



PERCEPTIONS OF THE INVESTMENT CLIMATE FOR AGRIBUSINESS IN ZIMBABWE: 2011

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BUSINESS LEADER PERCEPTIONS OF THE INVESTMENT CLIMATE FOR AGRIBUSINESS IN ZIMBABWE, 2011

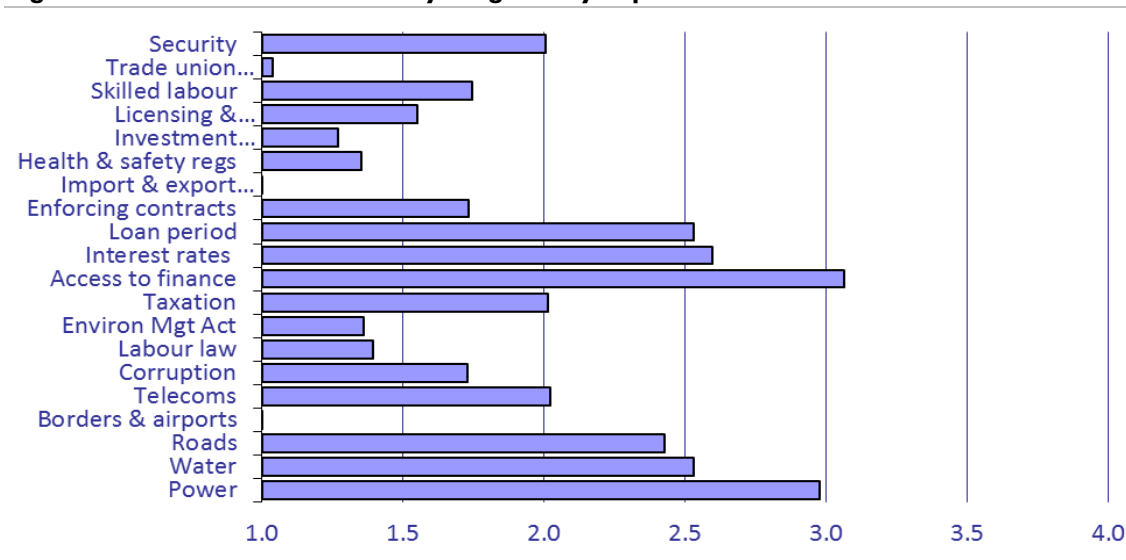
1. SUMMARY

This report has been prepared to highlight the factors that inhibit agri-businesses in Zimbabwe from achieving its full potential in creating jobs and wealth. It focuses on the perceptions of business leaders, since investment decisions are based on perceptions of the environment and expectations of how it might change. Understanding those perceptions can assist business associations and policy makers to focus on the factors that are causing particular difficulties, so the report also suggests priorities for action. Business leaders were asked about:

- The enabling environment factors that are important to their business;
- The factors that make it difficult to do business;
- Whether a range of public agencies were supportive of business;
- The perception of whether and, if so, how business associations are addressing each factor;
- Their perception of whether and, if so, how government is addressing each factor;
- Their view of whether each factor would be likely to deter future investment;
- Their satisfaction with the level of public private dialogue
- Their assessment of the costs involved in meeting the requirement of regulation and red tape.

The factors that make it difficult for businesses to get on with running and growing their business are power, all aspects of credit and, to some extent, water and roads.

Figure 1: Issues that cause difficulty weighted by importance



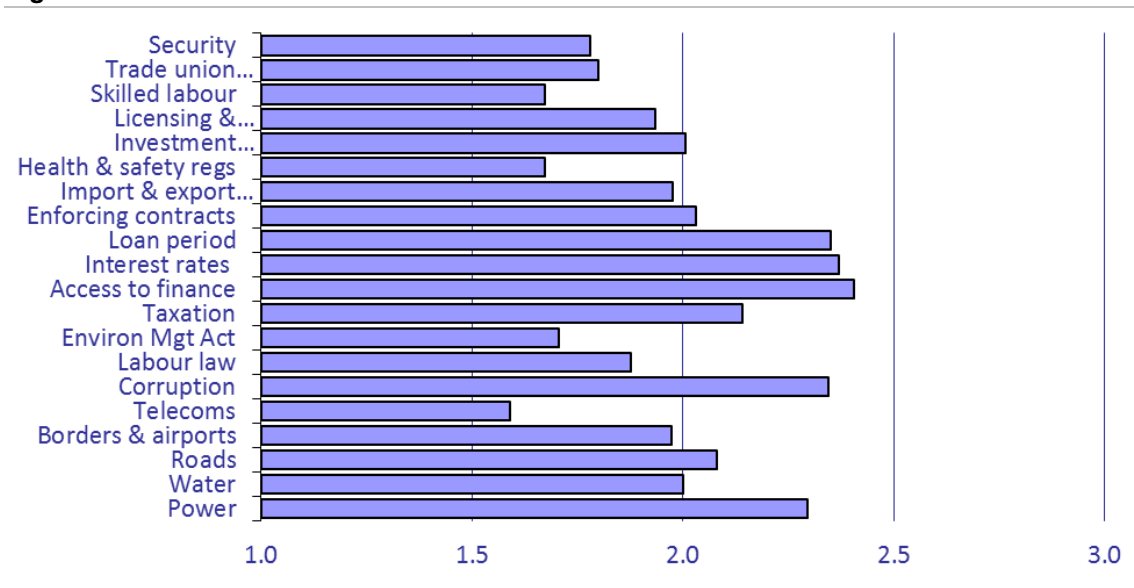
Respondents perceive business associations to be making some effort to improve all factors. There are clear geographical differences, however, with respondents in Marondera and Gweru thinking less of the efforts of the associations. There is little difference in perception between respondents who are members of a business association and those are not.

Respondents similarly perceive the government to be making some effort on most issues, though not on the crucial issue of access to finance. Again, there are geographical differences with respondents in Marondera and Gweru generally less positive.

Respondents said that no factor completely deters further investment (score > 2.5) but also said that no factor encourages it either (score < 1.5). However, the factors that are the biggest

deterrent are credit (access, loan periods and interest rates) followed by corruption and then power.

Figure 2: Factors which deter investment

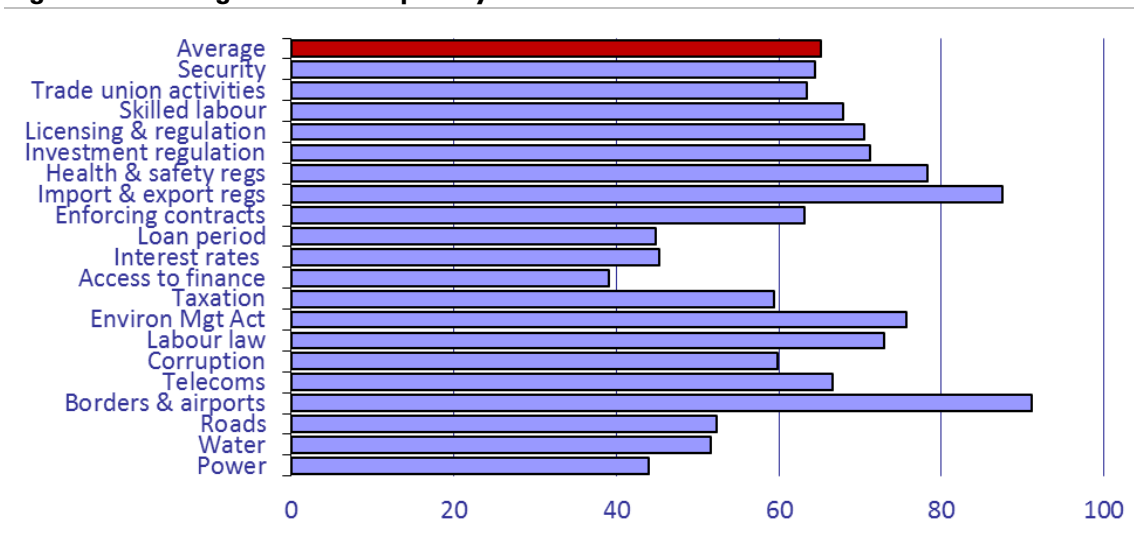


Again, there are geographical differences, with respondents in Bulawayo least positive about investment. There are considerable differences in perception when size of respondents is considered, with respondents employing 1-5 being least positive about investment.

Most respondents think that there should be more public private dialogue – presumably hoping that this will lead to improvements in the enabling environment.

We have prepared an ‘enabling environment priority index’ based on the level of difficulty perceived by respondents combined with their perception of effort being made by government to address each issue. Note in the chart that the higher the score, the more ‘enabling’ the factor and the lower the number, the more disabling the factor.

Figure 3: Enabling environment priority index



So the priorities are access to credit and power, with corruption regarded as much less of a priority for attention, though that is not to say that it can be ignored since it is an investment deterrent. Import/ export and borders are perceived very positively.

A poor enabling environment increases costs and reduces competitiveness. Much of this is hard to assess, but it is possible to look at the specific costs of red tape and licensing. Respondents estimate that they are spending as much as 10 per cent of their income on dealing with regulation – reducing this significantly would mean businesses would be more profitable and would then be able to reinvest more of their earnings, perhaps even reducing the need to rely on external financing, but certainly reducing their gearing, thus making it easier to raise finance when necessary.

This is the first time that a survey such as this has been undertaken in Zimbabwe. It is hoped that it will be possible to repeat this on a regular basis, since the real value will come from looking at the trends and in particular whether projects such as Zim-ACP can make a difference.

2. INTRODUCTION

This report has been prepared to help business associations (including farmers' unions, commodity associations etc) and policy-makers to understand better the business environment faced by the agricultural sector in Zimbabwe. It has been commissioned by the Zimbabwe Agricultural Competitiveness Program Trust (Zim-ACP), a 4.5 year, USAID funded programme, whose role is to raise the level and quality of private sector advocacy and the effectiveness of public private dialogue within the agricultural sector as well as designing and implementing initiatives to support agricultural businesses in Zimbabwe to improve their competitiveness over the life of the programme.

It is now commonly accepted that improvements in the enabling environment lead to greater levels of investment by the private sector, more wealth and job creation, and ultimately more poverty alleviation.¹ Improving the business environment is not always easy. It requires co-operation and dialogue between the public and private sectors. To make the biggest impact, government and business associations need to understand the needs of business and to prioritise those issues which are causing the biggest headaches and which are most likely to deter investment. The purpose of this report is to contribute to that understanding and debate.

It is hoped that the results presented in this report will stimulate discussion about ways in which the environment could be improved for farmers and agri-businesses. However, it is also intended that the results should provide a baseline so that Zim-ACP can determine the level of improvement in the enabling environment as perceived by farmers and agri-businesses. From 2012, comparison studies will be undertaken to track perceptions as they reflect actions to be taken by business leaders.

3. ENABLING ENVIRONMENT ASSESSMENTS

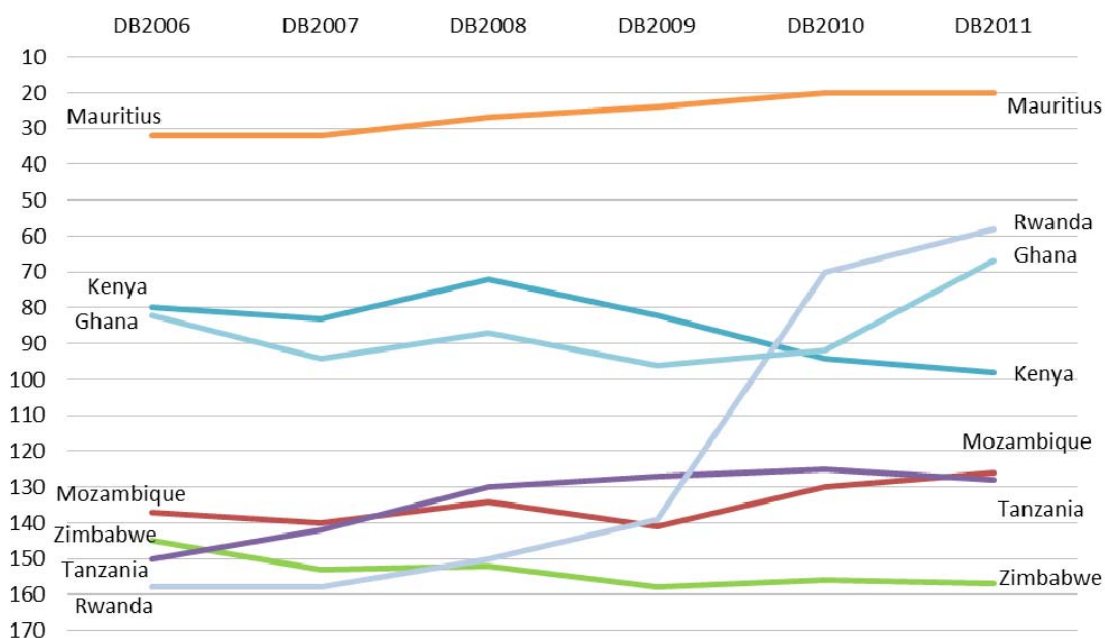
Several international organisations prepare global business environment surveys. Perhaps the best known is the annual World Bank Doing Business Report.

In Doing Business 2011, Zimbabwe is ranked 157 out of 183 countries, more or less at the same level as 2010 and 2009. Figure 4 shows Zimbabwe's position compared to a small number of other sub-Saharan countries. In Doing Business 2011, Mozambique ranked 126, Kenya ranked 98, South Africa ranked 34 and Mauritius ranked 20. Some countries have adopted ambitious targets to improve their position: Nigeria, for example, is ranked at 137 in DB2011 and aims to be in the top 20 by 2020.

¹ See for example World Bank Doing Business reports (www.doingbusiness.org) and World Development Report 2005.

There is a problem with using rankings since a country can fall simply because others make more effort or can rise simply because others fail. But the rankings are useful in that they give at least some indication of how countries are performing.

Figure 4: Doing business rankings



Source: adapted from World Bank Doing Business reports (2005-11)

Table 1 shows how Zimbabwe ranks (out of 183 countries) in some of the individual areas – and it could do better in all of them. It is worth noting that Zimbabwe fell 30 places in getting credit in 2010 and 30 places in enforcing contracts in 2011. If there is anything that businesses like less than a poor enabling environment, it is an unstable enabling environment, since this makes it so much harder to plan ahead.

Table 1: Zimbabwe: Doing Business rankings

	2009 rank	2010 rank	2011 rank
Ease of doing business (overall rank)	158	159	157
Starting a business	164	145	143
Dealing with construction permits	174	178	172
Registering property	85	84	82
Getting credit	84	113	128
Paying taxes	157	130	131
Enforcing contracts	77	78	110

Sources: World Bank (2008) *Doing Business 2009*; World Bank (2009) *Doing Business 2010: reforming through difficult times*; World Bank (2010) *Doing Business 2011: making a difference for entrepreneurs*.

Whilst the World Bank's work is valuable to policy makers in highlighting areas worthy of reform and promoting debate, it does not offer a holistic view in that it focuses on a narrow selection of indicators. Encouraging more people to start in business or to join the formal economy, or encouraging more investment, will depend upon a broader perception of the ease of doing business than the narrow view reported in Doing Business.

4. RATIONALE FOR THIS STUDY

With organisations such as the World Bank and World Economic Forum undertaking research to assess the problems faced by business, it may seem that there is no need for further studies. This study is different, however:

- This study gathers and reports on the perceptions of business leaders themselves. People act on the basis of their perception of the environment (even if that is not wholly accurate) and their best guess of what the environment might be like in the future. It is therefore important, if not more important, for policy makers to understand the perceptions of business leaders, in addition to the more 'objective' measures of the business environment.
- Doing Business does not look at specific sectors, but this research focuses specifically on the factors that are important to farmers and agri-businesses. Also, unlike Doing Business, it aims to identify geographical differences.
- There are a wide range of factors which together comprise the enabling environment, though not all are important to every business or sector.
- The survey not only asked about the factors that are problematic but also, unlike other surveys, asked business leaders to identify the factors where business associations and the government are perceived to be making a positive effort.
- The survey has attempted to quantify the costs to business of meeting the regulatory requirements imposed on them.

5. METHODOLOGY

The fieldwork was undertaken during May and June 2011 by JIMAT Development Consultants, an international development consultancy firm with its head office in Harare, Zimbabwe. The survey was conducted using a questionnaire originally designed by David Irwin and modified in discussions with Zim-ACP to reflect the local circumstances.

The questionnaire was pre-tested by JIMAT. The questionnaires were administered face to face and results for each respondent transcribed into a specially designed spreadsheet.

The sample consisted of business leaders, or self-employed business people. A sampling frame was prepared to provide a sample population greater than 385 (to give, statistically, a 95 per cent confidence level and 5 per cent precision assuming a 50 per cent degree of variability). We estimated a percentage for each of the six commodities covered by Zim-ACP (horticulture, cereals, legumes & oilseeds, livestock & meat, cotton and tree crops) based on FAO statistics and on a conversation with the Chief Economist at the Ministry of Agriculture, Mechanisation & Irrigation Development. There is a desire by Zim-ACP to cover the whole value chain so the survey also covered input and equipment suppliers, agro-processors and ancillary service providers, such as banks, vets and trainers. Zim-ACP works nationally, so was keen to cover at least five areas in the survey though, to simplify the logistics for the first survey, restricted the field work to an area within a 60 km radius of each city: Harare, Bulawayo, Gweru, Mutare and Marondera. Ideally, the geographic split of the sample should be based on geographic contribution to GDP but figures are not easily available, so population was used as a proxy; some agricultural sectors are concentrated in one or two geographic areas so the split was adjusted. We also recognised that finding exactly the right number of respondents for each sub-group might be challenging, so the field team used them as a guide rather than being expected to achieve the exact numbers in the sample population.

In the event, the sample population comprised 390 businesses covering a range of agricultural sectors, locations and business sizes. The composition of the sample is shown in table 2.

