Promoting SME Competitiveness in Zimbabwe

Drive growth through business networks and technology
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Based on data from the ITC SME Competitiveness Survey, this report highlights the importance of business support, financial services and digital technologies for Zimbabwean firms. Those with access to these resources are more competitive, benefiting from improved market information and access, enhanced innovation capabilities and increased production efficiency. The report advocates for policy reforms that prioritize digitalization and strengthen business support services to create an enabling environment for small firms to thrive.
Foreword

Zimbabwe’s economy is rapidly evolving. The country is on a path towards transformative and inclusive development, aspiring to become an upper-middle income economy by 2030. Nonetheless, Zimbabwe faces notable economic challenges. External shocks, such as the COVID-19 pandemic, along with internal instability, including rising inflation and currency volatility, contribute to these challenges.

Since gaining independence in 1980, Zimbabwe has prioritized the development and growth of small and medium-sized enterprises (SMEs), which represent about 90% of all businesses. Its MSME Policy and Strategy Framework 2020–2024 and the National Development Strategy 2021–2025 recognize the importance of SMEs in driving the country’s progress and inclusive economic growth.

The potential of these enterprises to generate employment and reduce poverty is widely acclaimed. However, they face many barriers due to their size and the prevailing business environment. They are also among the first to bear the brunt of external shocks and internal instability.

These economic challenges of recent years have had an adverse impact on the competitiveness of small Zimbabwean firms, leading to funding and input shortages as well as high production costs. While some have been able to weather these challenges, others have struggled to overcome them, especially in light of the barriers these SMEs already face. A large share of the working population has turned to self-employment to survive, leading to a growing informal sector.

Understanding SMEs’ strengths and challenges is essential for seizing opportunities and addressing problems effectively. Identifying areas for improvement and potential strengths will facilitate the design of effective policies and programmes to unlock the full potential of SMEs.

To this end, the International Trade Centre (ITC) partnered with the National Competitiveness Commission to assess the competitiveness of Zimbabwe’s SMEs. Under this initiative, 557 Zimbabwean businesses were interviewed for the SME Competitiveness Survey in 2022 and 2023.

This report presents findings based on the survey responses. The analysis shows that Zimbabwean SMEs that leverage business support networks and digital technologies are more competitive. The report recommends enhancing access to business support services and digital technologies to foster future growth.

ITC, the Ministry of Industry and Commerce, and the Ministry of Women Affairs, Community, Small and Medium Enterprises Development share a common vision of bolstering the competitiveness of SMEs to enable their success in local, regional and international markets. Trade can facilitate the structural transformation of the economy, leading to prosperity and economic opportunities for all Zimbabweans, if well-targeted policies are in place.

We see this report as an important step towards realizing this vision.

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About NCC

The NCC is a statutory body established by an Act of Parliament that came into effect in June 2017. Its mandate is to enable the creation of a competitive environment for Zimbabwean businesses through the development, coordination and implementation of key policy improvements. NCC falls under the purview of the Ministry of Industry and Commerce of Zimbabwe.

About ITC

ITC was established in Geneva, Switzerland, as a joint agency of the United Nations and the World Trade Organization dedicated to strengthening the competitiveness of small and medium-sized enterprises to build vibrant, sustainable export sectors that provide entrepreneurial opportunities, particularly for women, young people and poor communities.
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Acronyms

AfCFTA  African Continental Free Trade Area
BSO  Business support organization
COMESA  Common Market for Eastern and Southern Africa
GDP  Gross domestic product
ICT  Information and communication technology
ITC  International Trade Centre
NCC  National Competitiveness Commission
NFIS  National Financial Inclusion Strategy
OECD  Organisation for Economic Co-operation and Development
R&D  Research and development
SAZ  Standards Association of Zimbabwe
SMEs  Small and medium-sized enterprises
SMECS  SME Competitiveness Survey
SMEDCO  Small and Medium Enterprises Development Corporation

Unless otherwise specified, all references to dollars ($) are to United States dollars, and all references to tons are to metric tons.
Executive summary

Small and medium-sized enterprises (SMEs) are a pillar of Zimbabwe's economy. SMEs represent 90% of all businesses in the country, generating around 60% of gross domestic product and more than 50% of employment. Their importance extends beyond economic contribution as they provide livelihoods to the most vulnerable segments of the workforce. Yet stiff macroeconomic challenges undermine their competitiveness and potential.

