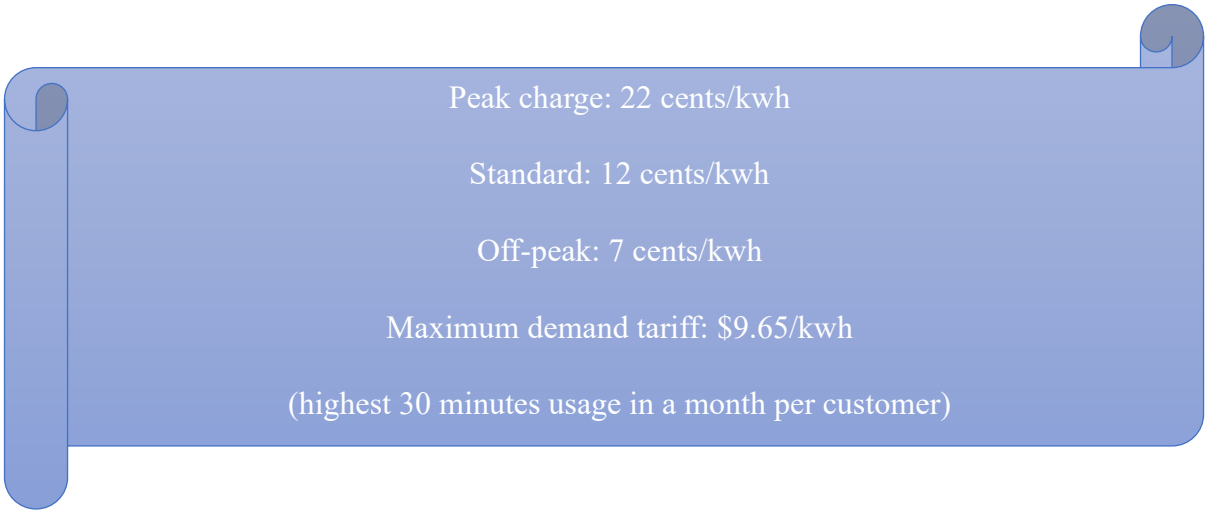



***Source:*** *ERB 2023 and ZERA media briefing of October 2023*[3]

3.3.5 While electricity costs can be looked at based on averages, the real effective tariff for Zimbabwe is well above the average tariff of about US$0.13/kwh. For example, a typical manufacturing firm in Zimbabwe can end up paying higher due to the nature of its electricity demand and consumption patterns. The peak charge is about US$0.22/kwh, while the firm is also subjected to a maximum demand tariff charge of almost US$10/kwh (Figure 29). The maximum demand charge is intended to reduce excessive consumption of electricity by subjecting the electricity consumed during the highest 30 minutes usage in a month per customer to a punitive rate. Ideally, firms would have been charged only US$0.07 if they were to operate during the off-peak period. However, this is mainly during the night when firms cannot afford the labour costs to manage two shifts, especially given that demand is generally low. In addition, if all firms were to try to target the off-peak period for operations, it automatically ceases to be off-peak, and the charges would increase. Thus, electricity remains one of the most significant cost drivers in Zimbabwe, which also have a bearing on competitiveness.

[3] Press briefing of ZERA. For example, https://www.herald.co.zw/electricity-tariffs-up-19pc/

**Figure 29: The Effective Tariff for Zimbabwe, 2023**




***Source: Actual charges on a manufacturing sector firm in Zimbabwe***

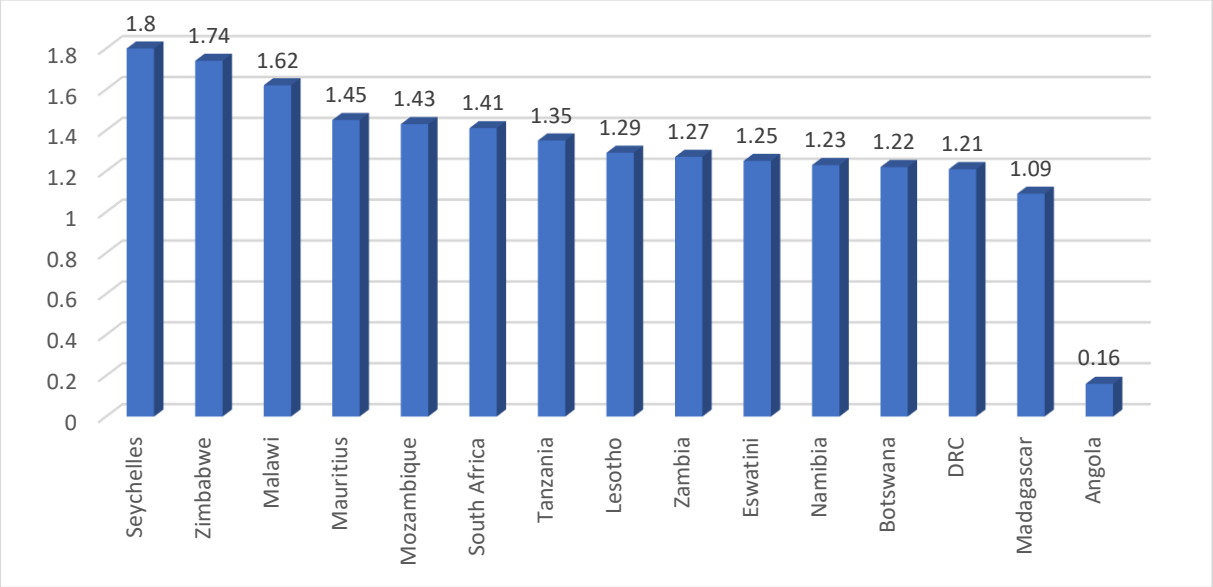
***Electricity Availability***

3.3.6 Despite being among the most expensive in the region, Zimbabwe is still characterized by electricity supply shocks, resulting in intensive load shedding. While it is fairly easier and faster for other segments of the economy to quickly embrace solar energy as an alternative, it is very costly to install a solar system that is able to run manufacturing plants, at least within the current environment of operational challenges.

3.3.7 As a result, most manufacturing firms still rely almost entirely on the national grid with respect to electricity. The frequent load shedding has mainly seen the use of generators emerging as an alternative. Unfortunately, Zimbabwe is currently the most expensive country in SADC with respect to diesel prices, implying that the use of generators by manufacturers create an additional cost burden, which firms in countries that also have load shedding are not subjected to.

3.3.8 A comparison of diesel prices among SADC countries shows that Zimbabwe is the second most expensive after Seychelles on diesel prices per liter (Figure 30), which negatively impacts on competitiveness.

**Figure 30: Zimbabwe Diesel Prices against Comparator Countries, 2023**




***Source**: GlobalPetrolPrices.com*[4]

**Water Charges**

3.3.9 The manufacturing process uses a lot of water during production. Water charges would also have a role to play in influencing competitiveness if there are countries that have higher charges compared to others. In general, the actual water bills that businesses end up facing depends on water usage, as the charges are on a sliding scale. A comparison of water charges across some select countries/ municipalities would therefore be difficult as the tariffs are determined using different volumes of use. For example, by just comparing how water tariffs are set across three countries (Table 4), it is easy to see that the tariff bands used are not the same across the countries.

[4] Accessed 29 November 2023

**Table 3: Zimbabwe's Water Charges against Comparator Countries, 2023**

| | Zimbabwe (ZINWA, Jan 2023) | | | | Malawi (Lilongwe Water Board, June 2023) | | | South Africa (Johannesburg municipality, Jul 23) | |
|---|---|---|---|---|---|---|---|---|---|
| **Use ($m^3$)** | 1-25 | 26-50 | 61-100 | 100+ | 0-5 | 6-40 | 40+ | 0-200 | 200+ |
| **Charges (local currency)** | 1054 | 1149 | 1245 | 1916 | 17040 | 3744 | 4072 | 58 | 61 |

***Source**: The respective service providers' publications*

3.3.10 However, assuming that an average industrial unit uses about 100 cubic metres of water per month, a comparison of the costs across five jurisdictions would see that Zimbabwe is the second least expensive (Table 5). However, the main challenge in Zimbabwe is that water is not available and firms as well as households have now shifted to drilling their own boreholes. The borehole water itself also requires further purification, which entails further costs for the firms. Thus, while municipal provided water is not as expensive as some other countries in the region, the firms in Zimbabwe could be facing higher costs due to non-availability of suitable water.