Table 2: Sample population composition

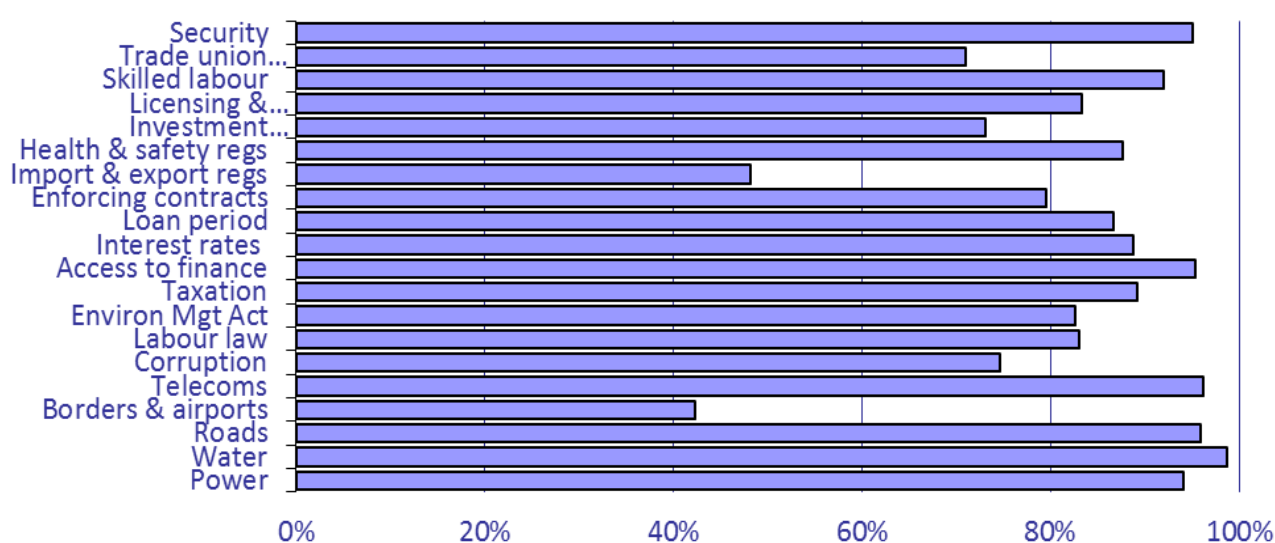
By sector		By commodity (farmers & processors)		By number of employees	
Farmers	224	Cereals	72	0-5	62
Processors	123	Cotton	74	6-50	244
Total farmers & processors	347	Horticulture	66	51-100	37
Input suppliers	25	Livestock	60	>100	39
Ancillary service providers	18	Pulses & legumes	24		
Total sample	390	Mixed	51		
			347		
By location		By business association			
Harare	182	Member	220		
Bulawayo	63	Not member	170		
Gweru	70	Total	390		
Mutare	46				
Marondera	29				

Personal details of respondents were collected in the hope that we can, in the future, run this as a panel survey. However, all respondents were assured that their responses would be treated totally confidentially.

6. NATIONAL VIEW

6.1 FACTORS IMPORTANT TO BUSINESS

In the first question, respondents were asked to indicate which of a range of factors were important to the success of their business and then to indicate whether each of those factors made doing business very difficult, somewhat difficult, had room for improvement or was not a problem at all. The reason for splitting the results is that it is quite possible for a factor to be important – a manufacturer might need a reliable source of electric power for example or a service business might rely on effective telecommunications – but for that factor not to cause problems – power or telecommunications might be reliably available.

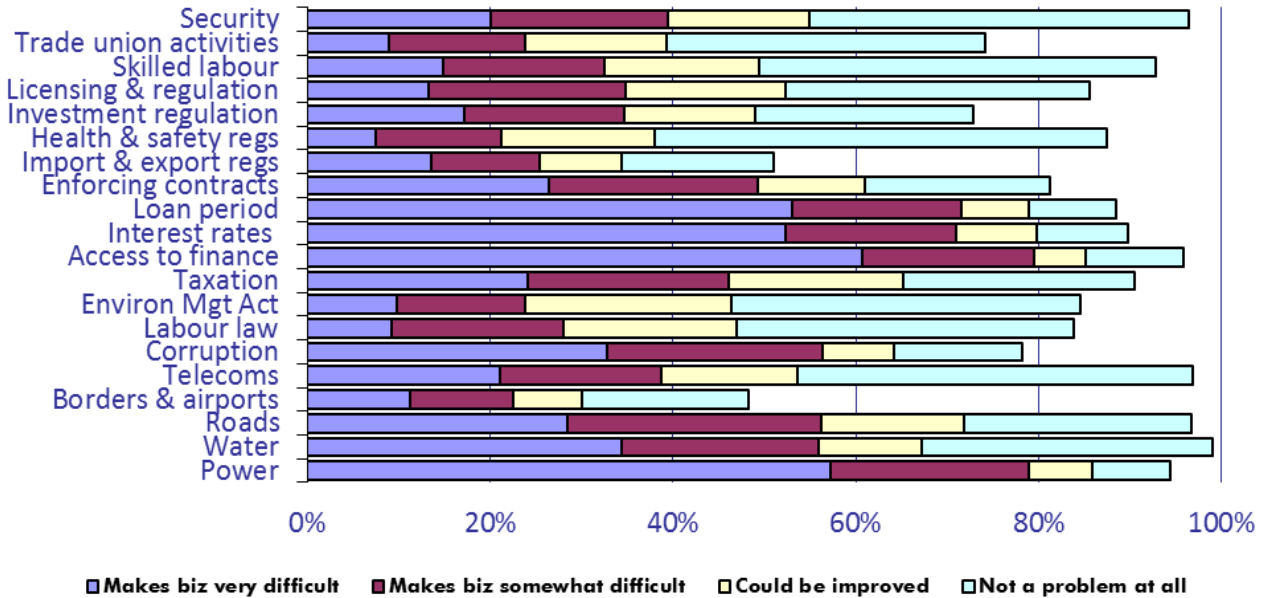
Figure 5: Importance of factors (all respondents)

With the exception of import & export regulations and borders & airports, most factors were seen as important.

6.2 FACTORS WHICH MAKE BUSINESS DIFFICULT

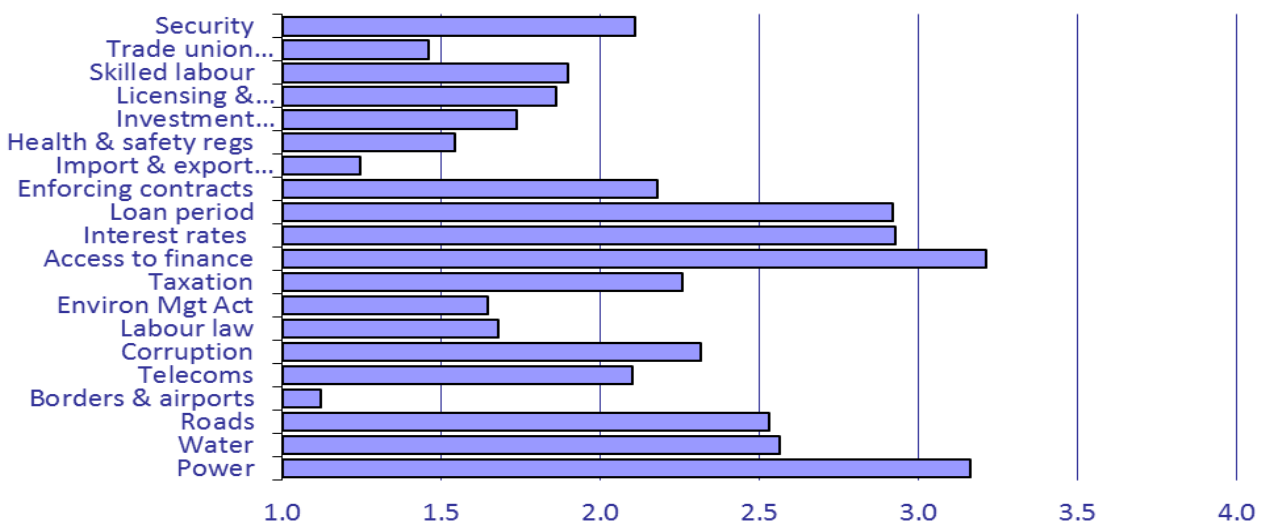
Figure 6 shows the factors that businesses perceive to make life difficult. The factors that 'make business very difficult' are access to finance, power, loan periods and interest rates on loans.

Figure 6: Factors which make business difficult



It is not always easy to assimilate the data when responses are summarised in this way, so the results have been coded by allocating a 'score' for each response as follows: 1 – not a problem; 2 – could be improved; 3 – makes doing business somewhat difficult; 4 – makes doing business very difficult. So, an average score of 4 would mean that every respondent thinks that an issue makes business very difficult and an average score of 1 means that everyone sees the issue as not a problem. The results are summarised in Figure 7.

Figure 7: Factors which make business difficult

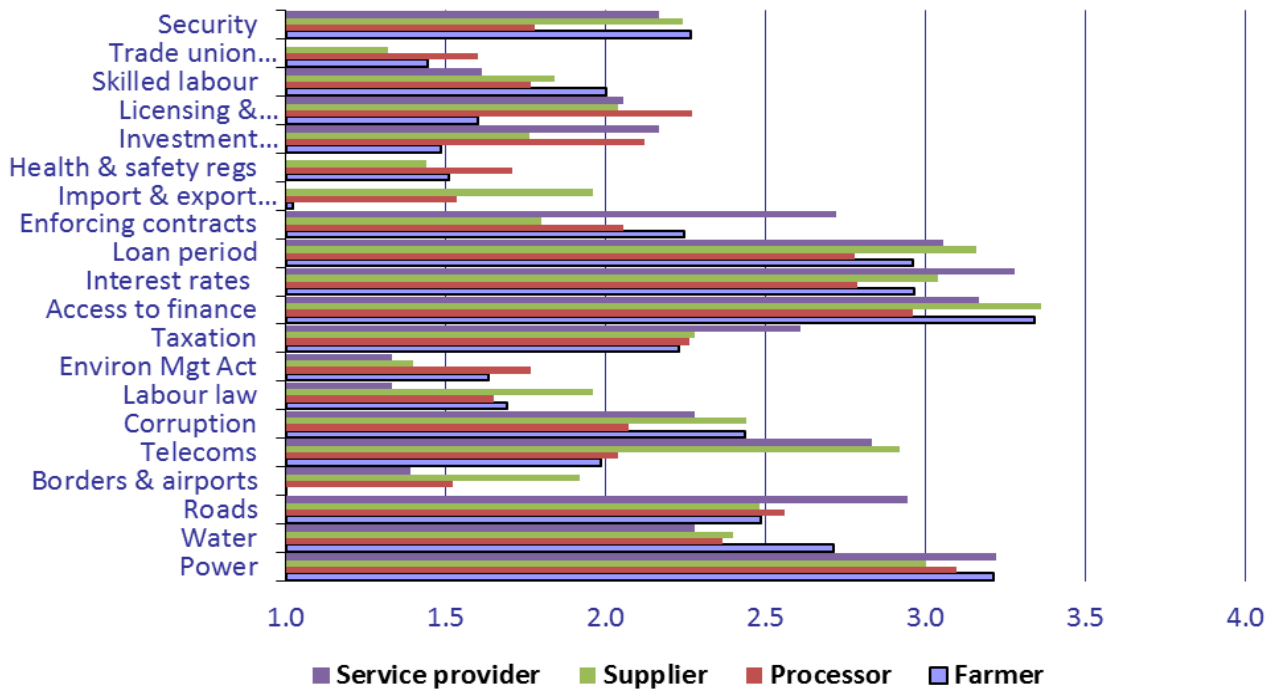


As can immediately be seen, access to finance and power are both regarded as making business more than somewhat difficult. Loan periods and interest rates are not far behind – so

even if a business can access a loan, the terms are seen to make business difficult as well. Roads and water are also seen as making business somewhat difficult.

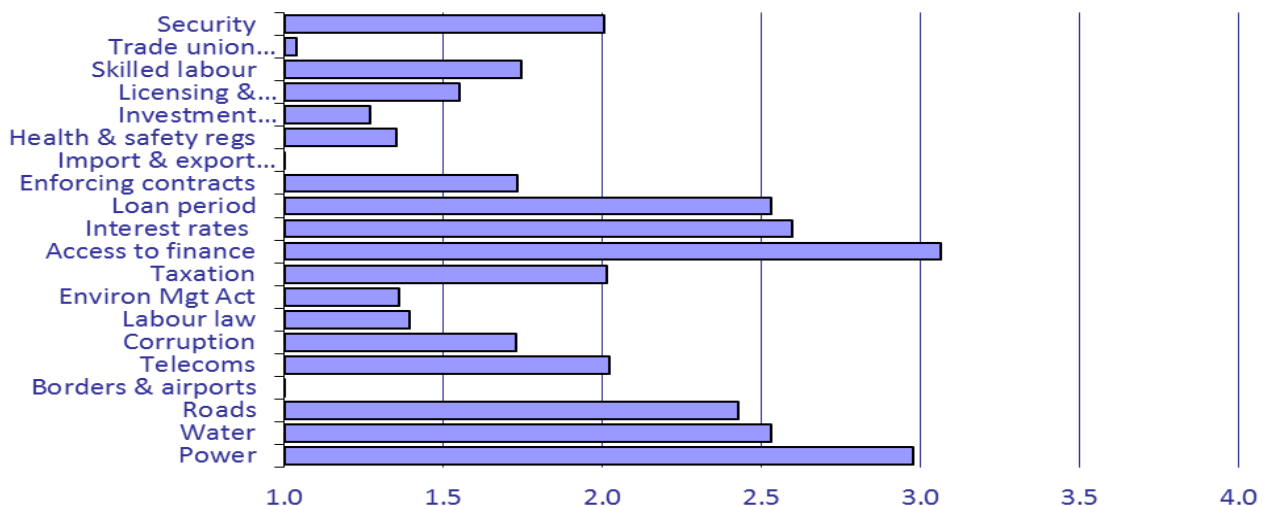
In Figure 8, the factors which make business difficult are disaggregated by main activity. For most factors, there is little to choose between the different groups of respondents. It is worth noting, however, that service providers seem to have the most problem with the enforcement of contracts. They also have the most problem with roads.

Figure 8: Factors which make business difficult



In Figure 9, the factors that cause difficulty have been weighted by importance to the respondent. Whilst the overall scores are slightly lower, the results are very similar. Power and access to finance make business somewhat difficult, with loan periods and interest rates causing problems. Borders & airports, import & export regulations and trades unions are seen as not being problematic at all.

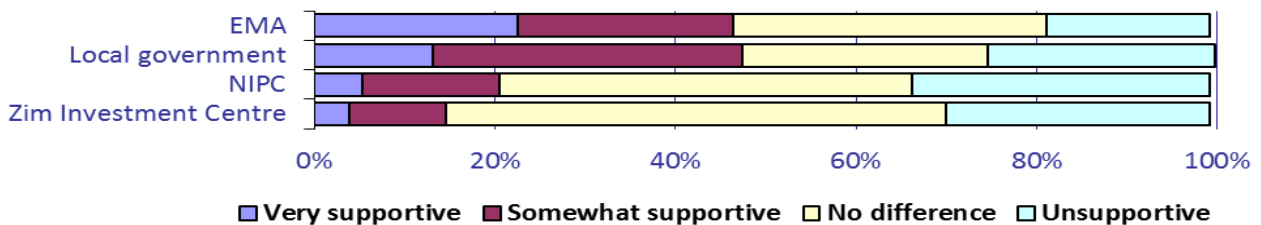
Figure 9: Issues that cause difficulty weighted by importance



6.3 PUBLIC AGENCIES

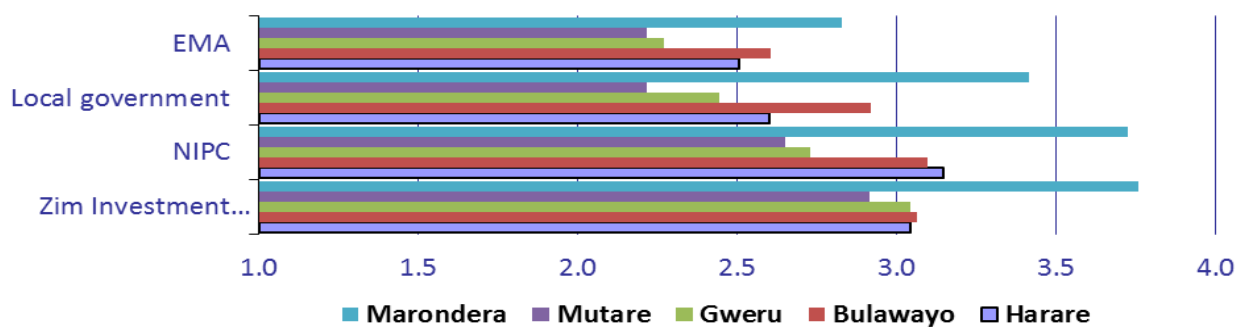
There are a number of public agencies intended to support business (such as the Zimbabwe Investment Centre (ZIC)), or to regulate business (such as the Environmental Management Authority (EMA)) or have a different role (such as local authorities and National Incomes & Pricing Commission (NIPC)). All impact on business in some way, so respondents were asked whether they found each of four agencies supportive. Whilst none scored particularly well, it is interesting to note that more than 20 per cent of respondents saw the EMA as very supportive.

Figure 10: Public agencies support business



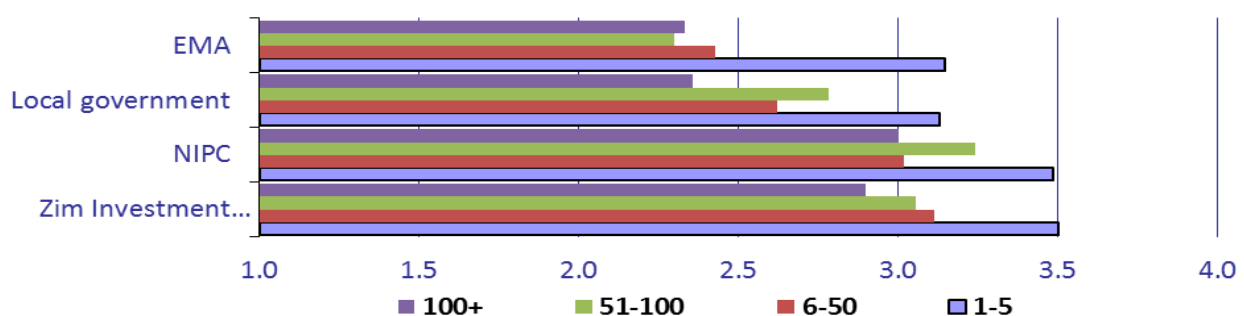
As with the assessment of which factors make doing business difficult, the responses were coded to give a single score for each agency. The results are shown in Figure 11 and Figure 12. Zimbabwe Investment Centre and NIPC are perceived to make no difference whilst the EMA and local government are perceived to be somewhat supportive. It is interesting to note, however, that in Marondera, the EMA is seen as making no difference and the other three are all perceived to be unsupportive.