Zimbabwe has experienced a combination of external shocks and internal bottlenecks that have added to economic distress over the past two decades. Rising inflation, exchange-rate instability, currency shortages and unsustainable public debt have increased production costs, reduced incentives for productivity-enhancing investment and encouraged informality. Unsupportive business environments can affect daily operations, forcing firms to put in place coping strategies, instead of growth strategies.

A two-pronged approach is needed to lay a solid foundation for growth and stability: macro- and micro-level interventions must complement each other. Addressing the macro-level issues is fundamental to building a conducive business environment, but this must be accompanied by efforts to strengthen the capacity of firms to move from mere coping strategies to growth.

Understanding the strengths and weaknesses of SMEs and the business environment in which they operate is an important starting point for this process. Promoting small business growth requires developing their productive capacities, strengthening support institutions and reforming their business environment. Identifying specific areas where SMEs in different sectors, regions and leadership demographics need support will help them become more resilient and prepared for the future.

To inform this work, the International Trade Centre (ITC) partnered with the National Competitiveness Commission to assess the competitiveness of Zimbabwean SMEs. The SME Competitiveness Survey was administered to 557 businesses across sectors, sizes and regions of Zimbabwe between December 2022 and May 2023.

The data collected are analysed based on ITC's analytical framework to assess business competitiveness. The framework was built around three pillars – compete, connect and change – that drive the capacity of an enterprise to be competitive. Each chapter of this report focuses on one of these three pillars. The study shows how improving logistics services, certification and climate adaptation; links with customers and business support organizations (BSOs); and access to finance and digital skills are needed to boost competitiveness and resilience.

Informality is widespread Despite dedicated efforts to support the growth of the SME sector, the informal economy has been growing rapidly. In 2022, Zimbabwe's informal economy represented a staggering 75% of total employment. Instability and economic challenges over the past few decades have led to business closures and job losses, forcing people to turn to informal activities for their livelihoods.
Reflecting this situation, a high proportion (43%) of the businesses surveyed are not registered or licensed by a national authority. Microenterprises and agricultural firms are the most likely to be informal. Financial constraints and lack of awareness about the benefits are the main obstacles to business formalization. This particularly affects women and young entrepreneurs, who are highly concentrated in the informal economy.

Efficiency and information bottlenecks hinder exports.

Timely delivery of goods and services is crucial for any firm, as it influences customer satisfaction, value chain participation and efficient resource allocation. Yet only a small percentage of Zimbabwean firms (30%) – mainly in the services sector, which tends to rely less on physical transportation – consistently delivered all their outputs on time in the past year.

High logistics costs are a key factor affecting timeliness, especially for agricultural firms. Poor road infrastructure and procedural requirements at borders further add to logistics inefficiency and costs. Using digital technologies for transport and logistics purposes has helped companies improve their delivery efficiency and timeliness. However, a limited number of firms (19%) use them.

The lack of international certification prevents many Zimbabwean firms from participating in global trade. Only 28% of firms surveyed have international certificates, with international, larger, formal and service sector firms more likely to be certified than others. The low uptake of international certification is linked to limited information. Business support organizations can be instrumental in disseminating information about certification: 46% of firms engaged with BSOs are certified, compared to only 12% of firms without contact with BSOs.

The challenges posed by environmental risks also affect firms' performance. More than 70% of firms reported facing environmental threats that affect their operations. Changing temperatures, water scarcity, flooding, severe and frequent storms, and scarcity of inputs are the main environmental concerns. Provinces with higher environmental risk perception also tend to report lower productivity levels. To cope with the threats, some firms have invested in adaptation measures, which have paid off in terms of market retention, market expansion and higher production.

Digital technologies and support networks improve market linkages.

Digitalization is a driver of productivity growth for small businesses in Zimbabwe. Social media, accessed via mobile phones, is popular among Zimbabwean SMEs, with 70% using it for advertising. Survey findings show that SMEs benefit from online advertising in terms of access to new customers and increased sales compared to those that do not advertise online. However, limited internet access, mainly due to high costs and inadequate infrastructure, hampers the use of more sophisticated technologies for business promotion.