**Table 4: Water Charges for more than 100m$^3$, 2023**

| | Zimbabwe (ZINWA as at Jan 2023) | Malawi (Lilongwe water Board as at June 2023) | Zambia (NWASCO as at Dec 21) | South Africa (Johannesburg municipality, Jul 23) | Botswana (WUC as at June 2021) |
|---|---|---|---|---|---|
| **Costs (local currency)** | 1915.70 | 4072.00 | 17.43 | 57.61 | 43.16 |
| **USD equivalent[5]** | 2.41 | 3.87 | 1.05 | 3.06 | 3.98 |

***Source:*** *The respective service providers' publications*

**Internet Charges**

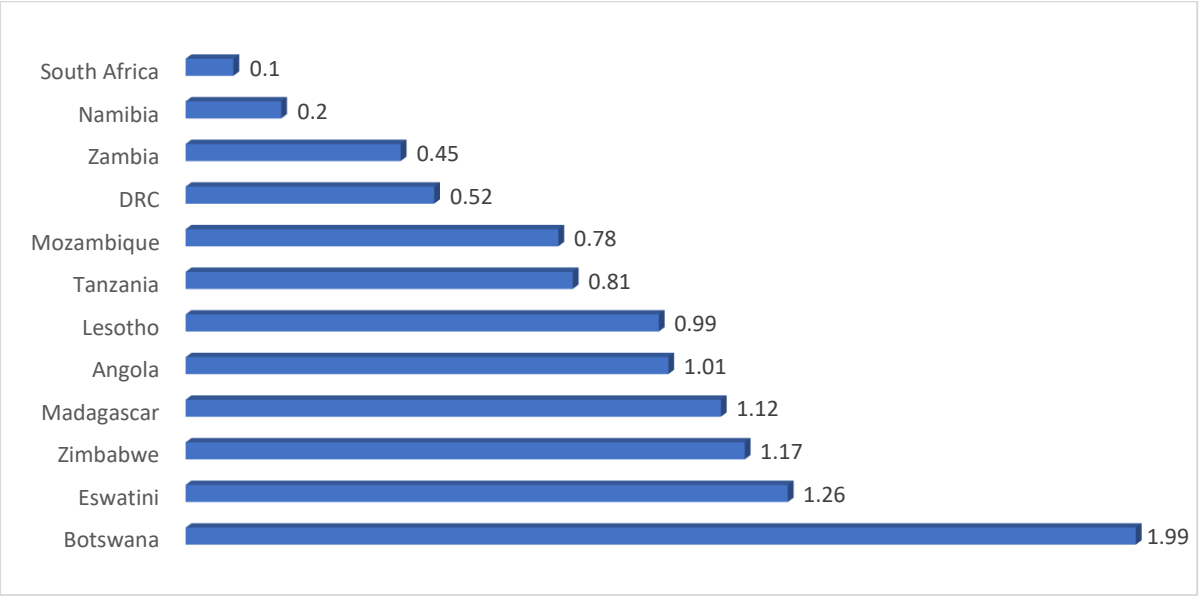
3.3.11 ICT is now central to competitiveness given that innovation is now arguably the main determinant of competitiveness. Manufacturing sector digitalisation, disruptive technologies, data and connectivity, human-machine interaction, analytics, and robotics, which are the critical pillars of the Fourth Industrial Revolution all require access to internet services. However, due to differences in advancements across countries, some countries tend to provide internet services at cheaper rates compared to others. Thus, the ability of a Zimbabwe manufacturer to be more competitive than their counterparts elsewhere also depend on internet charges that they face.

3.3.12 Based on a comparison of the average cost of a gigabyte (1GB) of mobile internet in 237 countries and territories over the period June to September 2023, a UK-based research firm lists Zimbabwe as the third most expensive mobile internet provider in Southern Africa by considering the cheapest cost of mobile internet in each country (Figure 31). What this also implies is that even if a manufacturing firm in Zimbabwe is innovative, it would have some

[5] Based on the December 2023 average exchange rate

competitiveness disadvantages from the fact that its innovation would be based on more expensive internet costs compared to firms in South Africa, Namibia and Zambia for example.

**Figure 31: Zimbabwe's Mobile Internet Charges against Comparator Countries, 2023**




***Source:*** *Cable.co.uk, 2023*[6]

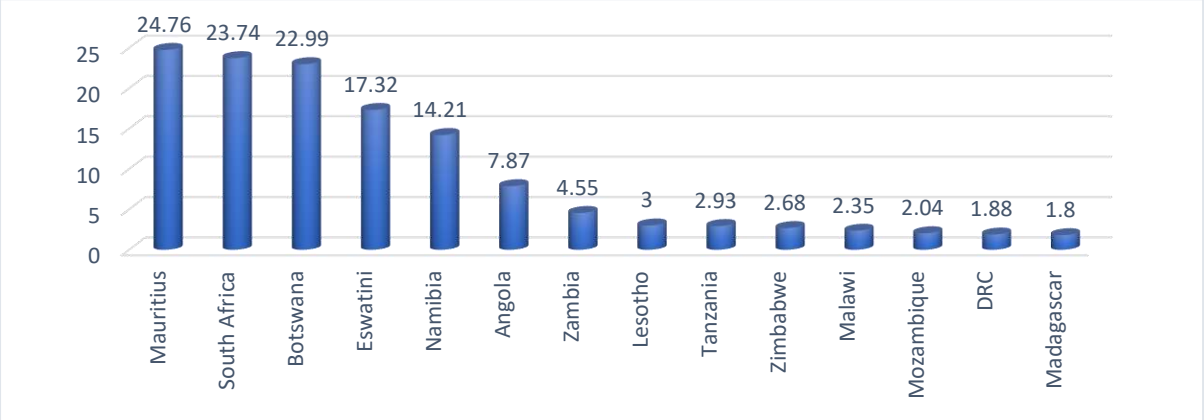
## 3.4 Productivity

3.4.1 Productivity is one of the primary drivers of an economy's competitiveness over time. It is a measure of how well resources can be utilised to produce outputs; the ability to transform the inputs used in the production process into products (Dresch, Collatto, & Lacerda, 2018). Competitiveness can be increased by enhancing productivity, as a firm which is able to efficiently utilise its inputs tend to possess cost advantages compared to its rivals. Productivity is therefore a fundamental element for increasing firm competitiveness. Thus, by looking at productivity levels across countries, it is possible to establish how competitive the countries are likely to be in the output market.

[6] At website https://www.cable.co.uk/mobiles/worldwide-data-pricing/ (accessed 06 December 2023)

3.4.2 The ability of a country to produce more goods and services for a given number of hours of work is instrumental in reflecting its productivity. Labour productivity can be defined as the total volume of output (measured in terms of GDP) produced per unit of labour (measured in terms of the number of employed persons or hours worked)[7]. Adopting this definition, a comparison of the countries at the SADC level (Figure 32) shows that Zimbabwe is only fourth from bottom, with each worker generating GDP of only about US$2.68 per hour worked. Workers in South Africa and Mauritius produce output which is more than 10 times what the average worker in Zimbabwe generates. This generally implies that firms in Mauritius and South Africa are more likely to be more competitive at the same level of labour compared to Zimbabwe companies.

**Figure 32: Zimbabwe's GDP Generated per Hour Worked (US$) against Comparator Countries, 2023**




***Source:*** *ILO*

## 3.5 Employment

3.5.1 Since labour is one of the key resources in an economy, the demand for utilisation of resources available to the economy is also a measure of competitiveness. If firms are competitive in the local and international markets, they will also need to draw down on more resources to be able to exploit the opportunities that they enjoy by being competitive (Scharle, 2003). Thus,

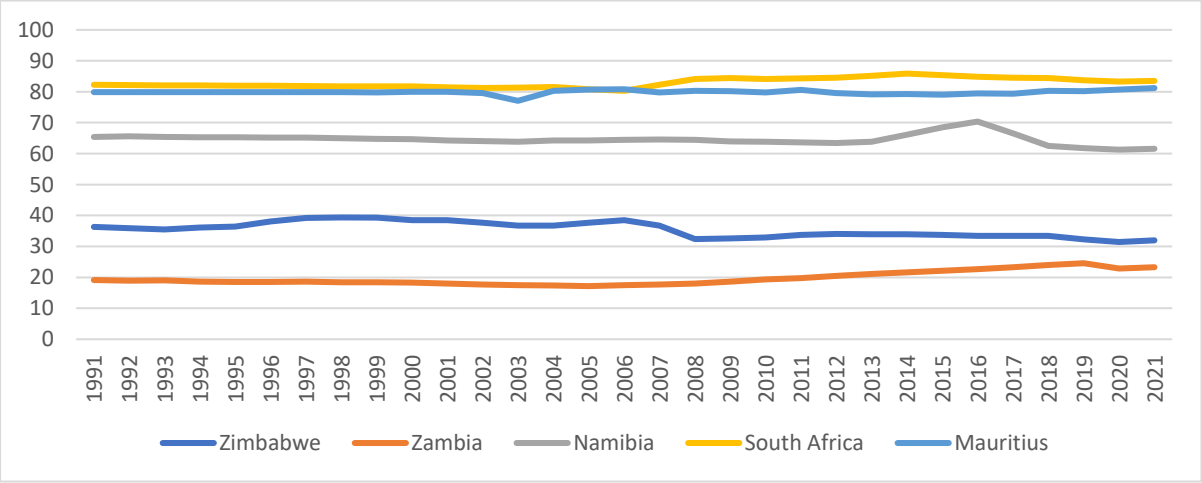
[7] ILO definition, see website https://ilostat.ilo.org/topics/labour-productivity/ (accessed 06 December 2023)

employment levels, especially the increase in formal employment, can also be one of the tools that can be used to reflect competitiveness.

3.5.2 The ability of industry to increase employment over time can also be an indicator of competitiveness. Generally, labour is derived demand, as a firm that is able to penetrate the global market would require more labour to keep up with the required production levels to service the local and global market. The trends for Zimbabwe with respect to wage and salaried workers as a percentage of total employment, shows a flat and relatively declining pattern between 1991 and 2021 (Figure 33). About 36% of total employed in Zimbabwe were drawing wages and salaries in 1991 and by 2021, this rate had declined to 32%.

3.5.3 A comparison with select comparator countries shows that although the proportion of wages and salaried workers for Zimbabwe is higher than Zambia over this period, Zambia is demonstrating an improving trend. Although South African Mauritius and Namibia are not showing an increasing trend, they are well above Zimbabwe and are likely to be more competitive as wages and salaries remain the source of employment.