Figure 11: Perception of public agencies support for business (by location)



Perhaps less surprisingly, the larger a business, the more likely they are to see the agencies as supportive. Businesses employing one to five people see the agencies as making no difference, bordering on unsupportive for NIPC and Zimbabwe Investment Centre.

Figure 12: Perception of public agencies support for business (by size)



6.4 BUSINESS ASSOCIATION PERFORMANCE

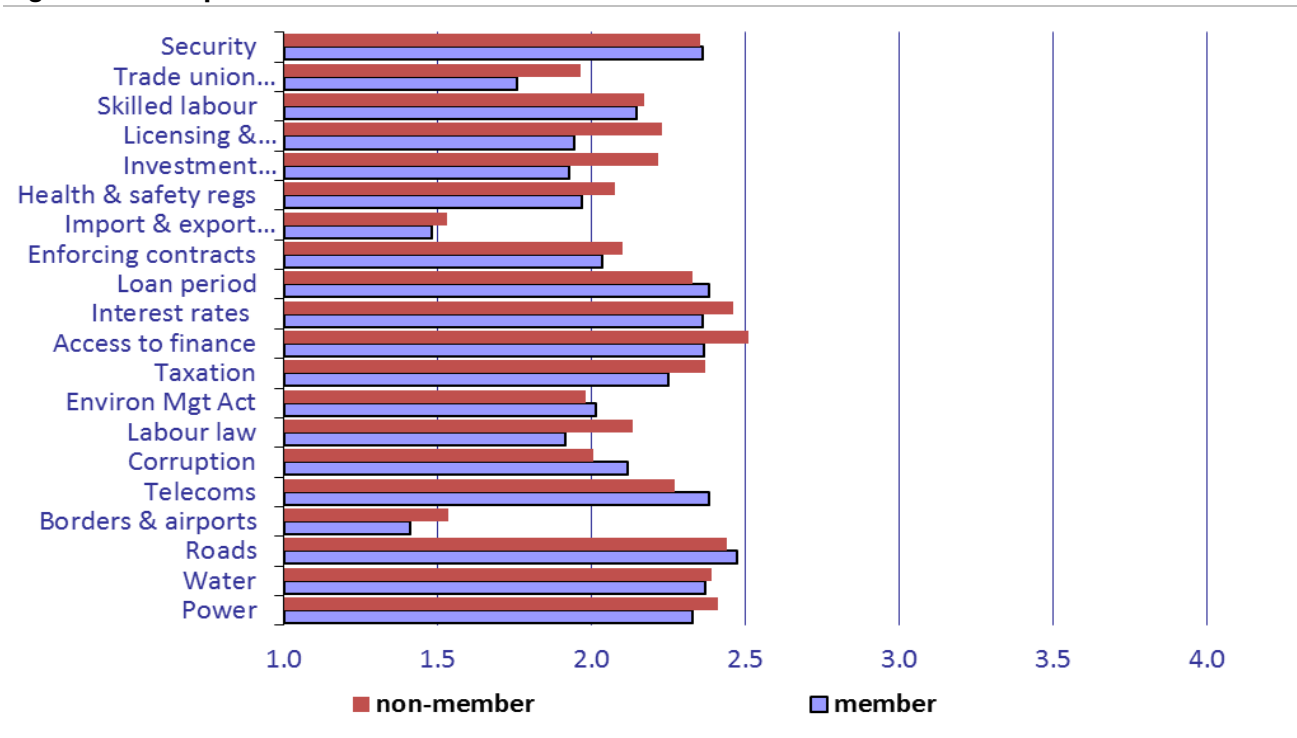
The term business association is used to cover any association that purports in some way to represent businesses or individuals in relation to business matters, including trade associations, chambers of commerce, farmers' unions etc.

We asked respondents whether they perceived business associations were making effort to address the different factors of the enabling environment.

The responses were coded to give a single score for each factor: an average score of 4 represents a perception that business associations are making the issue worse; 3 suggests that the business associations are making no effort to address the issue; 2 suggests that associations are making some effort; and 1 suggests that associations are making a real effort to address the issue.

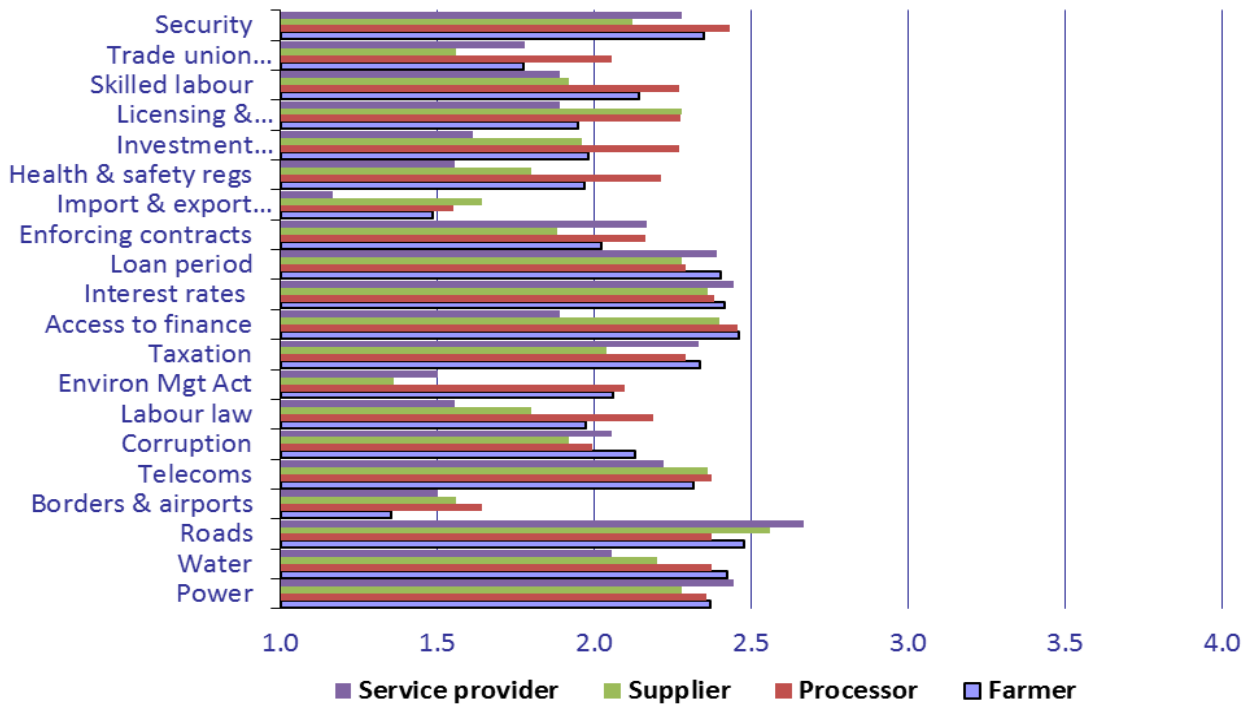
Given that one of the reasons that businesses join business associations is to encourage the association to make a difference, one might have expected a substantial difference in the responses of members and non-members. It is interesting to note, therefore, that the differences are fairly small, though members think more highly of associations on most factors. The results for import & export regulations and borders & airports imply a perception that associations are making a real effort to make a difference, but for most respondents these factors are unimportant. On all the rest, associations are seen as making some effort to make a difference.

Figure 13: Perception of business association effort to make a difference



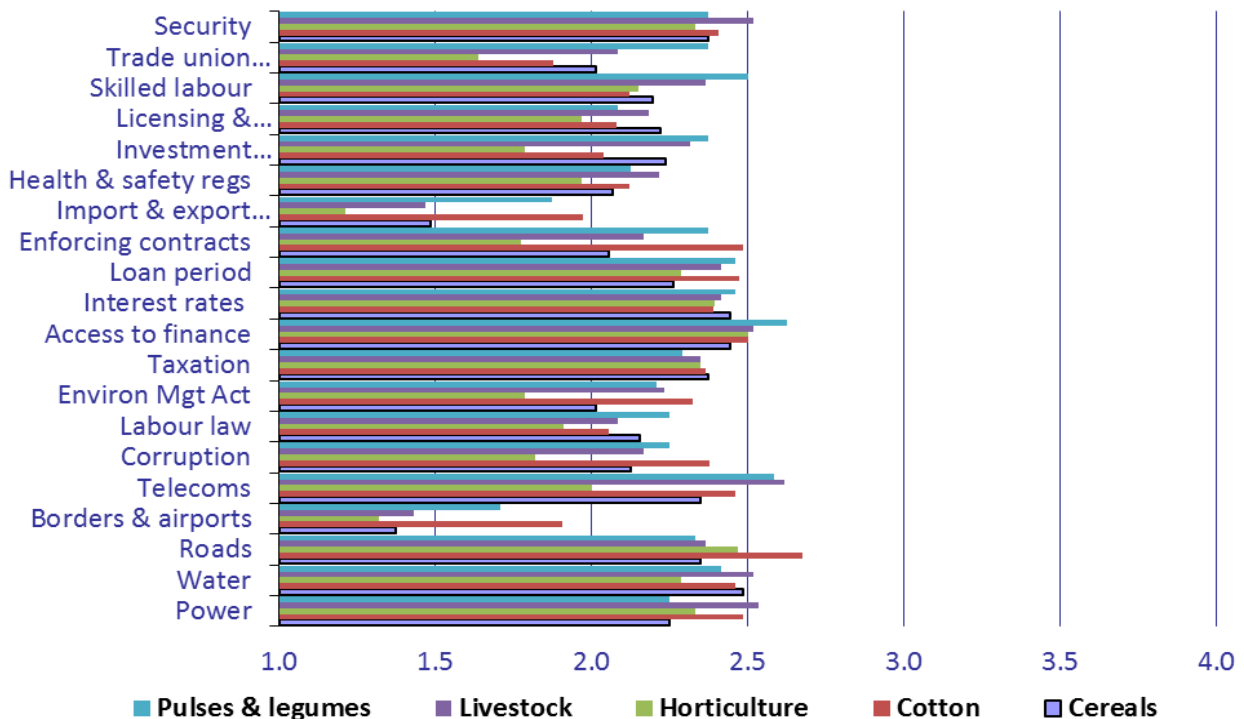
There is little to choose between responses when disaggregating by sector.

Figure 14: Perception of business association effort to make a difference



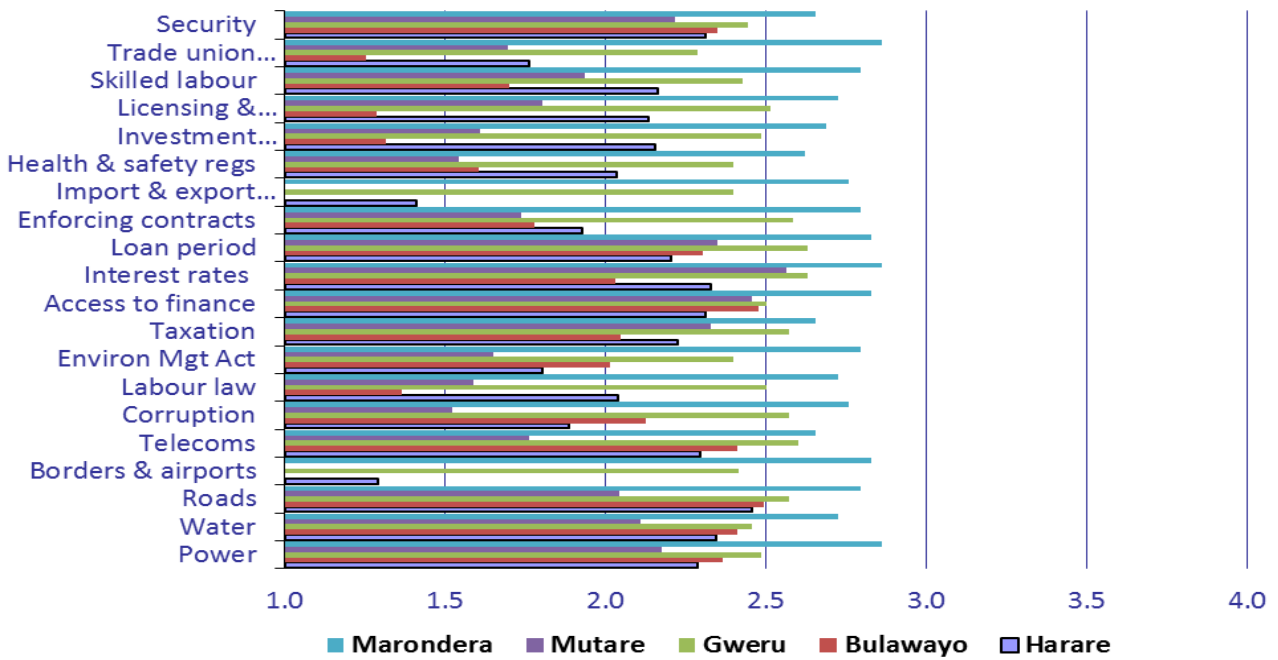
There seems to be little difference in response between commodities (covering both farmers and processors).

Figure 15: Perception of business association effort to make a difference



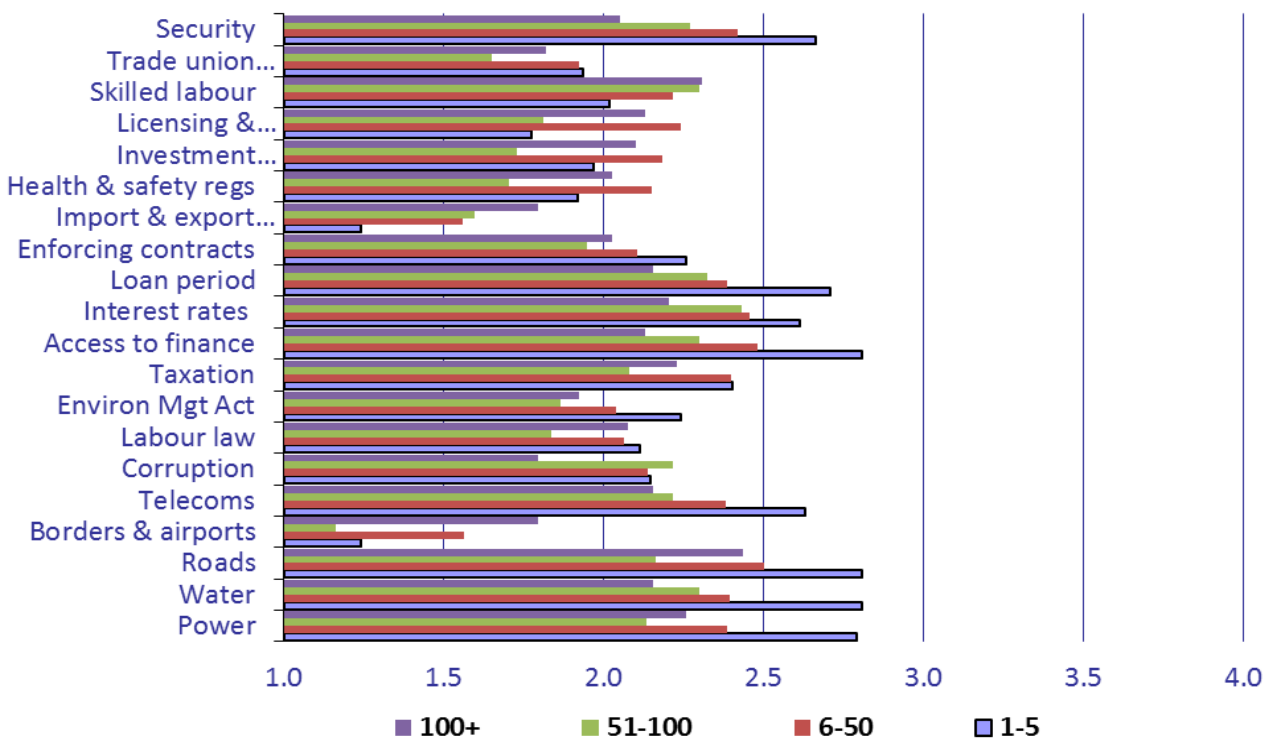
When we disaggregate by location, however, we do see some differences. In Marondera, associations are perceived to be making no effort on every factor (including borders & airports and import & export regulations). In Gweru, associations are perceived to be almost as bad.

Figure 16: Perception of business association effort to make a difference



When we disaggregate by size, we see that it is the smallest businesses who have the worst perception of the efforts made by business associations.

Figure 17: Perception of business association effort to make a difference

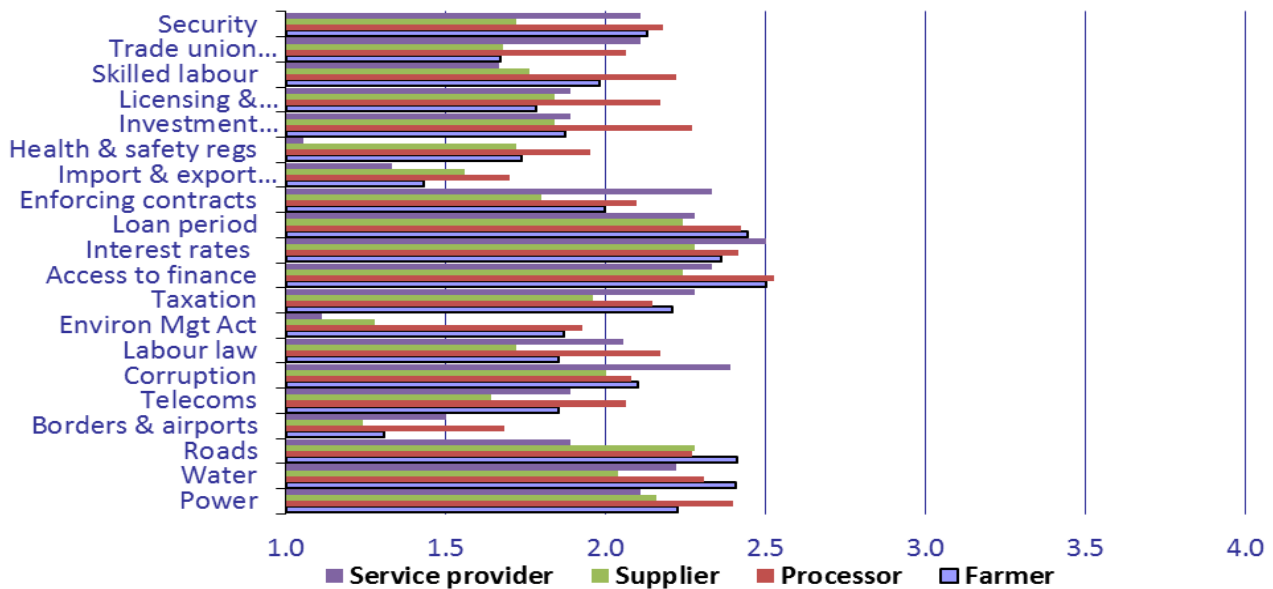


6.5 GOVERNMENT PERFORMANCE

We asked respondents whether they perceived government was making efforts to address the different factors of the enabling environment. Answers ranged from 'the government is making real efforts to address the issue' (coded 1), through 'some effort' (coded 2), 'no effort', (coded 3) to 'government actions are making this issue worse' (coded 4). So, an average score of 1 would mean that every respondent thinks that the government is making a real effort to address the issue and an average score of 4 would mean that every respondent thinks that the government is making the issue worse.