Digital technologies can also facilitate access to suppliers. Many Zimbabwean firms, particularly SMEs, rely on a limited number of suppliers, hindering their adaptability to changing market conditions. Those that use digital technology to communicate with and manage supplier information have greater access to information about potential suppliers than firms not using any digital technology. However, fewer women- and youth-led firms adopt digital tools, reducing their ability to diversify their supplier base.

In addition to technology, BSOs can help provide valuable market information on potential customers and suppliers. Survey evidence shows that firms that consult frequently with BSOs tend to have better insight into potential buyers and suppliers than those that do not. However, more than half of the firms do not engage with BSOs, with women- and youth-led firms less likely to engage.

BSOs are also vital for fostering business networks and partnerships. Firms engaged with BSOs tend to collaborate more effectively, addressing shared challenges and benefiting from collective knowledge than those that do not.

Financial and digital literacy enhance business competencies.

Zimbabwean firms, especially SMEs, struggle to access finance. Complex loan application processes, a sense of ineligibility, collateral requirements and high interest rates deter many firms from seeking formal financing, which hampers their operations and growth. Having a business bank account can improve the chances of obtaining credit from a bank by helping firms keep records of financial transactions and manage cash flow. In addition, firms with a good understanding of loan application procedures and that can present sound business plans have a better chance of accessing formal credit.
Access to finance is a major barrier to innovation, which is low among Zimbabwean firms. Less than 30% innovate frequently and only 12% invest a high level of resources in research and development. SMEs and informal firms tend to lack financial competencies and hence are less likely to innovate than large and formal companies. The survey also shows that collaborative networks play a crucial role in overcoming innovation barriers, with firms that frequently share market information and cooperate with their peers more likely to innovate than those that rarely collaborate.

A well-trained workforce is equally essential to foster innovation. Zimbabwe has invested considerably in formal education and training, which has benefited local businesses. More than half of the firms surveyed rated the availability of skilled workers as high. Two-thirds were satisfied with the skills of their employees. However, there are significant gaps in digital skills. Only one in 10 respondents has a workforce that fully meets the digital needs of the company. Strengthening hiring processes can help bridge this gap. This is worth pursuing, as companies fully equipped with digital skills are better able to use digital technologies to improve efficiency and quality, access market information and increase sales.

Policy recommendations

The results of the SME Competitiveness Survey highlight areas that must be addressed to enhance the competitiveness of small firms in Zimbabwe. These include strengthening business support services, improving access to finance, enhancing digitalization and creating a reliable business environment.

Stronger institutional support is needed to promote SME engagement with BSOs, facilitate access to external market information and address market and supply-related challenges. Trade support institutions such as ZimTrade have made remarkable efficiency improvements in addressing clients' needs.

Enhancing the outreach efforts of BSOs and their capacity to provide targeted support services to SMEs, and especially women-led and youth-led enterprises, is crucial. Cooperation among BSOs, and between BSOs and relevant government agencies, must be encouraged to strengthen trade networks and promote business growth.

Reforms to improve access to finance could include providing targeted support services to SMEs, and enhancing government agencies' capacity to ensure that SMEs have access to finance and increase their productivity.
Chapter 1

Understanding small businesses in Zimbabwe

$VVHVVLQJWKHFRPSHWLYHQHVVRIVPDODQGPHGLXVLPJHGLV

The SME Competitiveness Survey in Zimbabwe

Informality is pervasive
Small and medium-sized enterprises (SMEs) are a pillar of Zimbabwe’s economy, constituting 90% of all businesses. These firms nonetheless face many challenges. High inflation, exchange-rate instability and excessive public debt have increased production costs, reduced incentives for productivity-enhancing investment and encouraged informality in the country.

SMEs in Zimbabwe generate around 60% of gross domestic product (GDP) and more than half of employment. Their importance goes beyond conventional economic contribution as they provide livelihoods to the most vulnerable segments of the workforce. Zimbabwean small businesses employ mostly women and are active in rural areas, thereby enhancing social inclusion in the country.