**Figure 33: Proportion of Wages and Salaried Workers as % of Total Employment, 1991 - 2021**

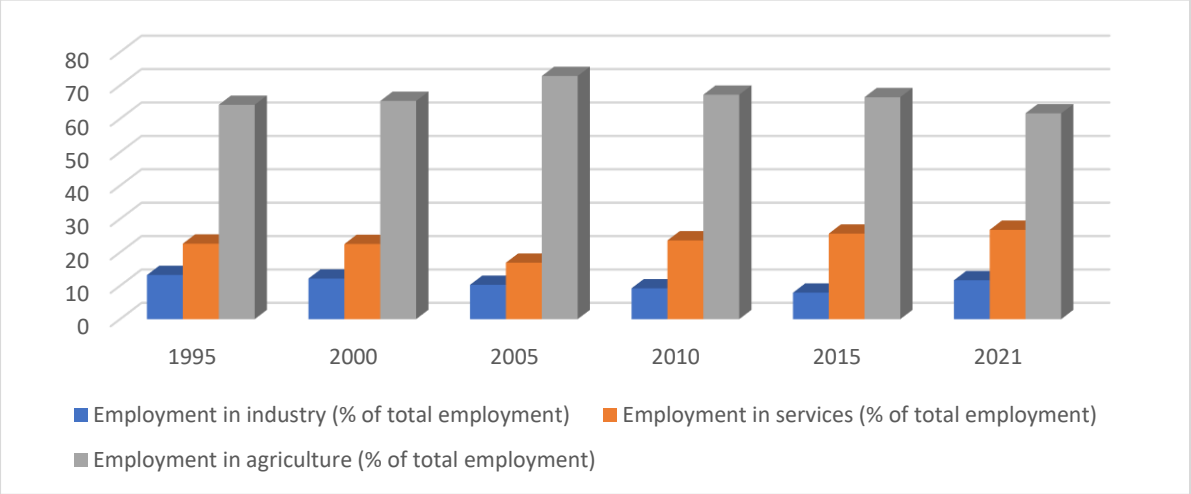



***Source:*** *World Bank Development Indicators*

3.5.4 The quality of employment is also an indicator of employment. This means that the share of industry in total employment is a critical indicator of competitiveness. An economy that has a competitive industry is expected to be seen by a rising share in employment in industry at the expense of agriculture, which is mainly rural based and largely attracts what industry has failed to absorb.

3.5.5 A look at the situation in Zimbabwe since 1995 shows that the share of agriculture in employment has largely remained dominant and consistent, from 64% in 1996 to 62% in 2021 (Figure 34). Instead of improving, industry's share in total employment actually took a slight dip from about 13% in 1995 to 12% in 2021. It is mainly services that has seen a marginal increase in its share in total employment from 23% in 1995 to 27%. This generally implies that industry in Zimbabwe is likely facing some competitiveness challenges, which are preventing a pronounced expansion from happening.

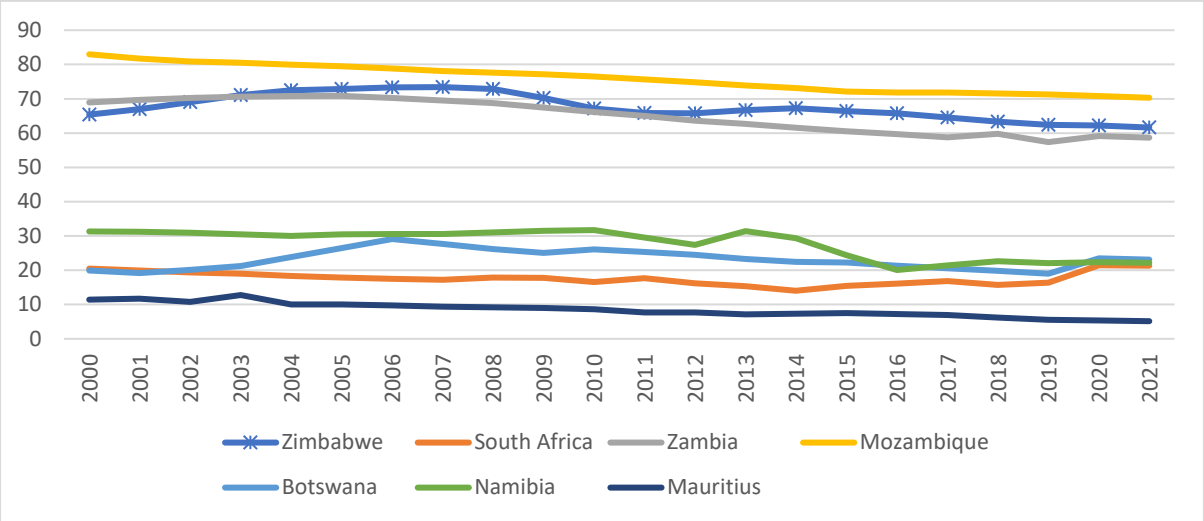
**Figure 34: Employment Shares by Sector in Zimbabwe, 1995 – 2021**




***Source:*** *World Bank Development Indicators*

3.5.6 A comparison with select SADC countries shows that countries such as Mauritius, South Africa, Botswana and Namibia have very low proportions of employees in the agriculture sector relative to other sectors of the economy (Figure 35). Thus, these economies are likely to be more competitive compared to Zimbabwe.

**Figure 35: Zimbabwe's Agriculture Sector Employment Shares against Comparator Countries, 2000 - 2021**




***Source:*** *WBDI*

## 3.6 Conclusion

3.6.1 The assessment of competitiveness outputs has generally revealed that there are a number of indicators that reflect potential competitiveness challenges for Zimbabwe. Business performance indicators show that:

- Zimbabwe's GDP per capita has not been able to adjust and increase to provide for the growing population, which can be attributed to competitiveness challenges by the economic agents;
- While the mining, agriculture, financial & insurance, as well as the ICT subsectors have been characterized by a positive trend in terms of contribution to real GDP, the manufacturing sector is currently struggling to sustain its relevance with respect to contribution to real GDP. This shows that competitiveness constraints are more likely to be more pronounced in the manufacturing sector; and
- The manufacturing sector capacity utilization levels show that there is about 44% idle capacity in Zimbabwe, which implies that if regional firms are utilizing higher levels of their respective capacity, Zimbabwe firms would be easily outcompeted as they are operating at higher production costs.

3.6.2 Zimbabwe competitiveness challenges are also compromised by high cost drivers. Electricity charges are higher in Zimbabwe compared to comparator SADC countries, with the country being the fourth most expensive. Zimbabwe is also currently the most expensive country in SADC with respect to diesel prices, at a time when the use of diesel-powered generators by manufacturers is high due to load shedding.

3.6.3 By using the average cost of a gigabyte (1GB) of mobile internet across select SADC countries, Zimbabwe is the third most expensive mobile internet provider, which also compromises its competitiveness in this Fourth Industrial Revolution era.

3.6.4 Competitiveness is also reflected in labour productivity. A comparison of the countries at the SADC level shows that Zimbabwe is only fourth from bottom, with a worker in South Africa and Mauritius producing output, which is more than 10 times what the average worker in Zimbabwe generates. This highlights competitiveness challenges.

3.6.5 With regards to employment conditions, Zimbabwe has a higher share of workers in the agriculture sector compared to several other sectors, with a lower share from services and manufacturing. This also demonstrates that formal firms are more likely to be less competitive compared to countries such as South Africa, Namibia, Botswana and Mauritius, where industries have a higher share. This also reflects competitiveness challenges for the Zimbabwe economy.

# CHAPTER FOUR

# SUSTAINABLE DEVELOPMENT

## 4.1 Introduction

4.1.1 Zimbabwe is geared towards achieving sustainable growth and development in line with the national vision of becoming an Empowered and Prosperous Upper Middle-Income Society by 2030 (NDS 1). Sustainable growth is the ultimate outcome of a competitive economy, which seeks to improve people's living standards through broad social inclusion while minimising environmental damage. Countries on a stable sustainable development path are more likely to attract international investors through favourable policies that promote business competitiveness. The chapter analyses sustainable development indicators for Zimbabwe as well as exploring her performance towards the attainment of Vision 2030.

## 4.2 Inflation and Sustainable Development

4.2.1 Single digit inflation should anchor the country's sustainable growth agenda. It is critical to note that for the country to achieve sustainable economic growth, single digit inflation should be the target for monetary authorities. However, high levels of inflation over the past years have negatively impacted competitiveness of the country and impinged on the country's objective of achieving sustained economic growth.