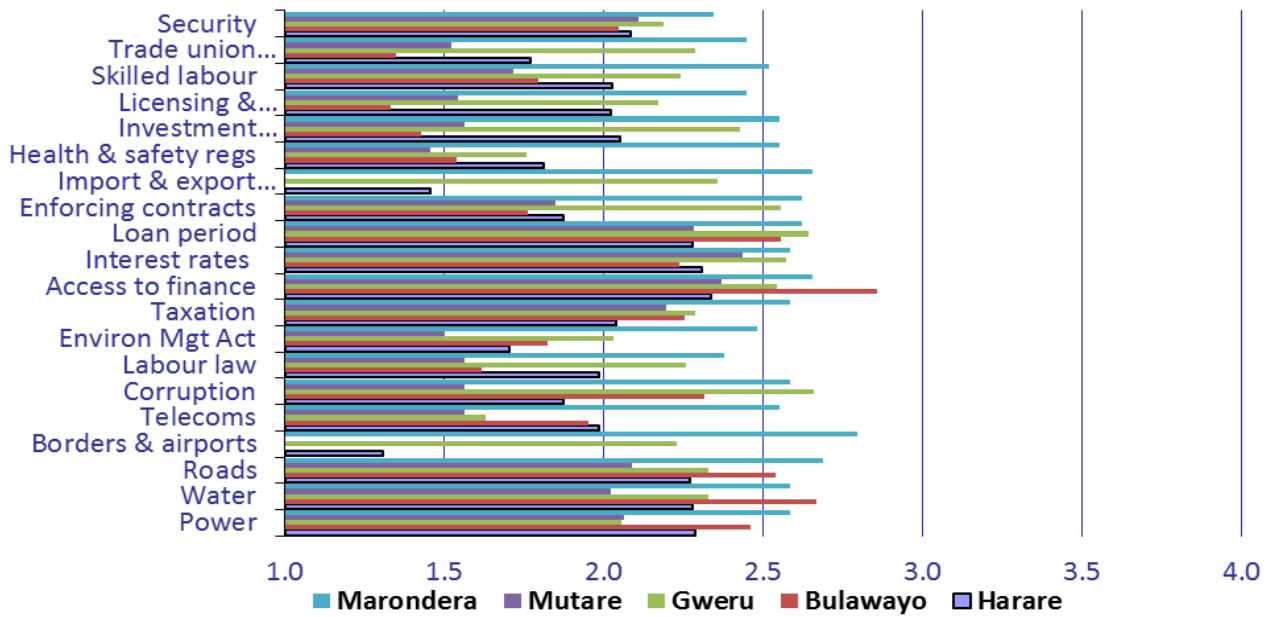
In all aspects of credit – access, loan terms and interest rates – the government was perceived to be making no effort. For every other factor, however, the government was perceived to be making some effort. There are some results to which attention should be drawn. Processors are more worried than other businesses by the availability of skilled labour, licensing & regulation and investment regulation. Farmers are more worried than other businesses by corruption, roads and water.

Figure 18: Perception of government effort to make a difference



Once again, there are some striking regional differences. Businesses in Marondera perceive the government is making no effort for every factor, with the least effort in borders and airports. Businesses in Gweru have perceptions that are almost the same. Businesses in Bulawayo perceive that least effort is being made to address the issue of access to finance.

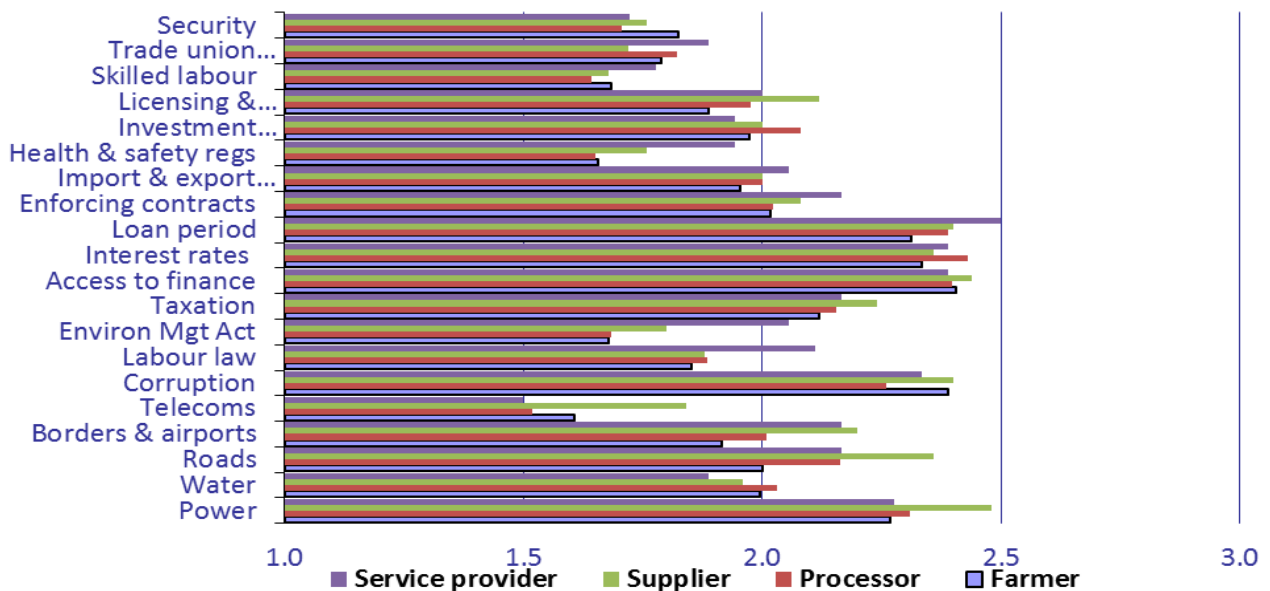
Figure 19: Perception of government effort to make a difference



6.6 INFLUENCE ON INVESTMENT

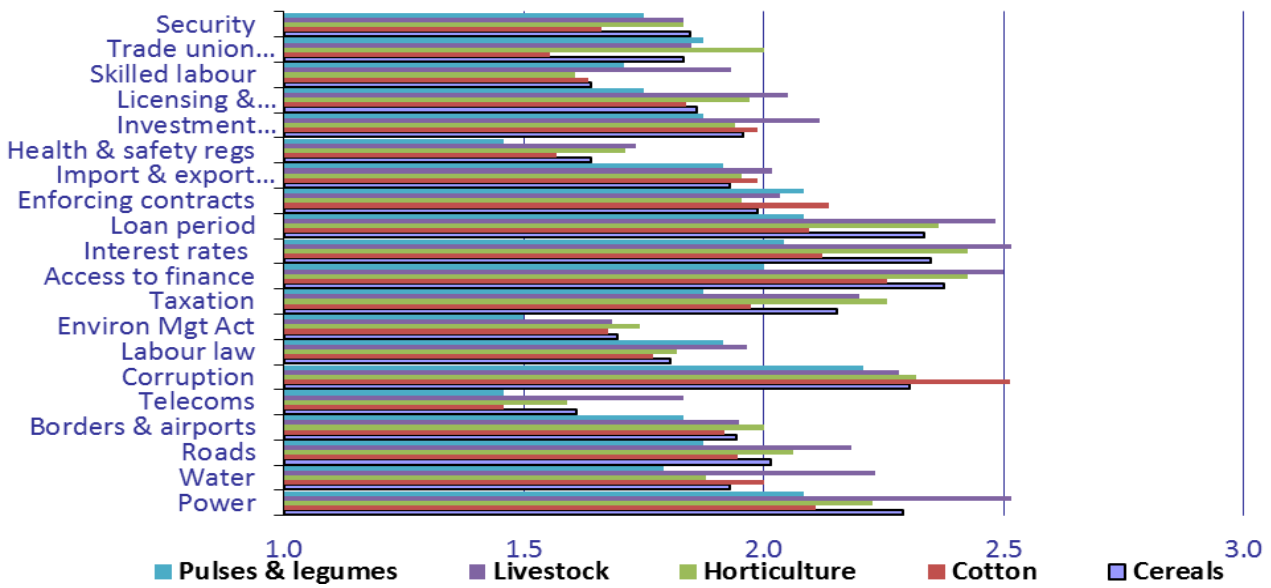
The next, and possibly the most important, question asked respondents which factors were likely to influence investment decisions and how (scored 1: encourage further investment; 2: neither encourage nor deter; 3: deter further investment). No factor was seen as definitely deterring investment, though power comes close, at least for suppliers, and loan periods, at least for service providers. Corruption also deters investment.

Figure 20: Factors which affect investment decisions



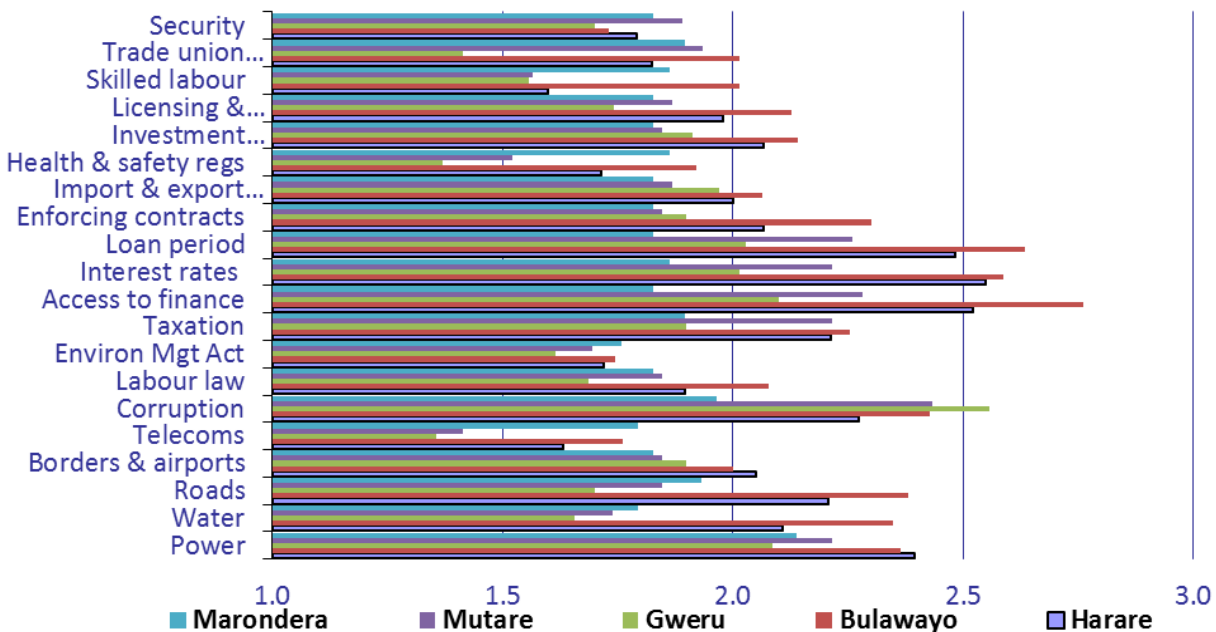
The picture is more mixed, however, when we disaggregate by commodity. Livestock farmers and processors seem to be most deterred from investment, particularly worrying about power, all aspects of credit and enforcing contracts. Cotton farmers and processors are most deterred by corruption, which they say does deter further investment.

Figure 21: Factors which affect investment decisions



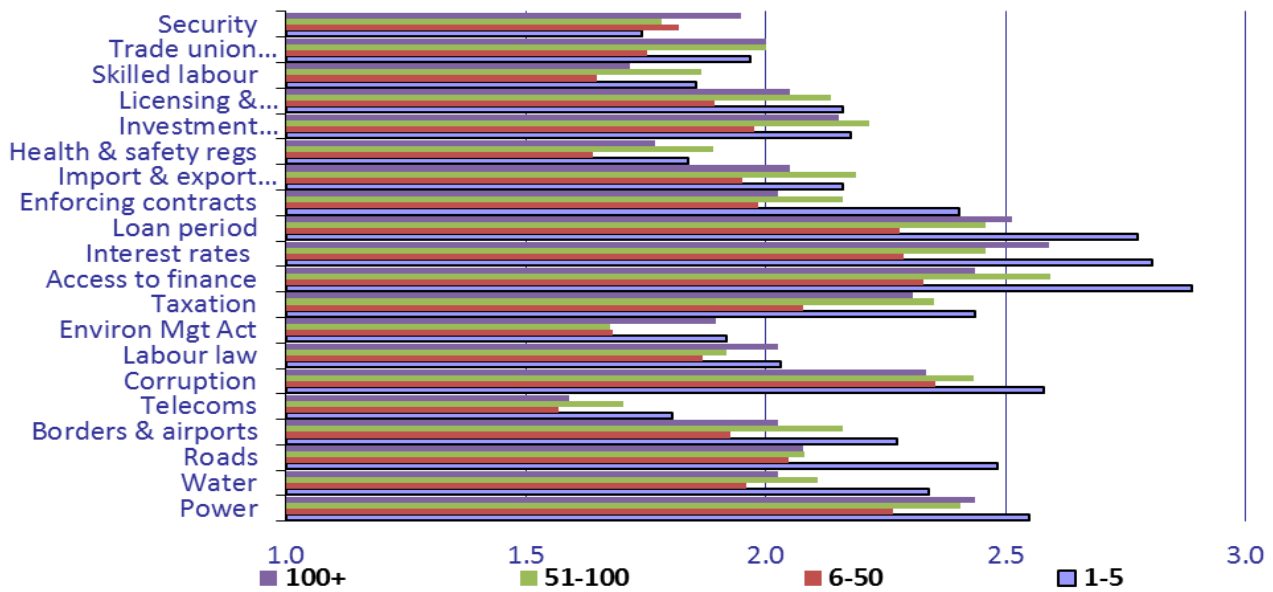
There is also considerable geographic variation – with businesses in Bulawayo most deterred from investing. They say that access to finance, loan periods and interest rates would deter further investment, though corruptions and enforcing contracts are not far behind. Businesses in Gweru say that corruption would deter further investment.

Figure 22: Factors which affect investment decisions



There is considerable variation, too, when we disaggregate by size of business. Businesses employing 1-5 are deterred from further investment the most – particularly by all aspects of credit, by corruption and by power, though enforcing contracts, roads and taxation are close behind.

Figure 23: Factors which affect investment decisions



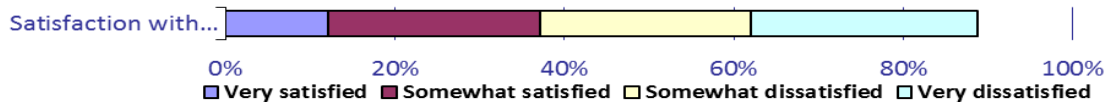
6.7 PUBLIC PRIVATE DIALOGUE

Public private dialogue is important in ensuring that public and private sectors each understand the other and there is evidence that good, interactive communications make a difference in raising the level of understanding.

So we asked a question that has not generally been asked in other business leader perception surveys, though was asked in the most recent survey in Nigeria. Specifically, we asked respondents whether they were satisfied with the level of dialogue between the public sector and private sector.

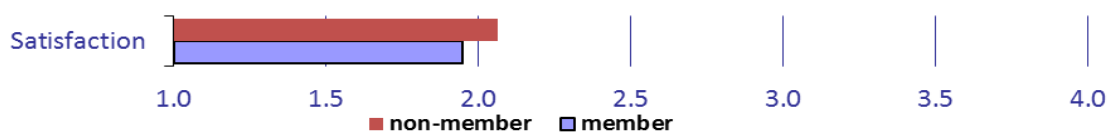
Only 10 per cent of respondents are satisfied with the level of public private dialogue.

Figure 24: Satisfaction with level of public private dialogue



One might have expected there to be a big difference between respondents who are members of a business association and respondents who aren't. Interestingly, there is a very small difference, though members are slightly more satisfied. It is not possible to draw conclusions, however, whether this is because there is a low level of dialogue or that associations are not good at telling their members about what they are doing.

Figure 25: Satisfaction with level of public private dialogue



So there are twin challenges here both to increase the amount of dialogue and to ensure that, the fact that there is regular dialogue is communicated effectively to business.