With a business landscape shaped by many small and micro-enterprises and a multitude of informal firms, there is a need to stimulate small business growth. Indeed, despite their prevalence and importance, SMEs tend to grow slowly, especially in a challenging economic landscape where they must focus on coping with day-to-day uncertainty rather than preparing a growth strategy. Addressing the country’s macro-level issues is fundamental, but it must be accompanied by a plan to strengthen the capacity of firms to move beyond survival, thus laying a solid foundation for future growth and stability.

Recognizing the contribution of SMEs to economic development, the Government of Zimbabwe has put in place laws, policies, organizations and funds that support the development of the SME sector (see Box 1). These actions are critical and must be customized as much as possible to the needs of the business. To increase their effectiveness, it is essential to identify both the bottlenecks that companies face and the areas of greatest potential that could drive the export success of the country.

To this end, the International Trade Centre (ITC) partnered with the National Competitiveness Commission (NCC) to assess the competitiveness of Zimbabwean SMEs. The goal was to perform a diagnostic on the state of these firms to better understand their strengths and weaknesses and to identify opportunities to improve their competitiveness for value-added trade and resilience.

Under this collaboration, the ITC SME Competitiveness Survey (SMECS) was administered to 557 businesses across Zimbabwe in 2022 and 2023. The insights of this report on SME competitiveness are grounded in the data generated by that survey and the partnership that supported it.

Assessing the competitiveness of small and medium-sized firms

ITC developed the SME Competitiveness Survey to help countries collect data to assess the competitiveness of their enterprises. As of May 2023, more than 42,000 firms had been surveyed in 58 countries, including Botswana, Eswatini and Zambia.

The tool is designed to combine information at the meso-level (local support ecosystem for businesses) and micro-level (firm capacity) to provide a nuanced picture of the capacity of a country’s private sector to compete in international markets.

Small and medium-sized enterprises are defined as firms with fewer than 100 employees (see Appendix). The term SME, therefore, includes microenterprises. Although the focus is on small and medium-sized enterprises, some large companies are included in the survey so the competitiveness of SMEs and larger firms can be compared.

The importance of competitiveness in driving firm survival, growth and trade makes it a central element in economic development. For this reason, ITC has developed an analytical framework to understand firm competitiveness and how it can be improved over time.

The framework is built around three pillars – compete, connect and change – that drive the capacity of a company to succeed in international markets. This framework helps to identify the most effective areas for intervention and to support SMEs in strengthening their performance to better compete in the global market.

Understanding small businesses in Zimbabwe
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...be competitive across three levels of the economy: the firm (micro level), the business ecosystem (meso level) and the national environment (macro level) (Figure 1). Each pillar is further subdivided into themes that are the subject of analysis in this report.

Figure 1  SME Competitiveness Grid

<table>
<thead>
<tr>
<th>Pillars</th>
<th>Theme</th>
<th>Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compete</td>
<td>Production efficiency</td>
<td>Firm capabilities</td>
</tr>
<tr>
<td></td>
<td>Resource management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Certification</td>
<td>Business ecosystem</td>
</tr>
<tr>
<td>Connect</td>
<td>Buyers</td>
<td>National environment</td>
</tr>
<tr>
<td></td>
<td>Suppliers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Institutions</td>
<td></td>
</tr>
<tr>
<td>Change</td>
<td>Finance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Skills</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td></td>
</tr>
</tbody>
</table>

Source: ITC.

The SME Competitiveness Survey in Zimbabwe

ITC carried out the SME Competitiveness Survey in partnership with NCC, which collected data from 557 Zimbabwean enterprises between December 2022 and May 2023. A representative sample of companies was randomly selected from around the country. The sample was spread across provinces, sectors (primary, manufacturing and service) and size (micro, small, medium-sized and large). Using the SMECS questionnaire, data were gathered in the 10 provinces of the country: Bulawayo, Harare, Manicaland, Mashonaland Central, Mashonaland East, Mashonaland West, Masvingo, Matabeleland North, Matabeleland South and Midlands. Figure 2 highlights the surveyed regions, with the corresponding number of firms interviewed in each region.

Source: ITC.
Among the companies interviewed, 96% were micro, small or medium-sized enterprises (Figure 3). This is consistent with evidence showing that SMEs dominate the business landscape in Zimbabwe.