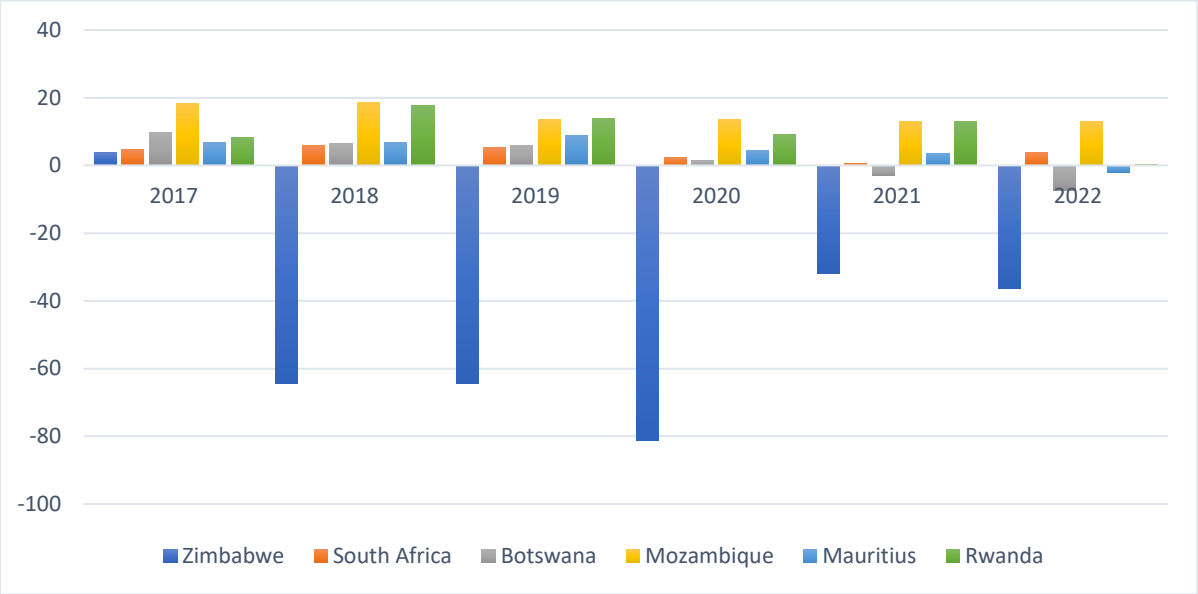
4.2.2 Table 1 in Chapter 1 shows that Zimbabwe has the highest inflation level and is the worst when compared to comparator countries. High inflation rate makes it very difficult for long-term planning for businesses. Furthermore, high inflation results in high product prices and high cost of doing business in the country and this negatively impact on the country's national competitiveness.

## 4.3 Real Interest Rates and Sustainable Development

4.3.1 Real interest rates are important as they indicate the actual borrowing cost or return on investment after accounting for the impact of inflation. They are crucial for making informed financial decisions, especially in the context of investments and borrowings. However, due to the episodes of high inflation in the last five years, the country has recorded negative real

interest rate (Figure 36), which makes the economy unattractive for investors leading to a decline in competitiveness, FDI and growth prospects are mostly attracted to invest in a country where real interest rates are positive.

**Figure 36: Zimbabwe's Real Interest Rate against Comparator Countries, 2017 – 2022**



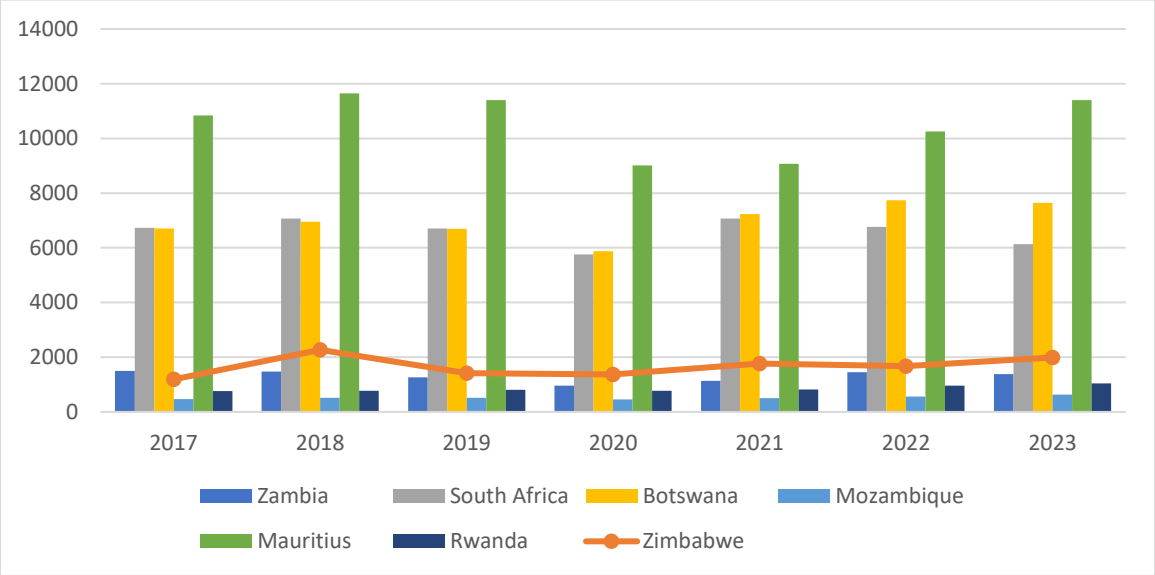

***Source:*** *WB*

4.3.2 The real interest rate trend for Zimbabwe is uncompetitive in relation to comparator countries performance and has been persistently negative since 2017, which continue to threaten competitiveness of the country. Mozambique had the highest positive interest rate of 13% followed by South Africa at 4% in 2022. Zimbabwe had a negative interest rate of -36% during the same period signifying the loss of competitiveness in the path of sustainable growth.

## 4.4 GDP Per Capita and Sustainable Development

4.4.1 The per capita income of Zimbabwe has been persistently low than its comparator countries over the 2017 – 2023 period (Figure 45). Zimbabwe had a GDP per capita of US$1993 in 2023 against the highest per capita income of US$11396 for Mauritius in the same year. Figure 37 depicts Zimbabwe's GDP per trend capita against comparator countries from 2017 to 2023.

**Figure 37: Zimbabwe's GDP Per Capita against Comparator Countries, 2017 – 2023**




***Source:*** *WB*

4.4.2 The low GDP per capita figures recorded in the last five years are a clear indication that the country is not yet ready for take-off towards sustainable economic growth basing on the performance of its comparator countries.

4.4.3 Generally, per capita income and national competitiveness are positively correlated. High levels of per capita incomes indicate that the purchasing power of citizens is high and translates to a better life for citizens. The country needs to come up with policies that improve the macroeconomic environment to attract investment, enhance competitiveness and ultimately improve the standard of living of the citizenry.

## 4.5 Environmental Sustainability

4.5.1 Environmental sustainability is the responsibility to conserve natural resources and protect global ecosystems to support health and wellbeing, now and in the future. Since many decisions that impact the environment are not felt immediately, a key element of environmental sustainability is its forward-looking nature. Environmental sustainability is an important element of corporate strategy and marketplace success. In that respect sustainability must be recognized as a vital component of any country's competitiveness strategy. A focus on

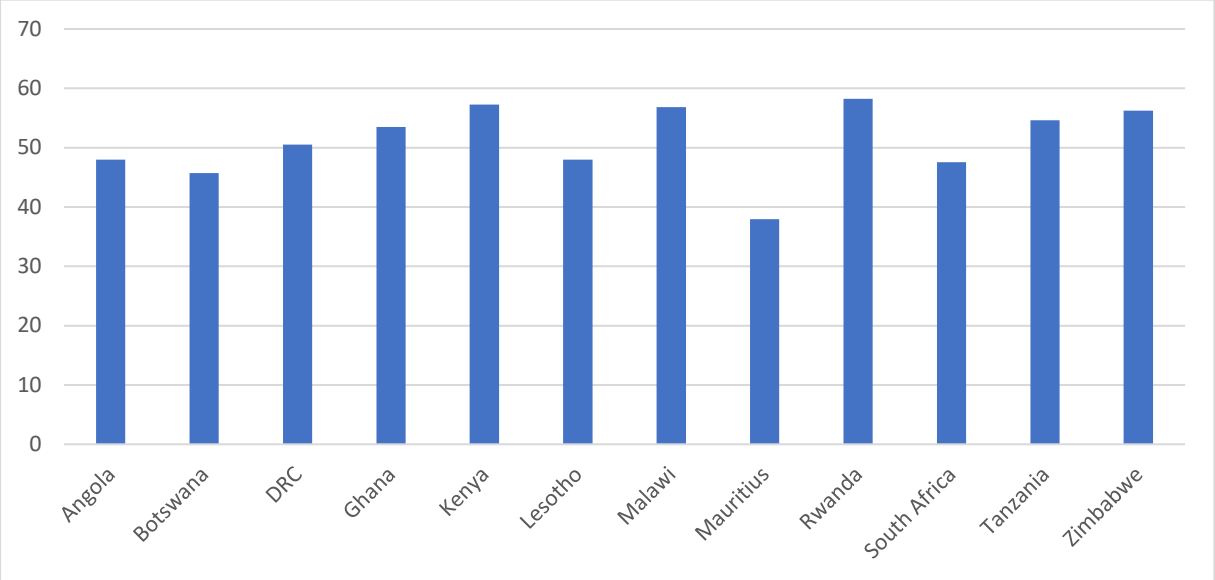
environmental sustainability helps to eliminate waste, promote efficiency, and drive innovation. Environmental sustainability correlates with superior economic performance and competitiveness for both companies and countries.

4.5.2 Zimbabwe has come up with several initiatives for environmental sustainability. Firstly, the Government reconfigured the Ministry responsible for environment to reflect the importance of climate by creating a Department of Climate Change Management, under the Ministry of Environment, Climate and Wildlife. The Department is mandated with promoting best practices in climate change adaptation and mitigation strategies to enhance the country's response and capacity to manage the impacts of climate change.

4.5.3 Another notable initiative by the Government was the development of the Long-term Low Greenhouse Gas Emission Development Strategy (LEDS), for the period 2020 – 2050, in response to the global climate change crisis. The LEDS sets the course for reducing emissions, while at the same time ensuring sustainable economic development for the country. Climate change has been mainstreamed into different policies and plans including the Renewable Energy Policy, Biofuels Policy, National Agriculture Policy Framework and Disaster Risk Management Programming, among many others (UNDP, 2020).

4.5.4 All these initiatives have seen the country doing well on the sustainability index compared to most comparator countries. Among the comparator countries, Zimbabwe is ranked fourth with a sustainability index of 56.21 (Figure 38) with only Rwanda (58.23), Kenya (57.24) and Malawi (56.85) performing better. The global pillar average is 46.8 highlighting the lack of progress on climate targets as most countries continues to grow their economies using methods that are not sustainable. It can be noted that in terms of climate targets, the country performed fairly well. The country's commitment to sustainability and strong environmental results will likely enhance the country's national competitiveness.