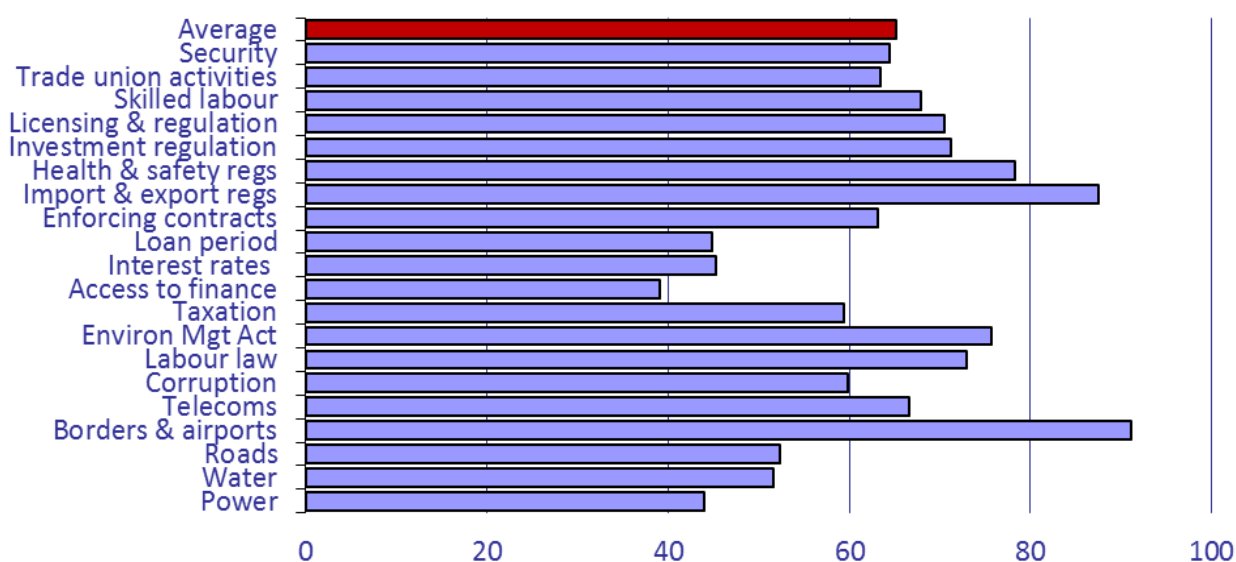
6.8 ENABLING ENVIRONMENT PRIORITIES

We have prepared an 'enabling environment priority index' based on the level of difficulty perceived by respondents combined with the perception of how the government is addressing the issue.

The chart below shows the combined views for all of the issues. Note that the scale has been inverted and rebased so that a factor that causes the most difficulty for business and in which the government is making the problem worse will be shown as zero and a factor that causes the least difficulty for business and in which the government is making a real effort to improve the position is shown as 100.

This reveals that borders & airports and import & export regulations, neither of which are important to most respondents, are doing the best. The factors that need attention are access to finance, together with loan periods and interest rates, power, roads and water. Corruption comes next but is seen as rather less of an issue than in other countries where a similar survey has been undertaken.

Figure 26: Enabling environment priority index



Whilst it is difficult to combine all views into a single figure, we recognise that having a single figure makes it easy to see at a glance whether the private sector perceives that the enabling environment has improved or deteriorated.

We have therefore calculated a single figure of 65 – which compares favourably with the results of surveys in other countries in sub-Saharan Africa, though that is not to say that it could be much better.

Table 3: Enabling environment perception index

	2008	2009	2010	2011
Zimbabwe				65
Nigeria		62	60	
Tanzania	57	66	67	63
Kenya	52	56		
Uganda	63	59		

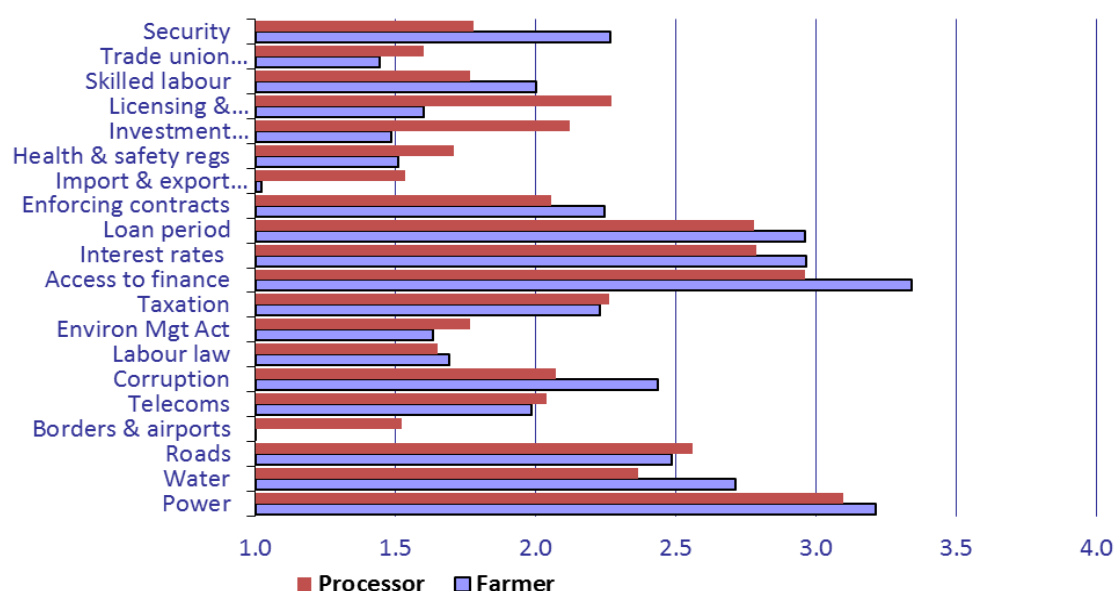
7. REVIEW BY SECTOR

7.1 FARMERS & PROCESSORS

Most farmers and most processors specified the commodity in which they specialised and, below, we have looked at the factors by commodity to explore whether farmers and processors saw things differently depending on their primary commodity. It should be noted that most commodities are concentrated in specific geographic areas, so differences will not necessarily be due solely to the commodity. Figure 27 shows the overall perception of farmers and processors. For farmers, the issue that causes the most difficulty is access to finance, followed by power and then loan periods and interest rates. Water and roads both make business somewhat difficult. Other issues are much less of a problem.

There seems to be a significant difference between farmers and processors in their view of the difficulty caused by access to finance, though it is still the second biggest problem for processors. Processors say that power is their biggest problem. Whilst the issues are not seen as severe, it is interesting to note the big differences in perception of difficulty caused by licensing, investment regulations, import & export requirements and borders & airports. There is also a big difference in the perception of difficulty caused by security. None of these differences is surprising.

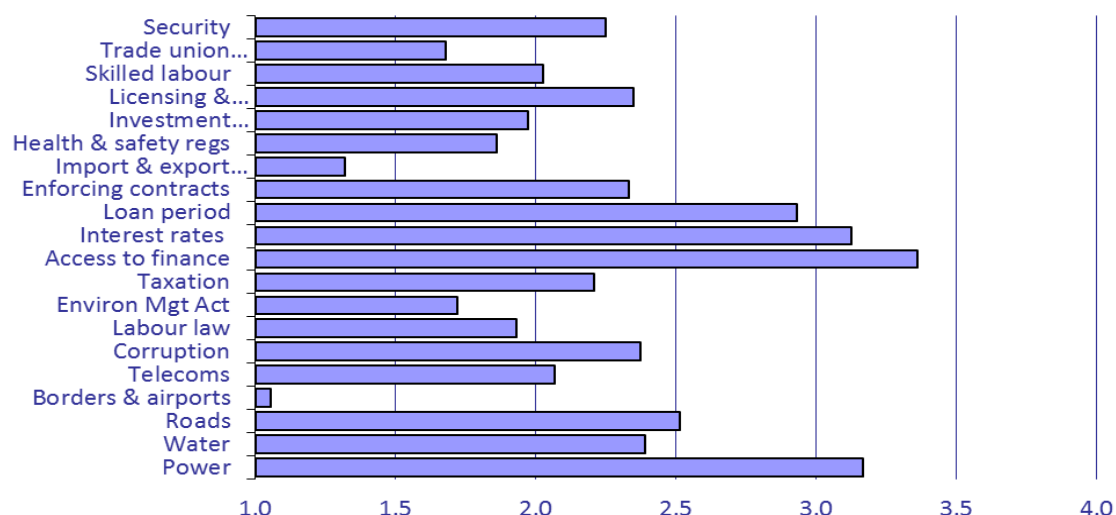
Figure 27: Factors which make business difficult



7.1.1 CEREALS

Cereal farmers and processors say that all aspects of access to finance and power are the issues that cause them difficulty. Roads cause them some difficulty.

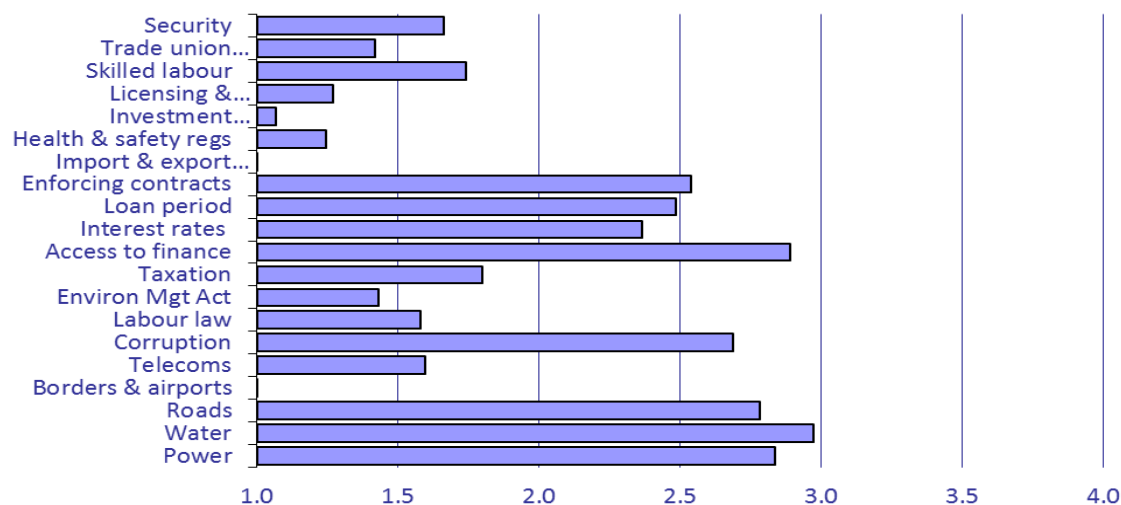
Figure 28: Factors which make business difficult for cereals



7.1.2 COTTON

Cotton farmers and processors say also that power and access to finance are problems (though interestingly loan periods and interest rates seem to be less of a problem. Roads are more a problem but their biggest issue is water though it should be stressed that still only makes business somewhat difficult. Corruption is much more of a problem for cotton farmers and processors. Security seems to be much less of an issue for cotton than for other commodities.

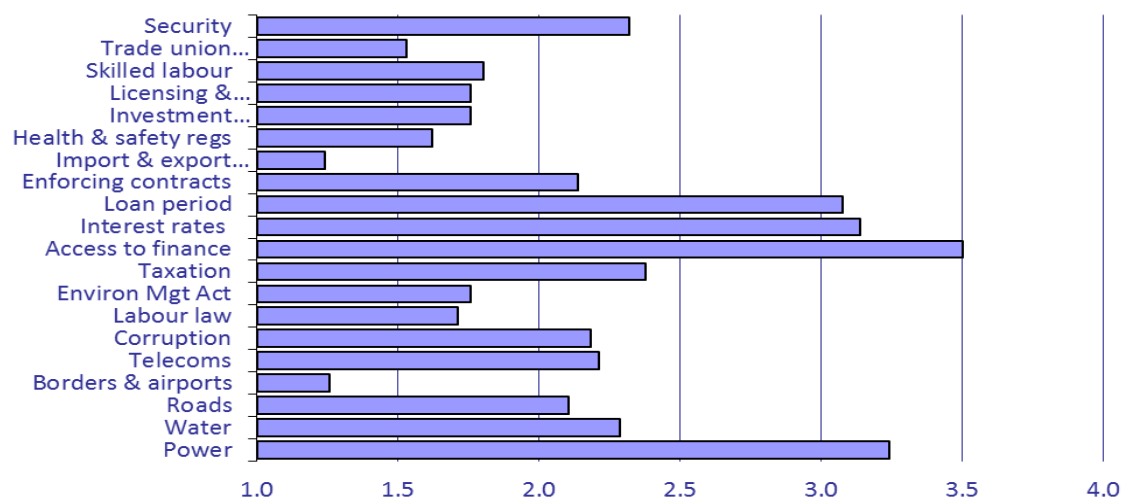
Figure 29: Factors which make business difficult for cotton



7.1.3 HORTICULTURE

Horticulture farmers and processors say that access to finance makes business very difficult, with power, interest rates and loan periods also causing difficulty. They also say that enforcing contracts is a big problem.

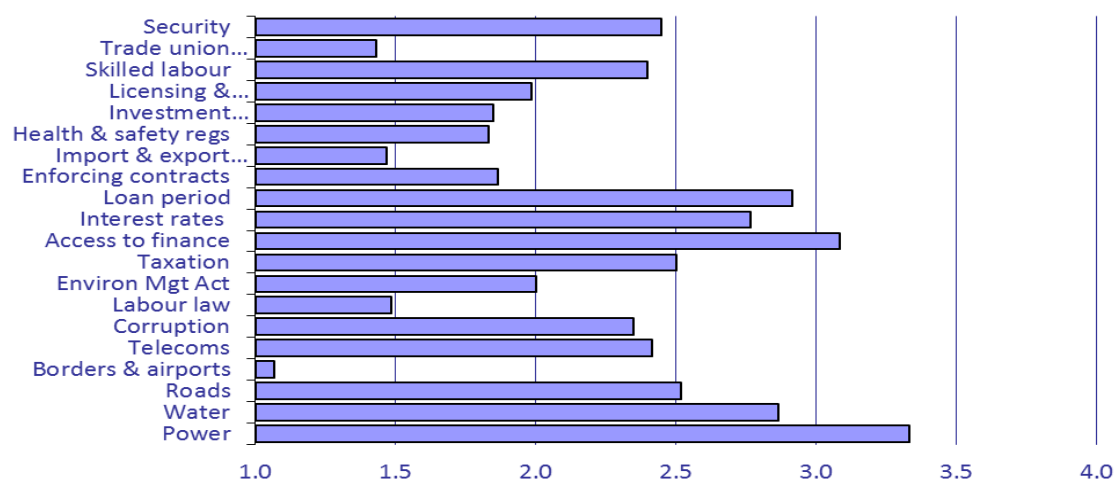
Figure 30: Factors which make business difficult for horticulture



7.1.4 LIVESTOCK

Livestock farmers and processors complain most about power followed by access to finance. For them, loan periods, interest rates and water are issues that cause some difficulty. Taxation, telecoms, security, access to skilled labour and corruption are all close to making business somewhat difficult.

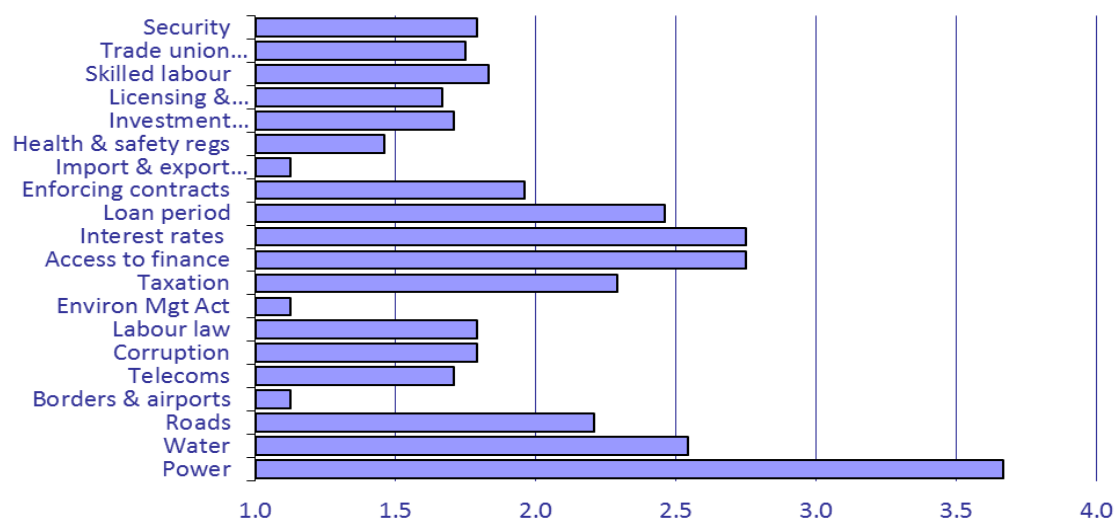
Figure 31: Factors which make business difficult for livestock



7.1.5 PULSES & LEGUMES

Power is the over-riding issue, making business very difficult, for farmers and processors of pulses and legumes. Access to finance and interest rates are a problem, as is water. Security does not appear to be much of a problem and corruption seems less important than for other commodities.

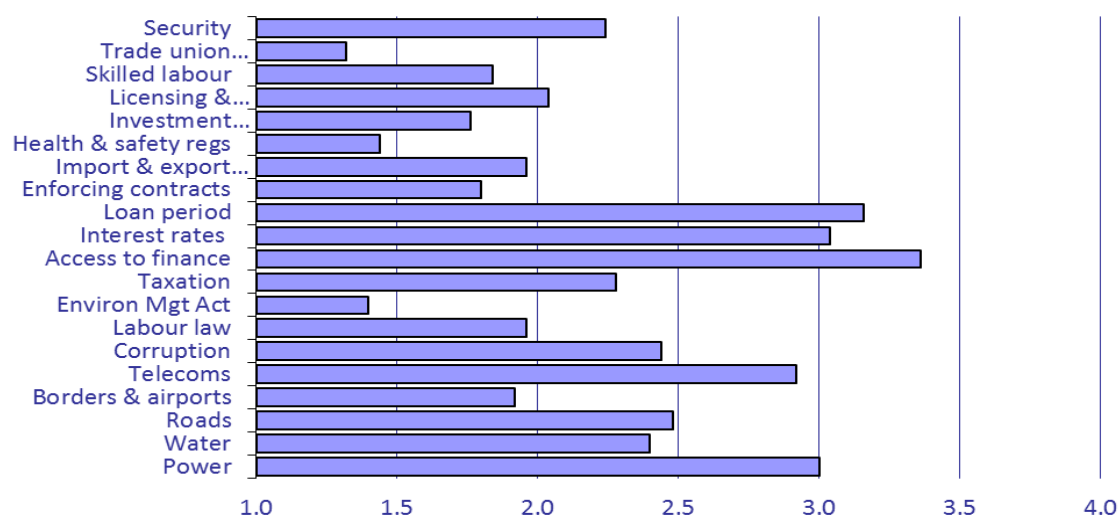
Figure 32: Factors which make business difficult for pulses & legumes



7.2 INPUT SUPPLIERS

Suppliers of inputs may have a business wider than simply supplying the agricultural sector. However, their problems are broadly the same as those of farmers and processors. The biggest problems are caused by access to finance, loan periods and interest rates. Power and corruption make business somewhat difficult. Trades unions, health & safety regulations and the environmental management act barely feature as problems.