Thirty-three percent of interviewed firms were in the services sector, 35% were in manufacturing and the remaining 32% were in the primary sector.

Managers who are younger than 35 years led only about 15% of the Zimbabwean firm interviewed. Women-led businesses are also in the minority, at 30% of all respondents, even though they represent the majority of the country’s SME population.

The analysis of survey data reveals several differences between women- and men-led firms. The former are smaller – in terms of the number of employees – than the latter. Indeed, seven of 10 women-led companies are microenterprises, compared to 61% of men-led firms. Nonetheless, they play a major role in their communities as women-led businesses tend to hire a higher proportion of female workers. The average share of female workers in women-led firms is 69% compared to 34% for men-led firms.

With regard to the international exposure of the companies in the sample, 24% imported, exported or both. However, just one in 10 exported – underscoring the unrealized export potential of Zimbabwe.

The data show that more than half of companies (53%) do not export, but wish to do so. ITC’s Export Potential Map estimates that Zimbabwe had an untapped export potential of $935 million, representing 21% of the country’s merchandise exports in 2020.
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Figure 3 Characteristics of companies that participated in the survey

<table>
<thead>
<tr>
<th>Firm size</th>
<th>Micro</th>
<th>Small</th>
<th>Medium-sized</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men-led</td>
<td>20%</td>
<td>28%</td>
<td>28%</td>
<td>24%</td>
</tr>
<tr>
<td>Women-led</td>
<td>80%</td>
<td>72%</td>
<td>72%</td>
<td>76%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Manufacturing</th>
<th>Services</th>
<th>Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>32%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>33%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>35%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Import and export status

- Import only: 15%
- Export only: 6%
- No import or export: 79%

Note:
Microenterprises are defined as those with four or fewer employees; small firms have 5–19 employees; medium-sized ones have 20–99 employees and large companies have 100 or more employees. Women-led firms are managed by a woman and at least 25% owned by women. Exporters are defined as firms whose direct export sales represent more than 1% of their sales. Importers are defined as firms whose foreign inputs represent more than 1% of their inputs.

Source: ITC based on SME competitiveness data collected in Zimbabwe.

Informality is pervasive

Zimbabwe's informal economy has been expanding since its independence in 1980. Accounting for less than 10% that year, the informal sector had grown to 75% of the economy by 2022. This growth is the result of persistent political and economic challenges characterized by a decline in the productive sector, hyperinflation, acute shortages of foreign currency, unsustainable budget deficits and domestic debt. This situation has led to the closure of many businesses, numerous job losses and significantly compromised job creation, forcing people to undertake informal activities and self-employment out of necessity to sustain their families.

About 43% of the surveyed enterprises reported not being registered with or licensed by a national authority. The data indicate that the smaller the business, the more likely it is to be informal. More than half of microenterprises (55%) reported operating in the informal economy, compared with 29% of small businesses and just 10% of medium-sized enterprises. None of the large companies surveyed were informal (Figure 4).

This is consistent with government statistics showing that SMEs represent the majority of businesses in Zimbabwe's informal sector. There are also sectoral differences, with a higher rate of informality in the primary sector than in others. Fifty-seven percent of agricultural businesses were informal, compared with 38% and 36% in the manufacturing and services sectors, respectively.

Evidence from the 2022 FinScope SME survey indicates that the size of the business and lack of financial resources are the main barriers to the formalization and registration of informal SMEs in Zimbabwe. Many managers question the relevance of registering their firms given their small size. For others, lack of financial resources and awareness of the benefits of formalization were the main obstacles. However, most would be willing to formalize their operations if the process were less costly and time-consuming. This indicates the need to increase initiatives aimed at raising awareness about formalization and its potential benefits and facilitating the process in terms of lower cost and time.

Young entrepreneurs and women have a strong presence among informal businesses. Women-led firms are managed by a woman and at least 25% owned by women.
percentage points more likely than men-led firms to be in the informal sector. The same patterns emerge for youth-led companies: 62% were informal compared with just 40% of businesses run by their elders (Figure 4).

This is consistent with other studies indicating that women and youth constitute the bulk of those surviving through the informal economy in Zimbabwe. Most unregistered women-led firms operate in agriculture, while informality among youth-led enterprises is more prevalent in the services sector.