**Figure 38: Zimbabwe's Sustainability Index against Comparator Countries, 2023**




***Source:*** *UNICEF*

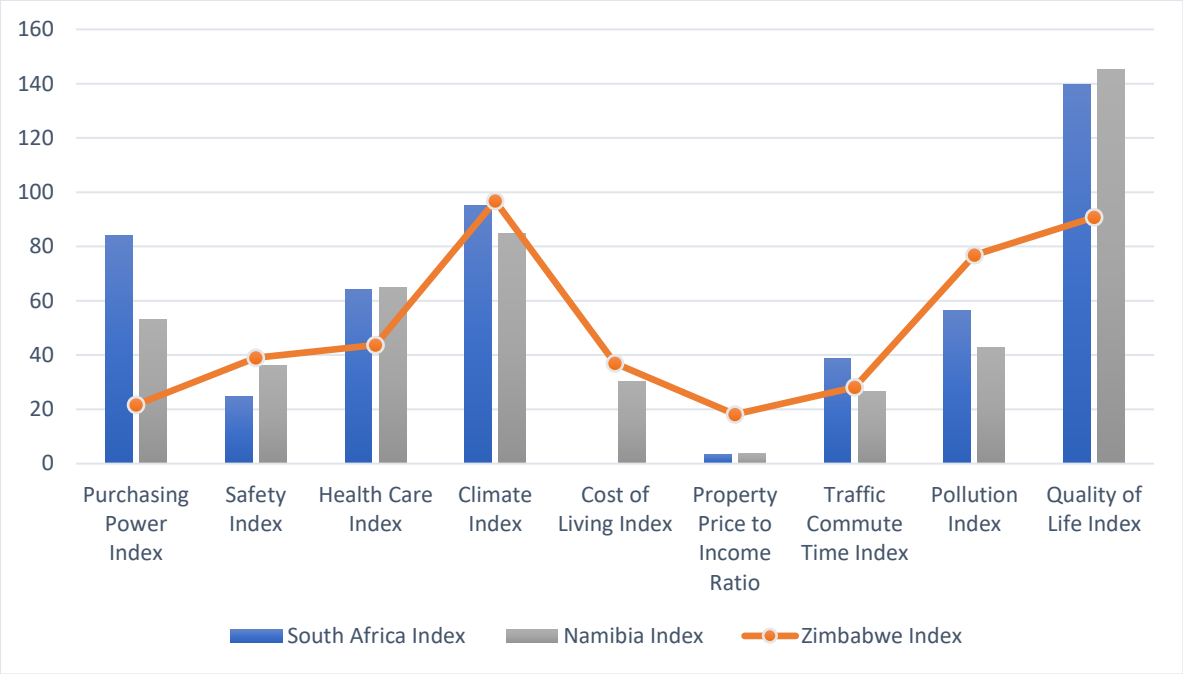
4.5.5 Sustainability offers an important overarching goal for environmental policy, which, if translated efficiently and effectively into law and regulations, would also enhance both company scale and national competitiveness. A better competitiveness strategy that enhances the country's economic strength would likewise provide the underpinnings for economic growth and broad-based prosperity that make commitments to environmental protection easier to sustain. It is time that the sustainability-competitiveness link be recognized and developed as a matter of policy priority and corporate opportunity.

## 4.6 Quality of Life and Sustainable Development

4.6.1 The World Health Organisation (WHO) defines Quality of Life (QoL) as an individual's perception of their position in life in the context of the culture and value systems in which they live and in relation to their goals, expectations, standards and concerns. Quality of life is a multidimensional phenomenon related to the overall well-being of a society or an individual (Maricic, 2019). A country can be considered competitive when it manages its resources and skills in such a way that, in addition to increasing the production of its firms, it improves its citizens' quality of life (IMD, 2012).

4.6.2 The measurement of a nation's prosperity and happiness have become benchmarks by which the level of development of a state, that is national competitiveness, can be determined, which thus depends on a complexity of factors, not just some with exclusively economic content. A study by Calin and Munteanu (2021) shows that the more competitive a country is, the degree of happiness and satisfaction of life increases. Economic development and implicitly the well-being of the population are essential elements with the role of improving national competitiveness through sustainable methods.

**Figure 39: Zimbabwe's Quality of Life Index against Comparator Countries, 2023**



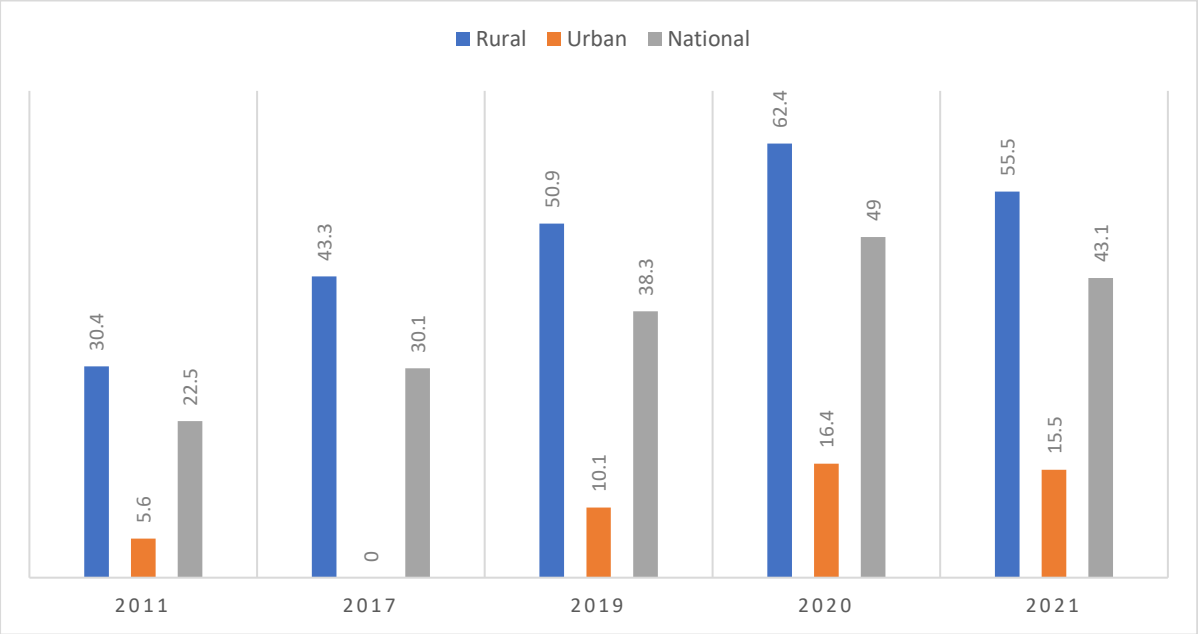

***Source:*** *Numbeo*

4.6.3 Based on data from Numbeo, Zimbabwe's quality of life is very low with an index of 90.74 compared to South Africa (139.53) and Namibia (145.07). The very low-quality life index of Zimbabwe is likely to negatively impact on the country's competitiveness.

4.6.4 An assessment of the well-being of most Zimbabweans based on the prevalence of poverty reveals that most people are living below the poverty datum line. Figure 40 shows that extreme poverty was 49% in 2020 but decreased to 43% in 2021. However, rising inflationary pressures and continuing vulnerability to climate shocks present risks to economic recovery and poverty

reduction in the future, especially in the context of limited fiscal space to expand social protection and constrained access to external finance to upgrade human and physical capital (Zimbabwe Poverty Assessment Report, 2022).

**Figure 40: Zimbabwe's Poverty Headcount Ratio, 2011 – 2021**




***Source:*** *Zimbabwe Poverty Assessment Report*

4.6.5 Economic growth and poverty dynamics in Zimbabwe have been shaped largely by agriculture performance and price dynamics. About 25% (Zimstat Labour Force Survey Report, 2023) of Zimbabweans work in agriculture while many others, directly or indirectly, depend on it. However, incomes from agriculture are the lowest in the country reflecting low productivity and high exposure to climate risks as most of the agriculture is rain-fed (Zimbabwe Poverty Assessment Report, 2022). Figure 40 depicts that poverty increased steadily in Zimbabwe over the last decade. High levels of poverty reflect low levels of purchasing power in the economy thereby negatively impacting on the country's competitiveness.

4.6.6 Macroeconomic instability, exposure to natural shocks, slow urbanization and structural transformation, poor quality of jobs, inefficient social assistance programs, and exogeneous shocks such as the COVID-19 pandemic are the proximate causes of the poverty increase in

Zimbabwe. Achieving macroeconomic stability, improving agricultural productivity, promoting equitable access to high-quality jobs, and strengthening the social protection program are some of the most important steps for improving the living standards of Zimbabweans (Zimbabwe Poverty Assessment Report, 2022). More so, Government is urged to improve agricultural productivity and boost resilience to climate shocks. There is also a need to increase market orientation of agriculture, diversification to high-value crops, and resilience from climate shocks. In addition, Government needs to ensure a fundamental transition of the economy from rural, low-productivity agriculture to higher-productivity activities in industry and services often concentrated in urban areas.

4.6.7 While social assistance programmes in the country are progressive, there are clear opportunities to improve the efficiency of social assistance programs, even without additional fiscal commitment, through better targeting of the poor. But increasing the coverage and size of the programmes and improving the shock-responsiveness of the system to meet chronic as well as transient needs is equally important.