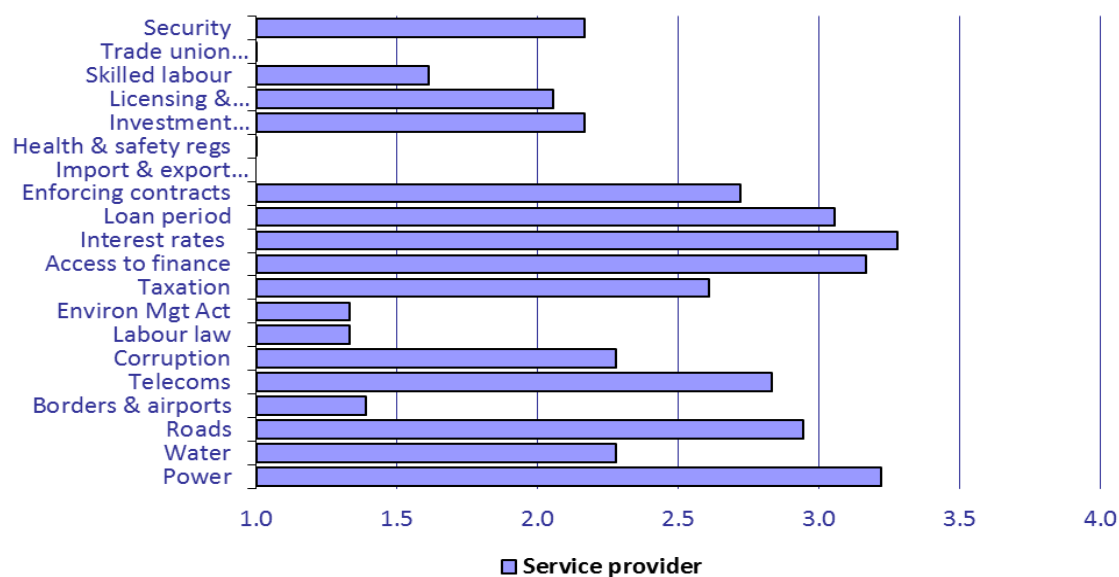
Figure 33: Factors which make business difficult for input suppliers



7.3 ANCILLARY SERVICE PROVIDERS

Providers of ancillary services are also likely to be providing services to more than just the agricultural sector. There seems to be more distinction between issues that are problematic and issues that are not, though the problem areas are very similar. Access to finance and loan periods cause difficulty, though interest rates are the biggest issue. Power is the second biggest issue. Roads make business somewhat difficult as does telecoms and taxation. Trades unions, health & safety regulations and import & export regulations do not make any difference.

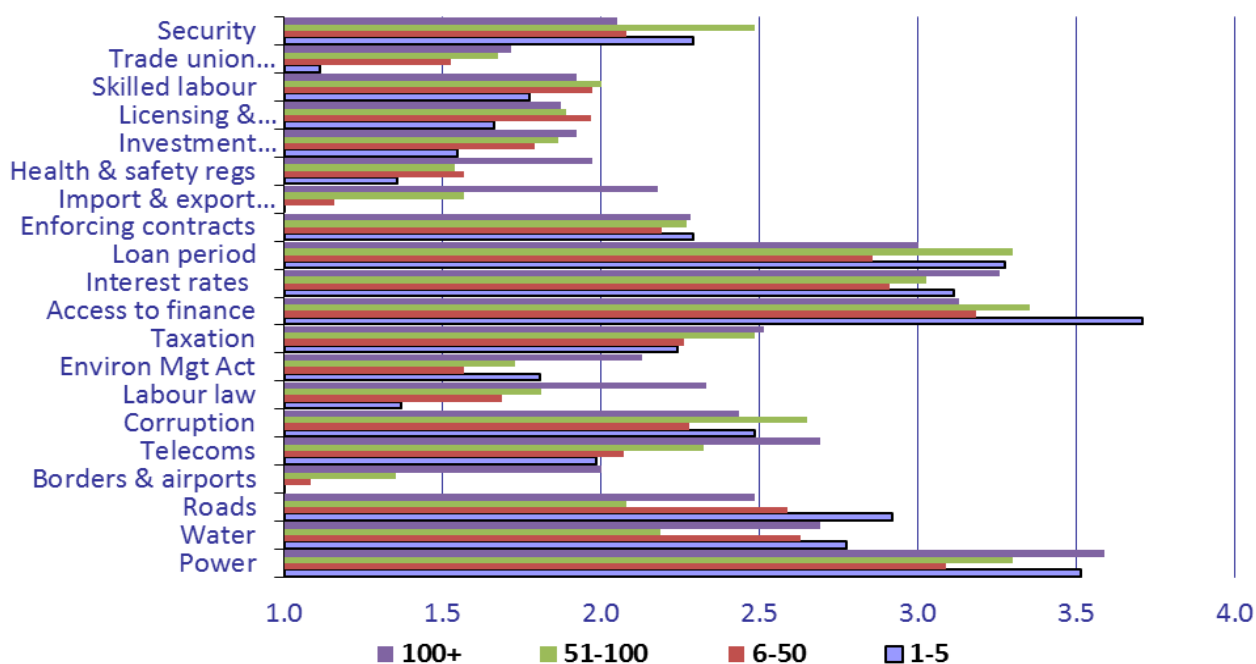
Figure 34: Factors which make business difficult for service providers



8. REVIEW BY BUSINESS SIZE

Respondents were asked to state how many staff they employed. Not every respondent answered this question, but most did.

Figure 35: Factors which make business difficult: by business size



Analysing the responses by business size is interesting. The prevailing view amongst donors and policy makers is that a 'bad' business environment hits small firms the hardest (because, for example, they rely more on external finance, high compliance costs are spread over a smaller revenue base and they are less likely to be able to take a stand say on corruption), but these results suggest that is not the case. Of course, this may be due to the fact that in Zimbabwe many small businesses do not comply with regulations anyway (meaning that the compliance burden is minimal), and that larger companies with more complex operations are

more likely to be capital intensive (meaning finance is more of a constraint) and are more likely to rely on ports, the enforcement of contracts etc. It may also have something to do with levels of awareness – executives of big companies are more likely to have travelled to the USA and Europe – and will thus be more aware of the limitations of the Zimbabwean business environment.

The smallest businesses, that is, those employing fewer than 5 people, say that the biggest problem is caused by access to finance – and they appear to have a bigger problem with this than larger businesses. They have a problem with power as well which also makes business very difficult – though it is firms employing more than 100 people who say they have the biggest problems with power.

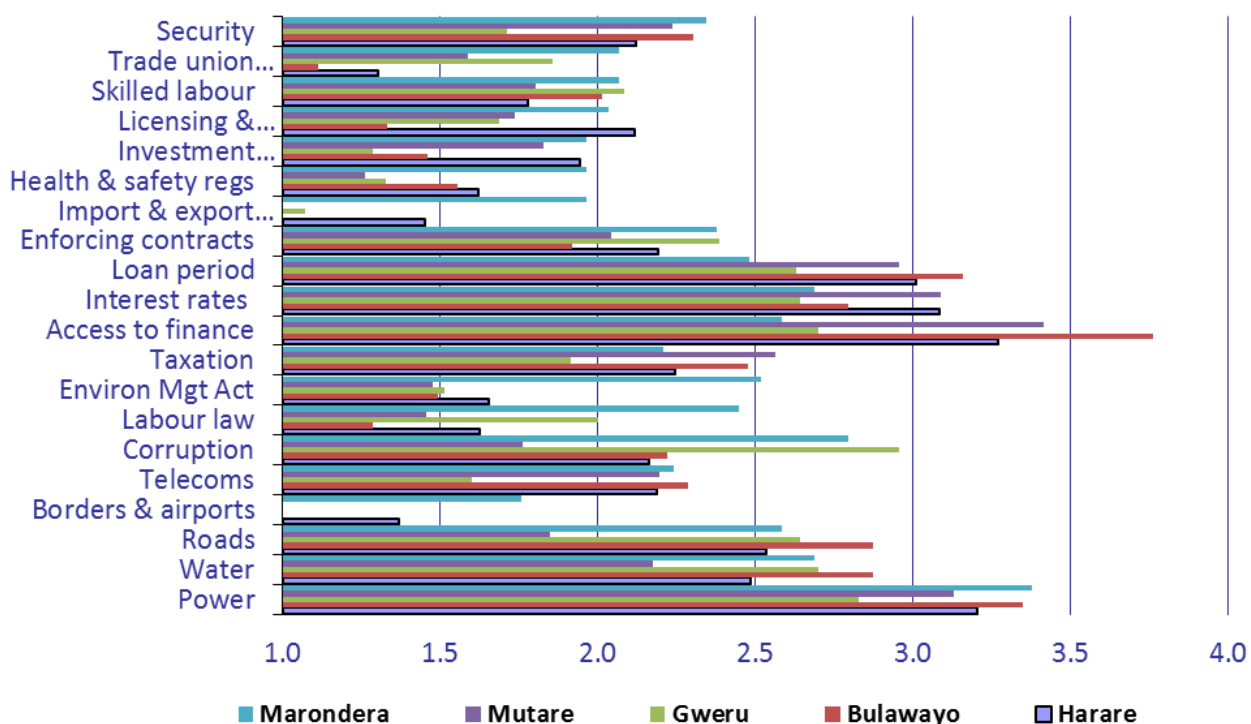
Firms employing more than 100 also have the biggest problems with telecoms, labour law, import & export regulations and health & safety regulations.

It seems that it is firms employing 51-100 people who have the most problem with corruption.

Perhaps the most interesting observation is that firms employing 6-50 find every factor (except licensing & regulation, which is not a big problem) as less problematic than other sizes of business.

9. REVIEW BY LOCATION

Figure 36: Factors which make business difficult: by location



It seems that businesses in Bulawayo, on the whole, find the factors more problematic than businesses elsewhere. Access to finance makes business very difficult in Bulawayo. They have the biggest problem with loan periods. Businesses in Bulawayo, however, have least problem with trades unions.

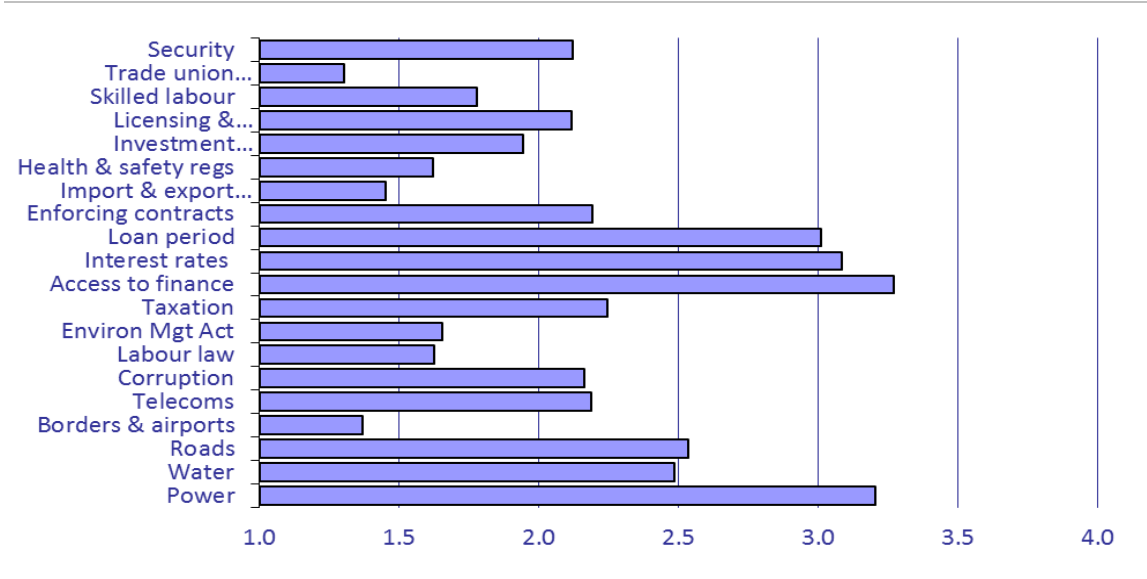
Power causes more difficulty for businesses in Marondera, but Bulawayo is close behind. Businesses in Bulawayo have the most problem with roads and water. It is businesses in Gweru and Marondera, however, that perceive most difficulty with corruption and labour legislation.

Import & export regulations only seem to cause a problem in Marondera.

9.1 HARARE

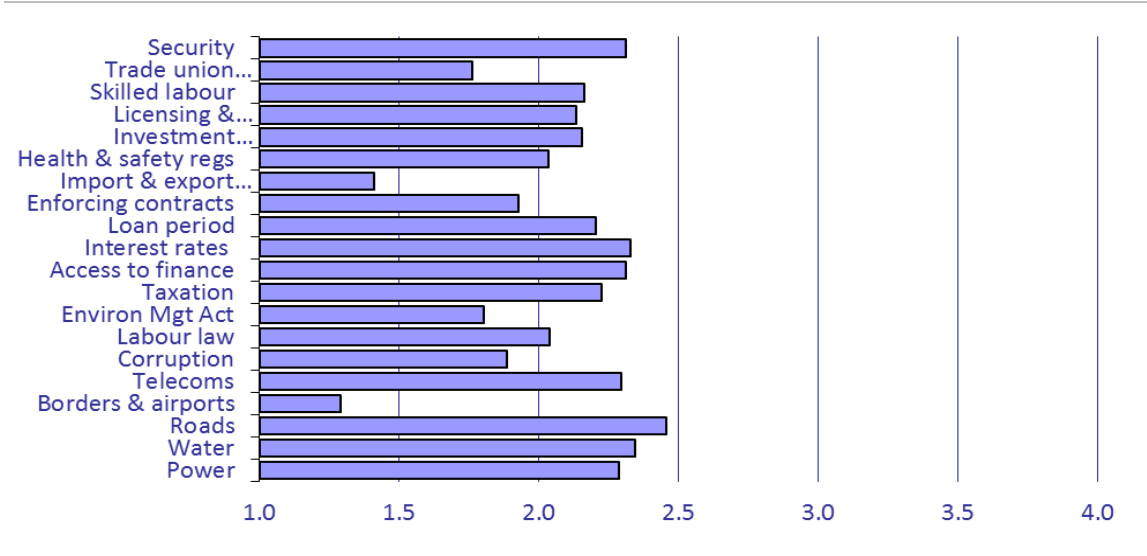
In Harare, access to finance and power makes business difficult.

Figure 37: Factors which making business difficult



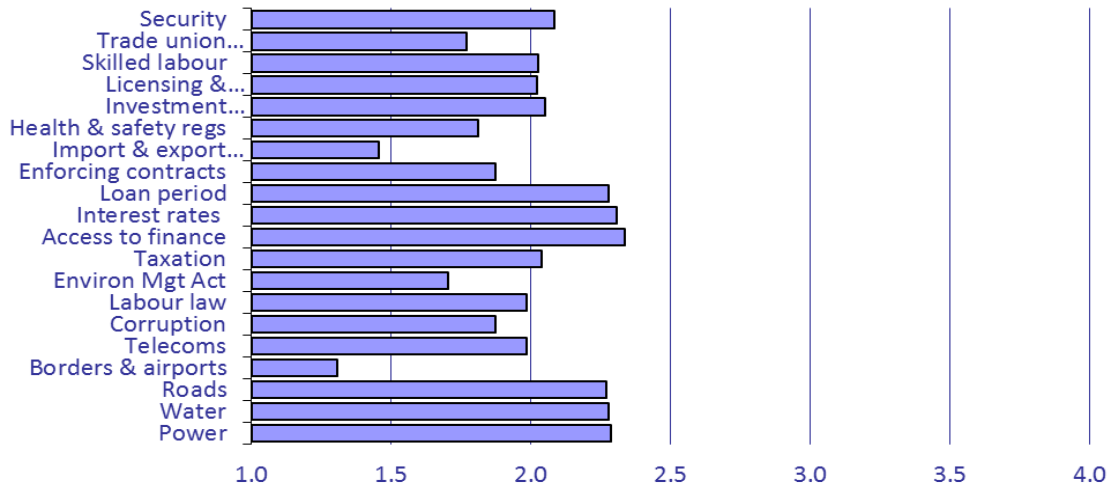
Businesses seem to think that business associations are making some effort to address most of the issues. They are not regarded as making no effort or making the issues worse.

Figure 38: Business association performance in addressing key factors



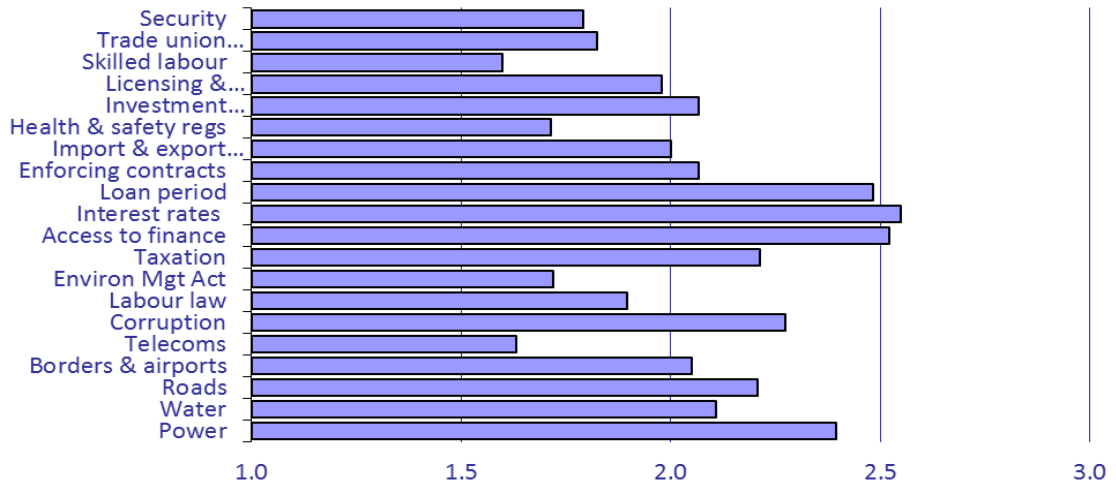
Government is also regarded as making some effort on every issue and is not perceived to be making no effort or to be making the issues worse.