## 4.7 Social Inclusion

4.7.1 Social inclusion is defined as the process of improving the terms for individuals and groups to take part in society (World Bank 2013) and has gained traction in development and broader policy debates. It seeks to address inequality and/ or exclusion of vulnerable populations by improving terms of participation in society and enhancing opportunities, access to resources, voice and respect for human rights. It also seeks to promote empowerment, advance peaceful and inclusive societies as well as institutions (USAID, 2022). The push towards social inclusion has garnered extensive support over the past several years in line with Sustainable Development Goals (SDGs).

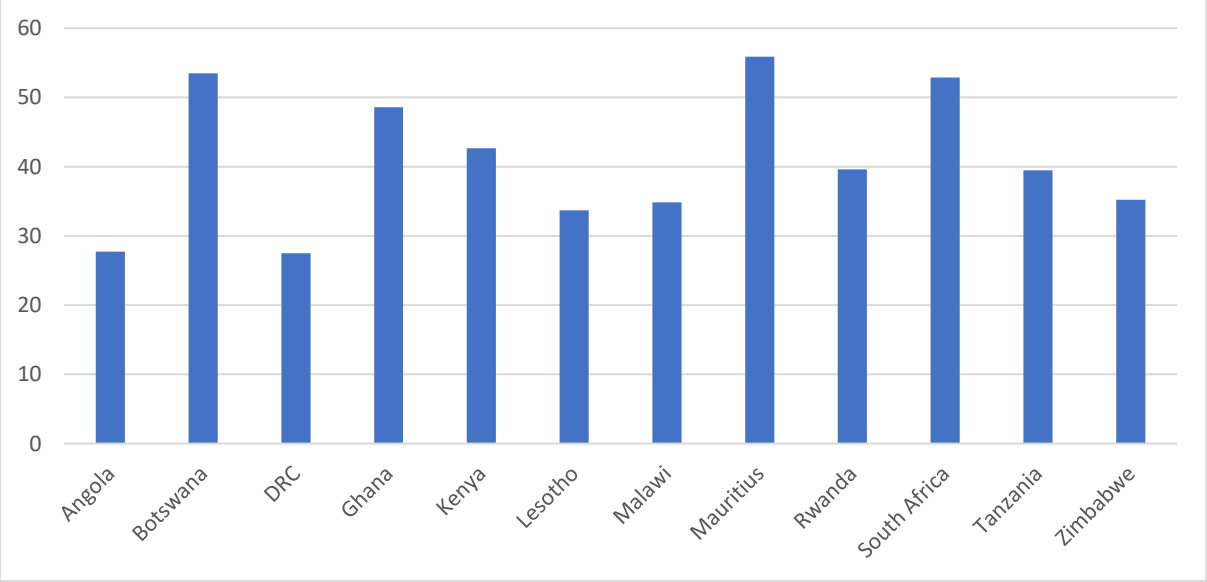
4.7.2 NDS1 is aimed at achieving an upper middle-income society status by 2030, anchored on the devolution to promote inclusive local governance and decentralized service delivery. For Zimbabwe, which is a low-income country, fostering inclusion is largely related to fiscal space, capacity for investments in infrastructure and comprehensive social assistance policies for

vulnerable and disadvantaged groups, which may help break the cycle of poverty as well as foster greater equality of opportunity.

4.7.3 Social protection plays a pivotal role in reducing social and economic vulnerabilities and poverty, and is key in bolstering equity, social inclusion, and access to basic social services. Zimbabwe spends only 0.4% of GDP on social protection, which is far less than 1.5% of GDP regional average for Sub-Saharan Africa (UNICEF, 2021). Increasing social protection spending to at least the level of its regional comparators is critical to reduce the vulnerability and deprivation among the poorest.

4.7.4 Zimbabwe's inclusiveness index of 35.22 is low compared to comparator countries (Refer to Figure 41). Mauritius has the highest index of 55.89 followed by Botswana whose index is 53.47. Angola has the lowest index at 27.74. The country's inclusiveness Index is also very low compared to the global average of 55.9.

**Figure 41: Zimbabwe's Inclusiveness Index against Comparator Countries, 2023**




***Source:*** *UNICEF*

4.7.5 Embracing social inclusion by the country is anticipated to be a source of economic strength and higher living standards. Social inclusion is expected to increase worker productivity and

the country's national competitiveness. Having an inclusive society avoids the costs incurred when people are excluded from jobs, from businesses and from accessing social services. The International Monetary Fund (IMF) finds that reducing inequality through inclusive growth has benefits for economic growth and greater financial stability.

4.7.6 Where growth is not inclusive, adverse outcomes such as the cost of unemployment are borne by everyone, from individuals, the community, and all levels of Government, with the costs ranging from foregone income to welfare payments, foregone taxation revenue, and higher incidences of crime and poorer health and education outcomes. It is therefore key that Zimbabwe should strive to enhance social inclusion for the country to increase productivity and competitiveness.

## 4.8 Conclusion

4.8.1 In pursuit of an upper middle-income society status by 2030, the country needs work towards addressing the macroeconomic environment, which will engender sustainable economic growth and improvement in the living standards of the people. Addressing the macroeconomic challenges are expected to result in increase in investment, improvement in well-being, increased worker productivity, improved national income and ultimately improvement in national competitiveness.

4.8.2 The quality of life is an important input of the human capital as healthier people tend to have more powerful physical and mental abilities, being more productive and innovative, as well as increasing life expectancy, which encourages the individuals to invest more in their skillset and education. It is imperative that the country needs to increase investment in human capital, which is expected to positively contribute to the growth of productivity and income levels.

4.8.3 Given that the relationship between economic growth and competitiveness is complex as it depends on several factors, it is essential to adopt an all-encompassing strategy that takes into account not only economic growth and competitiveness, but also other social and environmental goals.

4.8.4 While policies to drive economic growth often focus on reforms to markets or regulation, enhancing social interactions is also critically important. How well people relate to one another in the workplace facilitates creativity, social connectivity helps labour markets function efficiently, and a healthy population adds to overall economic welfare.

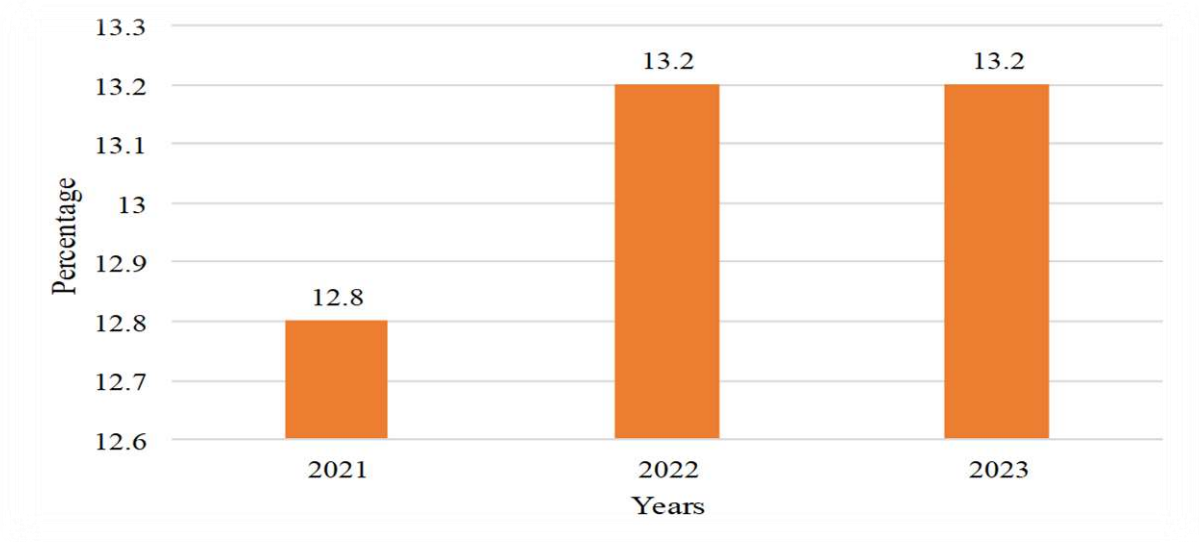
# CHAPTER FIVE

# BUSINESS REGULATIONS AND COMPETITIVENESS IN THE MINING SECTOR

## 5.1 Introduction

5.1.1 Zimbabwe is endowed with diversified minerals resource base comprising of over 40 minerals (including platinum group metals (PGMs), chrome, gold, coal and diamonds), base metals and germ stones. The mining sector is among the key economic sectors in the country in terms of contribution to GDP, exports receipts, fiscal revenue, FDI and employment (both formal and informal). The sector's contribution to GDP is shown in Figure 42. The existence of diverse mineral base gives the country comparative advantage that can be exploited to enhance competitiveness.

**Figure 42: Mining and Quarrying Sector Contribution to GDP (%), 2021 – 2023**

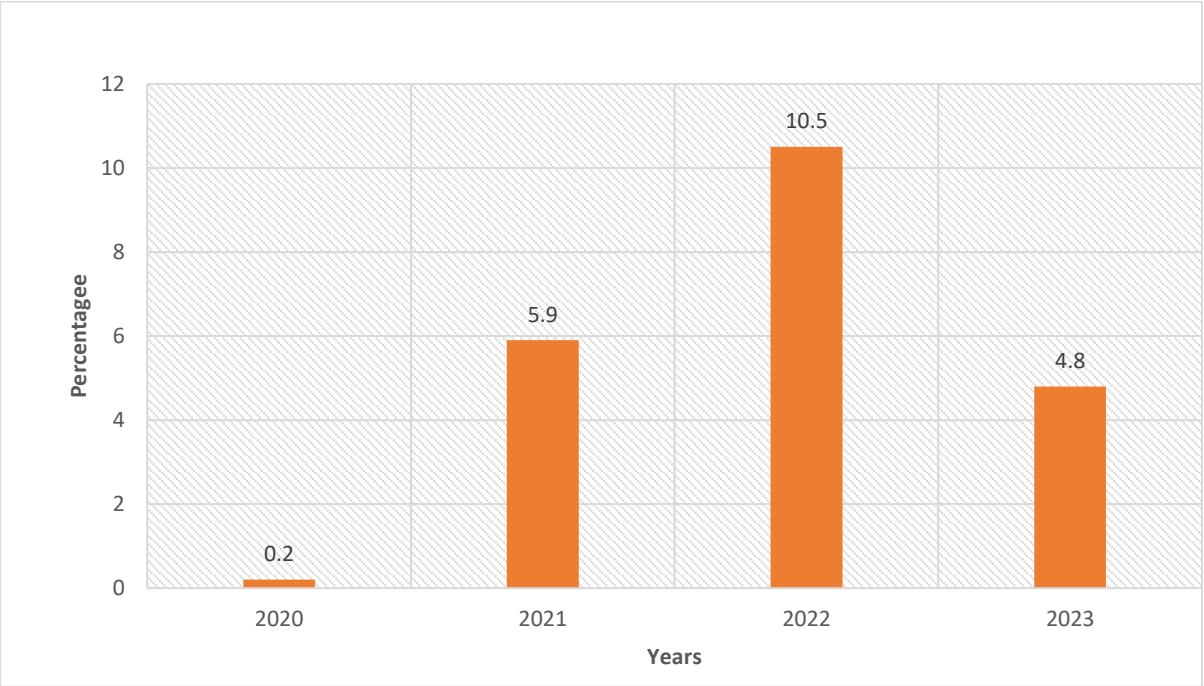



***Source**: ZimStat*

5.1.2 Figure 42 shows that the mining and quarrying sector contributed significantly to GDP. The sector is expected to grow by 7.6% in 2024, driven by ongoing investments in platinum group metals (PGMs), gold, coal and lithium, among others (See Figure 43). This growth will be sustained by the expected relatively stable electricity supply on account of increased domestic

electricity production, direct import initiatives by large scale miners and private sector investment initiatives in renewable energy.

**Figure 43: Mining and Quarrying Sector Growth (%), 2020 – 2023**

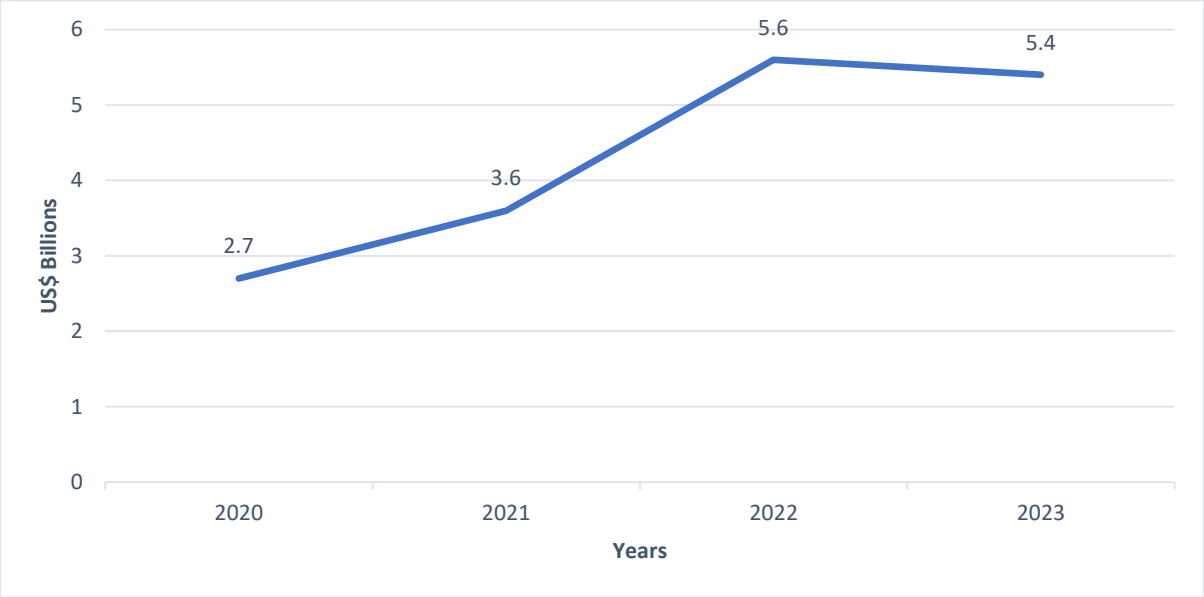



***Source**: ZimStat*

5.1.3 Figure 43 demonstrates positive growth, which enhances the country's competitiveness, with highest growth recorded in 2022. However, there was a notable decrease of growth rate to 4.8% in 2023 attributed to low international commodity prices, high cost structure, foreign currency shortfalls, among other factors.

5.1.4 This growth in the mining sector improves the economy of Zimbabwe as it attracts foreign investors who will bring foreign currency thereby increaseing the country's income. Furthermore, foreign investors bring technical expertise into the country thus improving competitiveness. In terms of export revenue from the mining sector, the country is recording significant improvement as receipts are increasing on average (See Figure 44).

**Figure 44: Zimbabwe Mineral Exports Revenue (US$), 2020 – 2023**




*Source: MMCZ*

5.1.5 Figure 44 shows a sustained growth in mineral export revenue from US$2.7 billion in 2020 to US$5.6 billion in 2022 and a decline to US$5.4 billion in 2023. This rise in mineral export revenue translates to increase in foreign currency reserves, which improves the country's economic position and enhance its competitiveness. Thus, the country needs to continue supporting mineral export to generate more foreign currency.

## 5.2 Business Regulations in the Mining and Quarrying Sector

5.2.1 Mining law is principally regulated in terms of legislation passed by Parliament through precedent or case law from the courts, common law, and customary law also regulate mining law. The Mines and Minerals Act [Chapter 21:05] and the regulations made in terms of that Act, is the principal legislation that governs mining law in Zimbabwe. The relevant regulations made under the Mines and Minerals Act include the general regulations for mining, management and safety regulations, health and sanitation regulations. Another key legislation regulating mining law is the Environmental Management Act [Chapter 20:27], which ensures that mining takes place in a manner that is sustainable and protects the environment.

5.2.2 General regulations in the mining sector cover compliance, the issuing of certain mining titles, licenses, approvals and orders, granting of mining rights, withdrawals or cancelation of such rights, approval of certain agreements and transactions in the mining sector. The Provincial Mining Directors (PMDs) are responsible for issuing mining titles within their respective districts of jurisdiction, thus reducing work to the Minister, Mining Affairs Board (MAB) and the President as he grants and withdraws right in the mining of coal, oil and gas. Delegation of authority in the mining sector speeds up the process of getting titles thus attracting some investors as it will be easy to deal with people close to the mining site. The decentralization set up in the mining sector on issuance of mining claims and titles reduce bureaucracy, thereby enhancing the EoDB, which results in improved competitiveness.

5.2.3 Government gazetted Statutory Instrument (SI) 57 of 2023, The Base Minerals Export Control (Unbeneficiated Base Minerals Ores (Amendment) Order, 2023 (No.1). The S.I. amended S.I. 5 of 2023 on Unbeneficiated Base Mineral Ores. The amendment redefined 'base minerals' to exclude coke and coal. In terms of section 3 of S.I. 57, export permits for unbeneficiated lithium, can only be granted where the lithium has been dealt with in accordance with the conditions as prescribed in the Schedule. In addition, the permit can only be issued where the selling price for the exports is not less than the price as set by the Minerals Marketing Corporation of Zimbabwe (MMCZ).

5.2.4 The amendment also provides that an export permit for lithium will not be granted to an exporter unless they prove that they operate an Approved Processing Plant (APP) or has obtained a permit to operate an APP that will be completed and fully operation within two years of the export permit. This is to further encourage the local processing of minerals to increase value before they are exported. The implementation of the S.I is there to encourage investors to establish industries within Zimbabwe that beneficiate to ensure that the country does not lose out on the resources they are endowed with.

5.2.5 The Chamber of Mines deals with the interests of the mining industry and the National Employment Council (NEC) deals with employment-related matters in the mining industry. The MMCZ is responsible for marketing minerals in Zimbabwe. These organisations help to

shape the mining sector to improve the operations of the mining sector and assist in negotiations with Government considering business issues in the mining sector, and this attracts a lot of investors as they will be secured in terms of their operation and marketing issues.