Figure 39: Government performance in addressing key factors



It seems that businesses in Harare are not deterred from investment by most factors, though access to finance, especially interest rates, is a deterrent. Power and corruption are close to being deterrents.

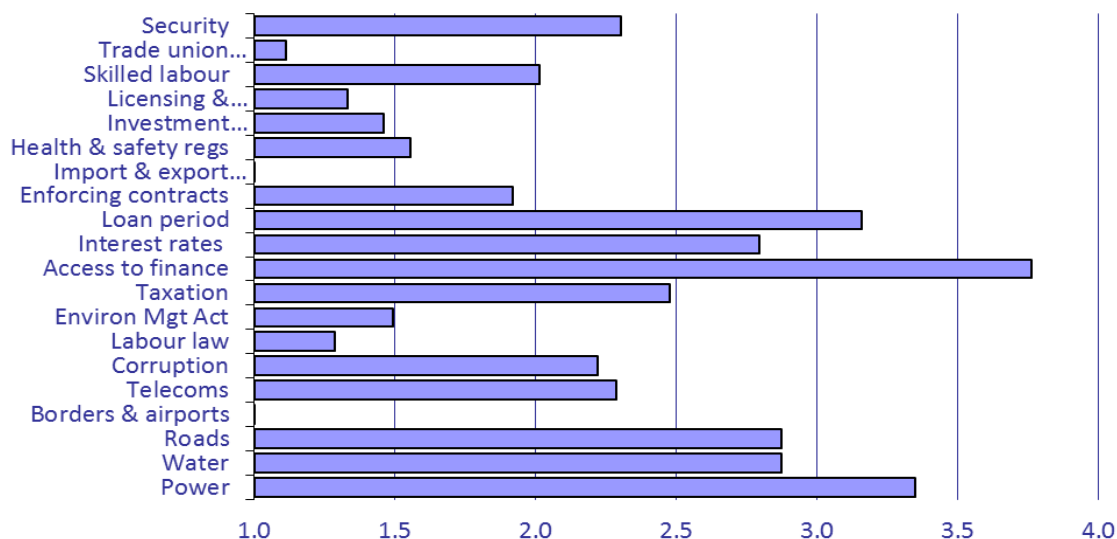
Figure 40: Factors which affect investment decisions



9.2 BULAWAYO

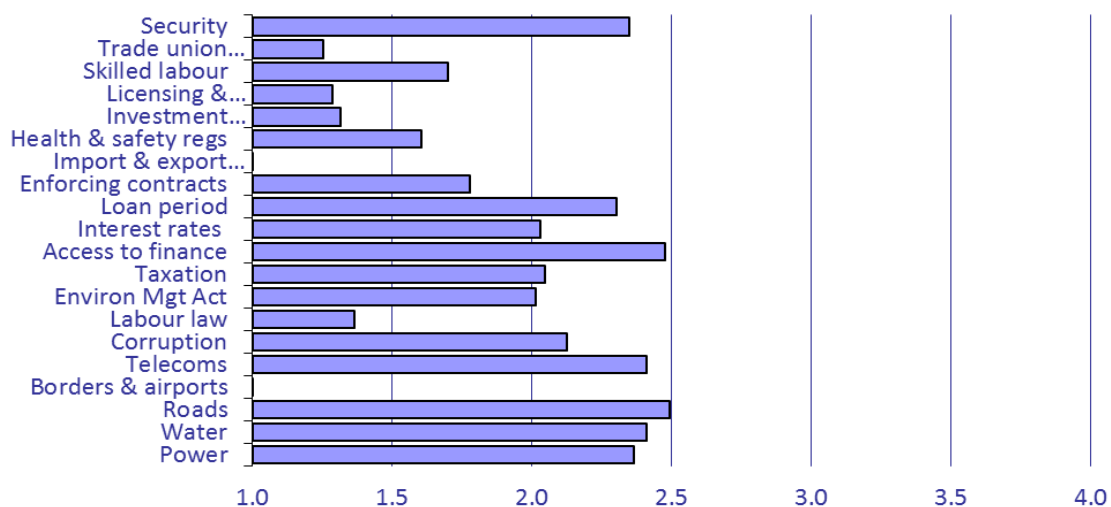
As noted earlier, access to finance and power make business very difficult in Bulawayo. Roads and water make doing business somewhat difficult.

Figure 41: Factors which making business difficult



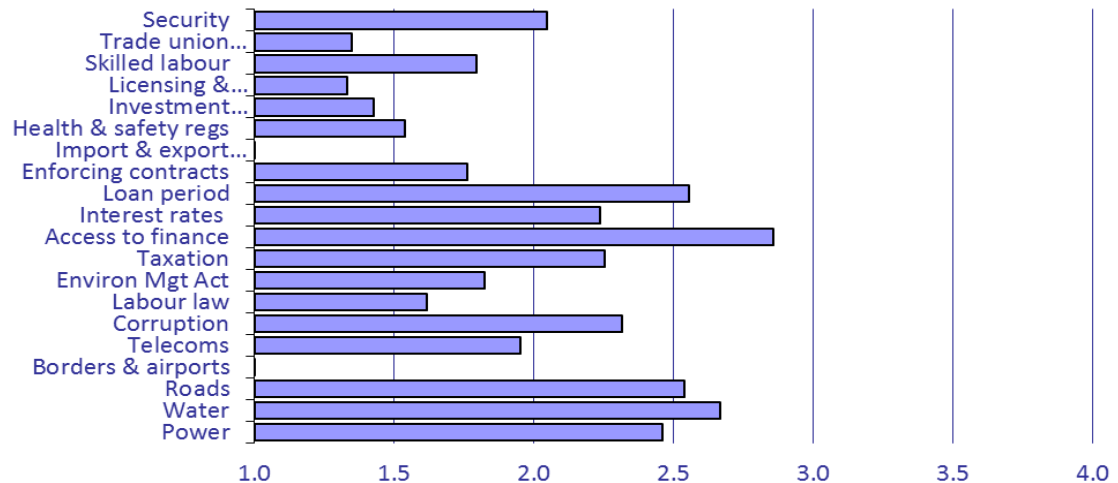
Businesses in Bulawayo think business associations are making a real effort to address two factors: import & export regulations and borders & airports. Otherwise they think associations are making no effort.

Figure 42: Business association performance in addressing key factors



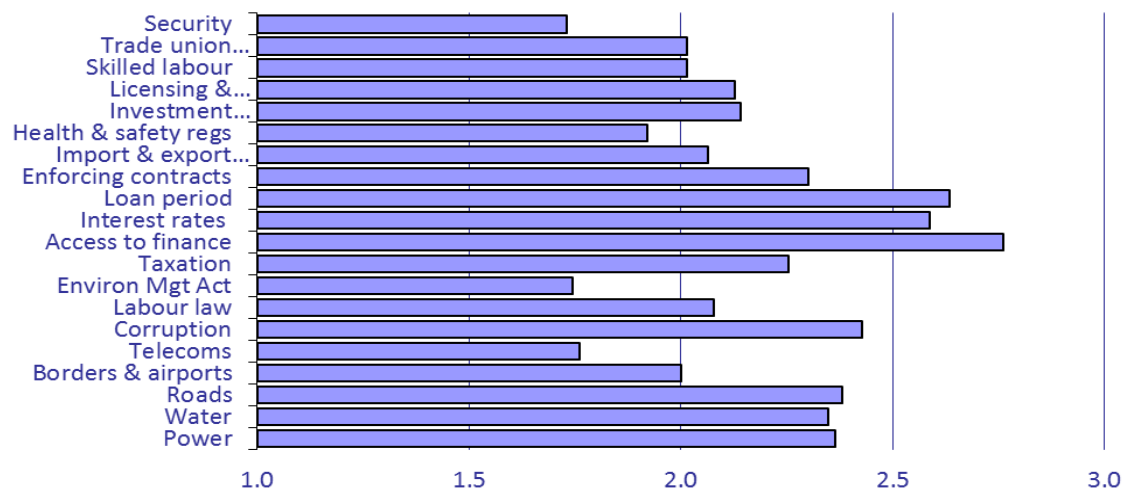
There is, it seems, a very similar view of the government – which is seen to be making a real effort to address import & export regulations and borders & airports. Government is seen to be making no effort on any other factor – though their efforts to address access to finance come in for most criticism.

Figure 43: Government performance in addressing key factors



In Bulawayo, no factor encourages investment and it is deterred by access to finance – with corruption and infrastructure coming close to being deterrents as well.

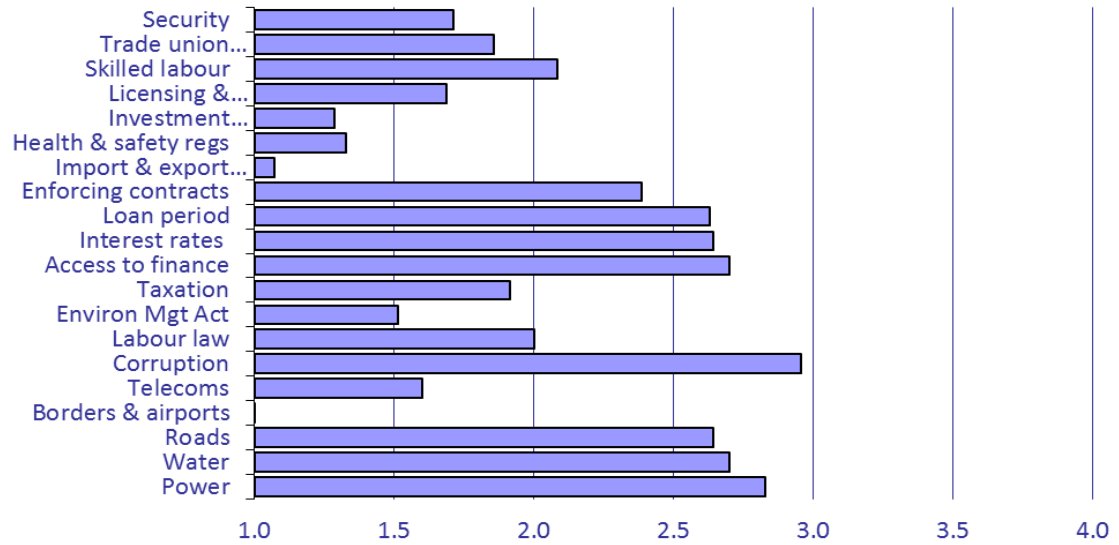
Figure 44: Factors which affect investment decisions



9.3 GWERU

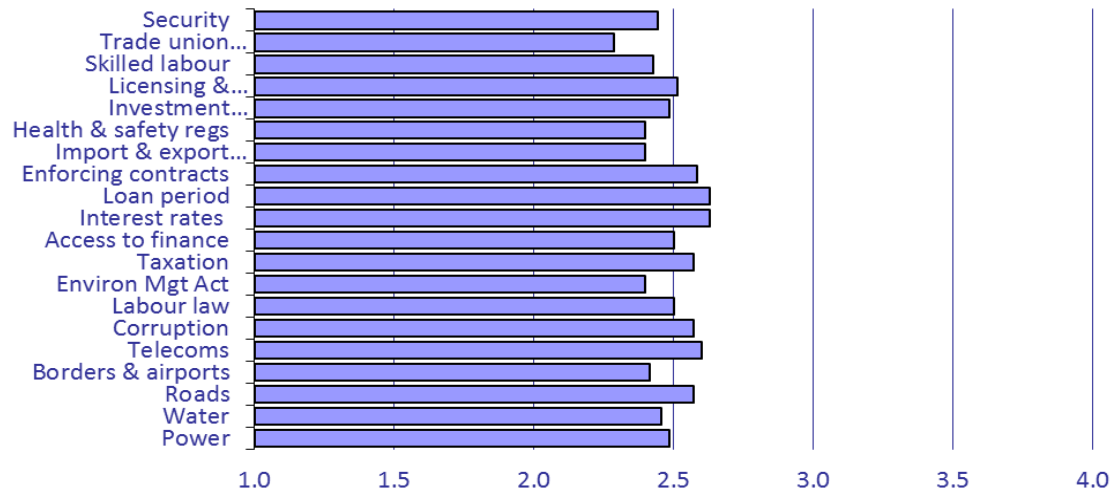
In Gweru, no factor makes business very difficult, though corruption, which is the biggest issue, power, roads, water and access to finance all make business somewhat difficult.

Figure 45: Factors which making business difficult



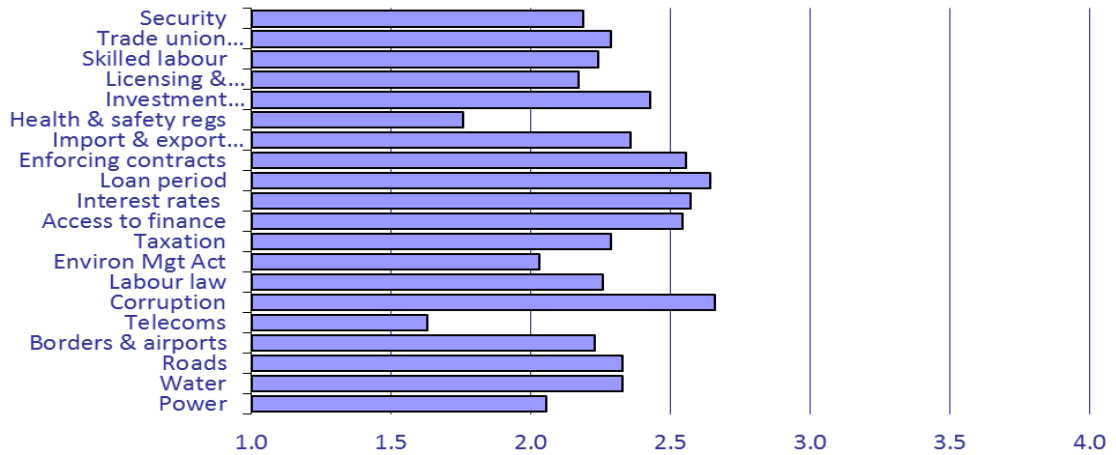
Business associations are perceived to be making no difference – neither making an effort to address the issues nor making the issues worse.

Figure 46: Business association performance in addressing key factors



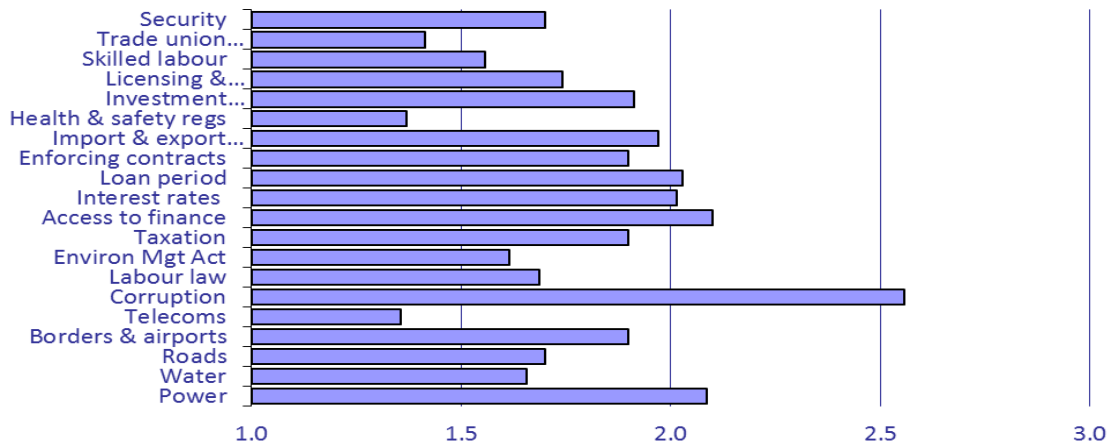
The picture seems slightly more mixed when businesses are asked about their perception of how government is addressing the issues. However, on average, government is seen to be making no effort to address any issue, but nor is it seen to be making the issues worse.

Figure 47: Government performance in addressing key factors



Businesses in Gweru are more positive about investment, with trades unions, health & safety regulations and telecoms encouraging investment. The only real deterrent is corruption.

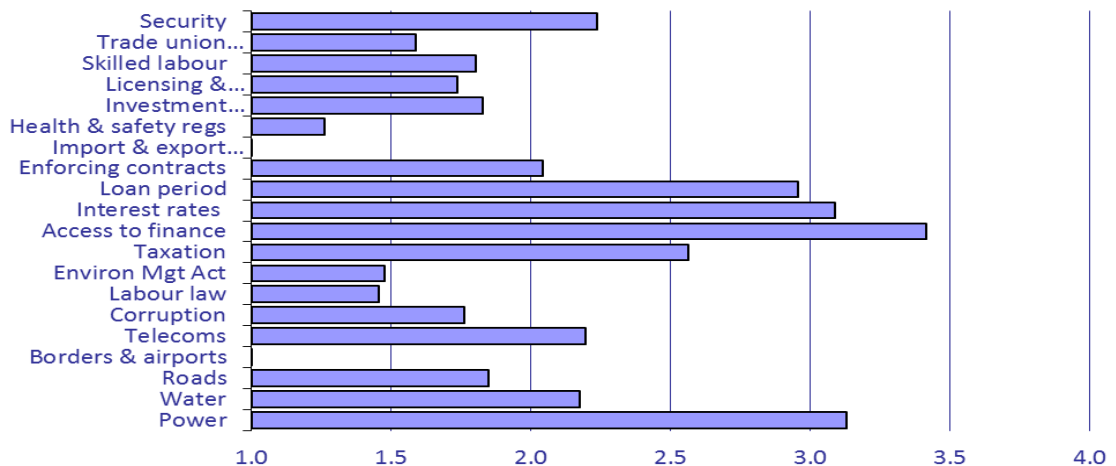
Figure 48: Factors which affect investment decisions



9.4 MUTARE

The factors that cause problems in Mutare are access to finance and power.

Figure 49: Factors which making business difficult



Business associations are seen as making no effort to address any issue, except for import & export regulations and borders & airports.