### 5.3 Tax Incentives and Royalties

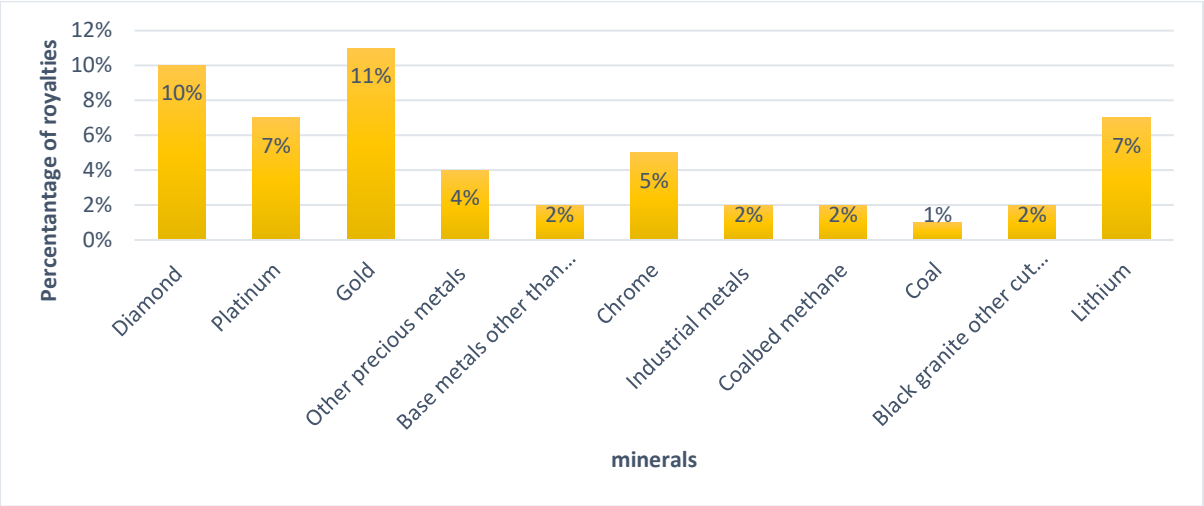
5.3.1 There are many tax incentives given to miners involved in exploration and mining. The holders of special mining leases, taxation is at a flat rate of 15% and other miners have 24.72%. However, there are other taxes that miners pay like profit tax calculated based on a formula. Holders of special mining leases may also be declared exempt from other taxes such as the Non-Resident Shareholders Tax, Non-Residents Tax on Fees, Non-Residents Tax on Remittance and Non-Residents Tax on Royalties. Government in 2021 announced other incentives to miners to develop the mining industry into a US$12 billion industry by 2023. Regardless of having tax incentives in the mining industry the cost of production increased by 10% between 2022 and 2023 due to electricity tariff increase, high cost of funding, high labour costs, high royalty and taxes. This means there is need for Government to adjust on electricity tariffs, labour laws, royalty and taxes to be favourable to attract foreign investors.

5.3.2 Moreover, mining companies enjoy an indefinite carry-forward of their tax losses. Investors are permitted to borrow locally for working capital purposes while offshore borrowings require RBZ approval. Interest paid on borrowings of a debt-to-equity ratio of up to a maximum of three years to one year is tax deductible. Zimbabwe is competitive regarding the zero percent (0 %) customs duty on capital goods that miners may import into the country. Whilst a miner is still required to pay value added tax (VAT) on various mining equipment, this can be deferred for a maximum period of three years, depending on the value of equipment. This means that a miner can import capital equipment into the country for use in their exploration and mining endeavours at very low costs (without paying VAT immediately) thereby ensuring that the country has a competitive edge with regards to mining.

5.3.3 There are royalties payable to the State calculated as a percentage of the gross fair market value of minerals produced and sold. These royalties increase mining costs leading to investors losing

confidence and this reduces the sector's competitiveness. The levels of royalties by mineral type are depicted in Figure 45.

**Figure 45: Percentage of Royalty Payment per Mineral, 2023**




***Source**: RBZ*

5.3.4 Table 6 summarises royalty rates that are charged by selected countries in Africa in the mining sector.

**Table 5: Zimbabwe's Royalty Rates against Comparator Countries, 2012 – 2022**

| Country | Enactment Year of the Mining/ Mineral Code/ Legislation | Royalty Rates | |
|---|---|---|---|
| | | Precious metals | Base metals |
| **Zambia** | 2008 | 5% | 3% |
| **Botswana** | 1999 | 5% | 3% |
| **Tanzania** | 2010 | 4% | 3% |
| **South Africa** | 2004 (royalty added 2008) | 0.5% | 7% |
| **Namibia** | 1992 | 3% | 3% |
| **Zimbabwe** | 2022 | 10% | 2% |
| **DRC** | 2002 | 2.5% | 1% |

***Source:** AfDB and RBZ*

5.3.5 In terms of royalties, Zimbabwe charges the highest rate on precious metals (10%) compared to comparator countries, which makes it less competitive in attracting both domestic and foreign investment. Investors prefer relatively lower rates than higher rates. On the other hand, royalties on base metals are relatively competitive (2% for Zimbabwe) compared to other countries except for DRC which is charging 1%. However, the country needs to consider both investor attractiveness particularly in mining of precious minerals and striking a balance with revenue collection.

5.3.6 Some of the regulations implemented are making the mining sector less competitive as they are increasing the costs of production. This is also exacerbated by decrease in international prices, which reduces revenues that are even not even covered by an increase in production. The rise in electricity costs by USc2/ KWh in October 2023 has resulted in the cost of production increasing by 10%. In addition, the increase in royalty for PGMs (2.5% to 7%) and Lithium (2% to 7%), resulted in the overall cost of production rising by an average of 5% and 4%, respectively. This reduces the competitiveness in the mining industry as high costs will be incurred, which reduce revenue as well as profits, negatively impacting on investors' interest in the mining industry.

## 5.4 Natural Resource Governance Index

5.4.1 The performance of the Zimbabwean mining sector in comparison with other countries can be summarised by the Natural Resource Governance Index (NRGI), which shows different indicators in the sector. The index is made up of three key measures, namely: -

- Valuation realization;
- Revenue management; and
- Enabling environment.

5.4.2 The measures show the performance of the sector in relation to licensing, taxation, local impact, state-owned enterprises, national budgeting, and other factors as shown in Table 8 below. Scores above 74 are considered as good, 60-74 satisfactory, 45-59 weak, 30-44 poor and less than 30 considered as failing.

5.4.3 Table 7 indicates that Zimbabwe is poorly performing compared to other Sub-Saharan countries. For example, licensing in the Zimbabwean mining sector is failing scoring 15 compared to Tanzania with a score of 50. However, the country is in the process of computerizing the licensing systems (Computerized Mining Cadastre Information Management System), which is expected to improve the licensing of mining titles in the country. The taxation system in the mining sector is fairly ranked (51) compared to other countries (Botswana 49) though other counties like South Africa (61) and Tanzania (87) are performing better.

**Table 6: Zimbabwe's Natural Resource Governance Index Scores against Comparator Countries, 2023**

| Indicator | | BW | ETH | SA | TZA | ZAM | ZWE |
|---|---|---|---|---|---|---|---|
| **Value realization** | | 40 | 46 | 50 | 54 | 58 | **37** |
| | Licensing | 18 | 30 | 28 | 50 | 47 | **15** |
| | Taxation | 48 | 76 | 61 | 87 | 65 | **51** |
| | Local impact | 67 | 53 | 46 | 46 | 50 | **39** |
| | State-owned enterprises | 29 | 24 | 65 | 33 | 69 | **45** |
| **Revenue management** | | 62 | 38 | 40 | 40 | 35 | **30** |
| | National budgeting | 58 | 30 | 40 | 40 | 35 | **30** |
| | Subnational resource revenue sharing | | 47 | | - | - | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Sovereign wealth funds[8] | 65 | - | | - | - | |
| **Enabling environment** | | 81 | 37 | 80 | 53 | 58 | **20** |
| | Voice and accountability | 88 | 24 | 91 | 67 | 71 | **27** |
| | Government effectiveness | 87 | 44 | 84 | 48 | 50 | **20** |
| | Regulatory quality | 84 | 26 | 80 | 61 | 57 | **9** |
| | Rule of law | 89 | 61 | 82 | 62 | 73 | **12** |
| | Control of corruption | 89 | 70 | 82 | 44 | 71 | **15** |
| | Political stability and absence of violence | 96 | 13 | 67 | 56 | 80 | **49** |
| | Open data | 35 | 21 | 72 | 35 | 7 | **8** |
| **Overall RGI** | | 49 | 57 | 40 | 49 | 50 | **29** |

***Source:*** *NRGIR*

**Key**: BW = Botswana, ETH = Ethiopia, SA = South Africa, TZA = Tanzania, ZMA = Zambia, ZWE = Zimbabwe

6.1.1 In terms of value relation, on average the country is not competitive in all indicators. The country is also failing in relation to revenue management in the mining sector with a score of 30 though some comparator countries are also performing poorly except for Botswana, which has a crore of 62. Zimbabwe also has a score of 20 in enabling environment within the sector,

[8] Zimbabwe is in process operationalizing a Sovereign wealth Fund in the name of Mutapa Sovereign Fund in line with SI 156 of 2023.

which is very poor and indicates less competitiveness in comparison with other countries. The RGI on average reveals that Zimbabwean mining sector is less competitive compared to other countries like Zambia and Tanzania.

6.1.2 The country's regulatory score for the mining sector is very low (15) compared to other sub-Saharan countries in Table 8, implying a negative impact on the competitiveness of the country in the sector. It is critical to note that, the finalisation of the amendment of Mines and Mineral Act is expected to assist on improvement on governance and regulatory of the mining sector. This will have a positive impact on the competitiveness of the mining sector in Zimbabwe.

## 6.2 Conclusion

6.2.1 The mining sector in Zimbabwe has been on an upward scale of improvement as seen by the attraction of foreign investors. It is one of the main sectors in the economy as it contributes a high percentage to the country's GDP as well as the mineral export revenue.

6.2.2 Despite the noted improvements, there is room for the mining sector to become even more competitive. This can be done by the full digitization of the Computerized Mining Cadastre Information Management system, which if fully implemented will increase efficiency on issuance of mining title licence. The amendment of Mines and Mineral Act will have positive impact on the governance of the mining sector in Zimbabwe, thereby increasing its competitiveness.

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