Figure 50: Business association performance in addressing key factors

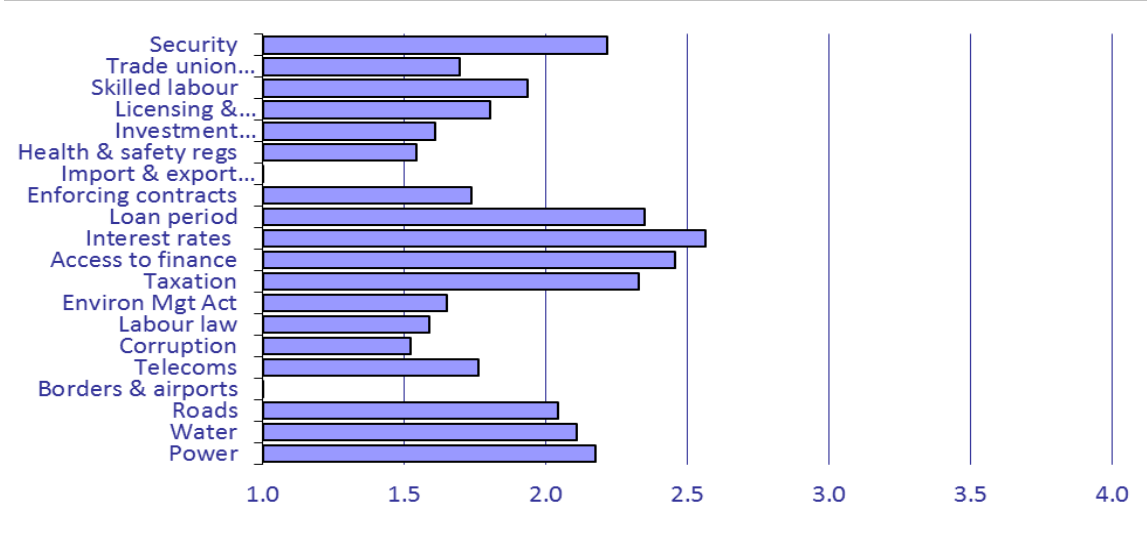
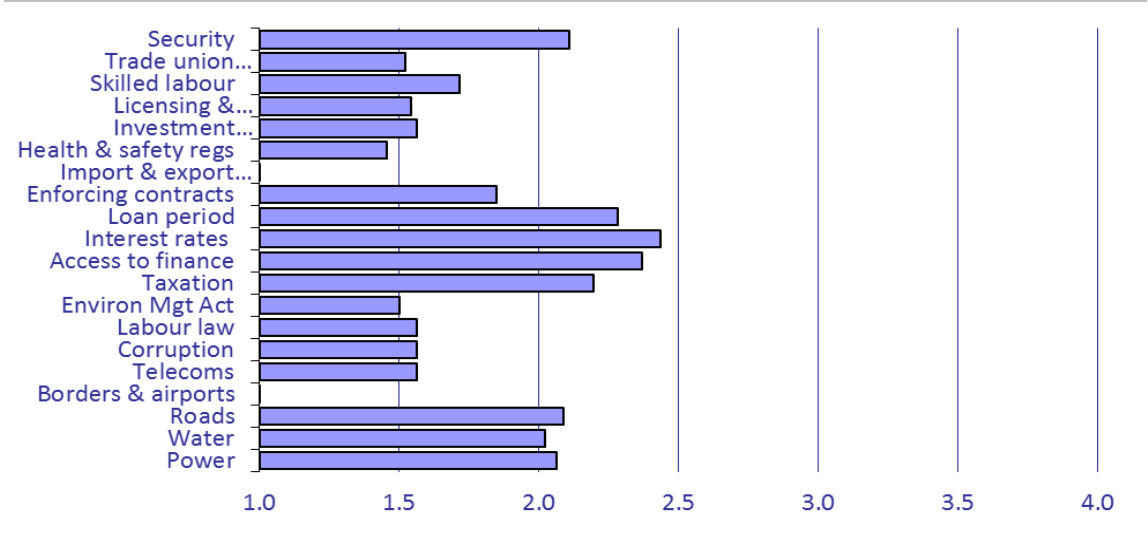


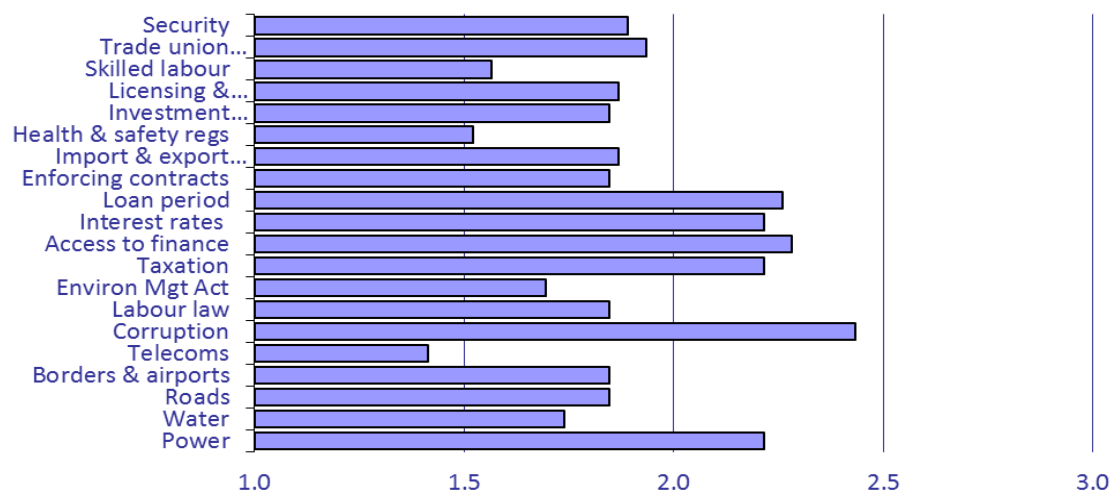
Figure 51: Government performance in addressing key factors



Government is perceived in a similar way, making no effort to address the bulk of issues.

Whilst no factors would encourage investment, none would deter it either. Once again, though, it is corruption that comes closest to being a deterrent.

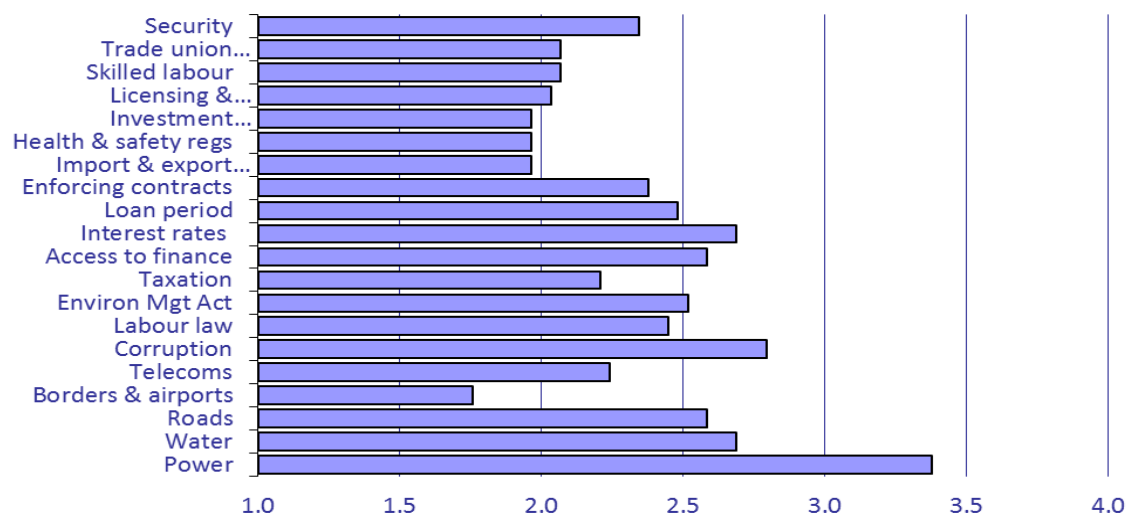
Figure 52: Factors which affect investment decisions



9.5 MARONDERA

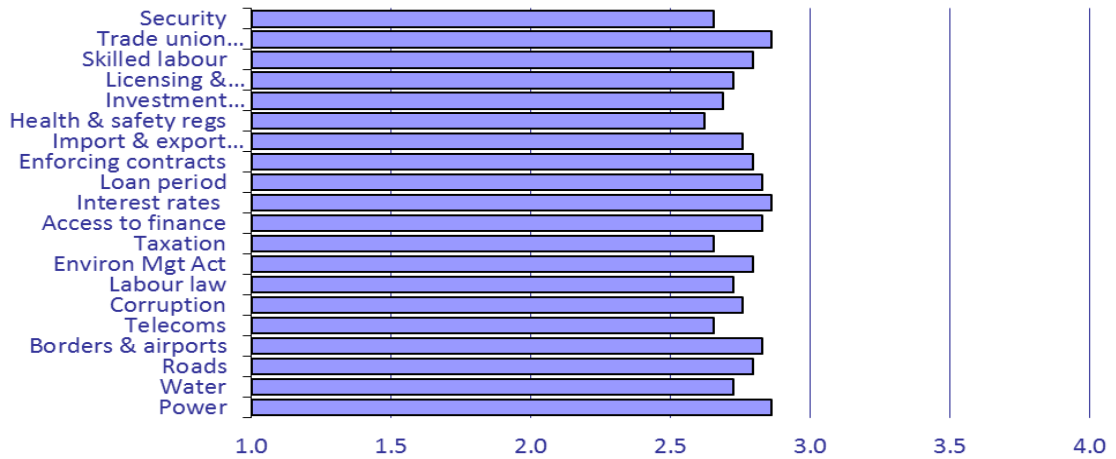
In Marondera, power makes doing business very difficult. Corruption heads the list of factors that makes business somewhat difficult, along with access to finance, water and roads.

Figure 53: Factors which making business difficult



Business associations are not seen to be making any effort to address the issues. They are seen less positively than in every other location.

Figure 54: Business association performance in addressing key factors



Once again, views of government are similar. The government is not seen to be making any issues worse, but nor is government seen to be making any effort to address the issues.

Figure 55: Government performance in addressing key factors

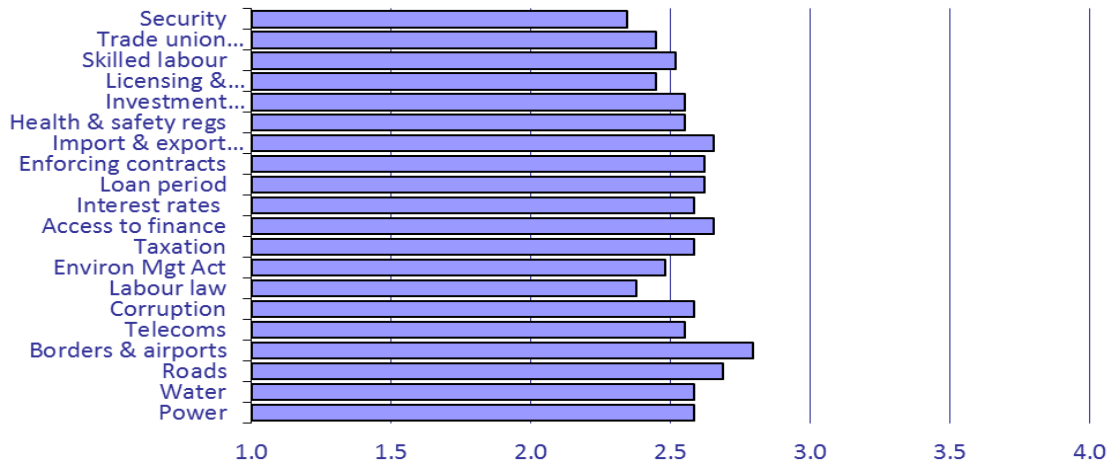
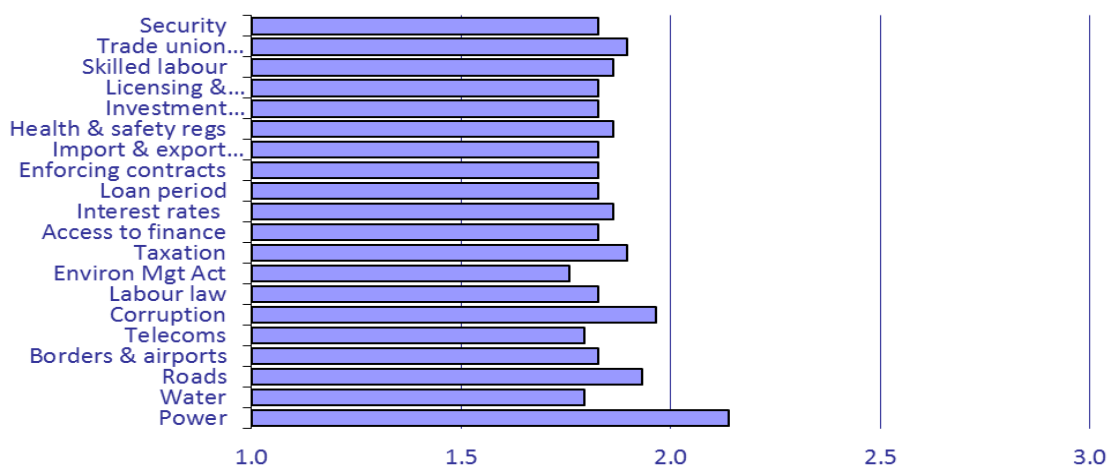


Figure 56: Factors which affect investment decisions

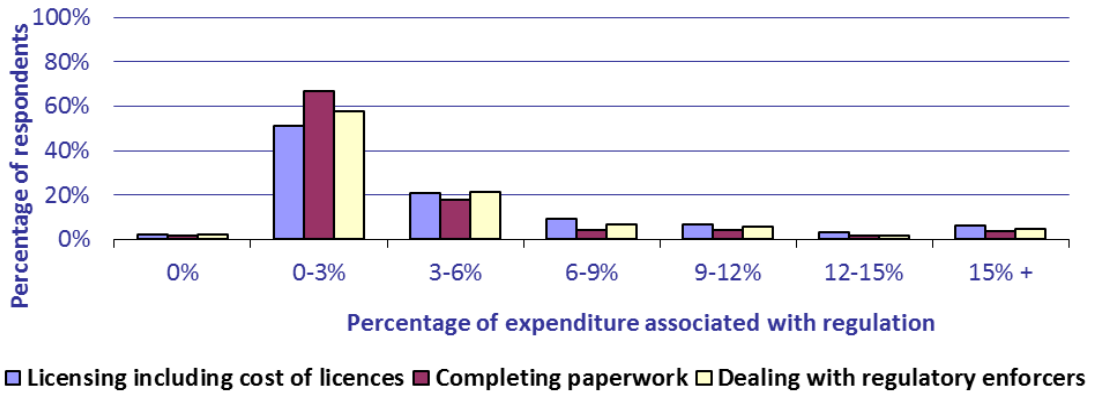


There is remarkable uniformity when it comes to looking at which factors would deter or encourage investment – with no factor making a difference either way.

10. COST OF RED TAPE

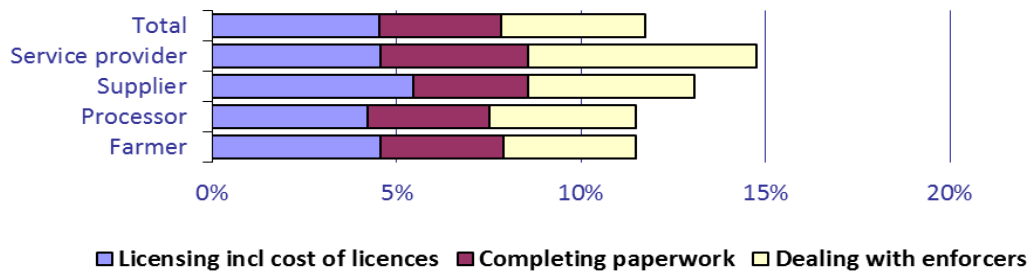
Respondents were asked about the costs of regulation: the direct cost of licensing including the cost of the licences themselves, the effective cost through the staff time required to complete paperwork associated with regulation, and the effective cost through staff time of dealing with the enforcers of regulation. Respondents were asked to say in which expenditure band they believed that each of these categories of cost fell.

Figure 57: Cost of red tape and regulation



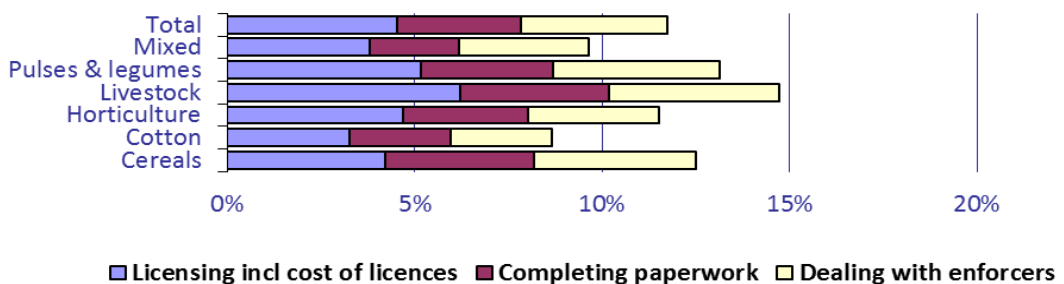
Most respondents estimated that the costs of regulation were in the band of 0-3 per cent for each of the three categories of expense, though many thought that they were considerably higher. Combining these, it seems that most respondents spend around 11 per cent of turnover on red tape and regulation, though service providers and suppliers thought that their costs were higher.

Figure 58: Cost of red tape and regulation



Amongst farmers and processors, the costs were highest for livestock and lowest for cotton.

Figure 59: Cost of red tape and regulation



The problem with licensing and regulation is that it is easy to under-estimate the true costs. If a business sends a member of staff to renew a permit or pay a tax, and the person queues all day, that cost may not be accurately captured by the business. If the owner takes paperwork home and completes it in the evening, there is a good chance that the cost will not be captured. And if tax inspectors, say, come to the business, causing disruption, it is likely that the cost of lost production will not be adequately captured either. So whilst the costs appear high, there is a good chance that they will actually be higher still.

Getting this down would not only make businesses feel that the government was trying to make a difference, but would free up resources that they could invest in expanding their businesses – creating more wealth, creating more jobs, becoming more profitable, and thus paying more taxes – so everybody wins.