Figure 4  Informal businesses are small and run by women and young people

<table>
<thead>
<tr>
<th>Share of informal firms</th>
<th>All respondents</th>
<th>Medium</th>
<th>Small</th>
<th>Micro</th>
<th>Men-led</th>
<th>Women-led</th>
<th>Non-youth-led</th>
<th>Youth-led</th>
</tr>
</thead>
<tbody>
<tr>
<td>43%</td>
<td>29%</td>
<td>55%</td>
<td>40%</td>
<td>52%</td>
<td>40%</td>
<td>62%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Respondents were asked: 'Is this establishment currently registered with or licensed by a national authority?' Microenterprises are defined as those with four or fewer employees; small firms have 5–19 employees; medium-sized ones have 20–99 employees and large companies have 100 or more employees. Women-led firms are managed by a woman and at least 25% owned by women. Youth-led firms are defined as being run by a top manager under age 35. Otherwise, firms are defined as non-youth-led.

Source: ITC based on SME competitiveness data collected in Zimbabwe.

The prevalence of informal firms in an economy tends to slow growth, limit quality jobs and create unfair competition. Evidence shows that labour productivity in informal firms is about a quarter of that in formal firms. In addition, informal firms erode the productivity of formal firms by around 24% on average, compared with firms not exposed to such competition.

Informality poses a challenge not only to formal firms, but also to government revenues. The evasion of government regulation and tax obligations results in a huge loss of revenue for the Government. To address this, presumptive tax laws were introduced in 2009 for informal firms in selected sectors. The law sought to ensure contribution to tax revenues in light of the growth in informal business activities.

Ultimately, the Government of Zimbabwe recognizes the importance of the informal sector in its economy. Major support policies are being crafted to enhance the sector’s productivity while promoting its formalization. These initiatives include, among others, reducing the number of regulatory and compliance requirements by harmonizing laws and policies, and simplifying the processes and time required to formalize businesses.

Such efforts will enable vulnerable groups in the informal sector – youth, women and SMEs – to improve their competitiveness and reap the benefits of the formal economy.

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Box 1 Government policies for small and medium-sized enterprises

The Government of Zimbabwe enacted an Act of Parliament, the Small and Medium Enterprises Act (SME Act), in 1983 to promote and develop small businesses, whether operating in the formal or informal sector of the national economy. This act established the SME Advisory Council to advise national and local authorities on SME-related matters, assist in the formulation and implementation of policies, and evaluate their effectiveness.

The act also established an SME fund to provide development finance and promote savings and use of formal banking facilities by small businesses and cooperatives. In addition, the Small and Medium Enterprises Development Corporation (SMEDCO) was established in 1983 through the SME Act for the technical development of SMEs. SMEDCO supports small firms by providing financial, infrastructure and capacity-building products and services.

Recognizing the key role of microenterprises and SMEs in economic growth, the Government launched the MSME Policy and Strategy Framework in 2002 to stimulate private-sector development and expansion. The revised policy framework for 2020–2024 outlines key measures to promote SMEs. These include, but are not limited to, an enabling legal and regulatory framework, market development and trade promotion, business management, technical skills development, workspace and infrastructure support.

The policy also includes measures to facilitate access to suitable and affordable finance and to promote the financial inclusion of the SME sector. The National Financial Inclusion Strategy (NFIS), developed by the Reserve Bank of Zimbabwe, includes initiatives along similar lines. While the first phase of NFIS focused primarily on access to formal financial services and products, the second (NFIS II, 2022–2026) goes further and proposes measures to increase the uptake and use of financial services.

Initiatives under NFIS II include the operationalization of the Collateral Registry, a system for registering movable assets such as livestock, household goods, crops and business stock as collateral for lending purposes. It also includes the provision of venture capital for small business start-ups, and the development and implementation of capacity-building programmes to overcome financial illiteracy, including digital financial illiteracy.

The Ministry of Women Affairs, Community, Small and Medium Enterprises Development is the focal point for SME policies and initiatives, and various support institutions deal with these firms. In addition to SMEDCO, the Government has established the Empower Bank and the Zimbabwe Women's Microfinance Bank as the main financing disbursement arms for SMEs.

The Small Business Advisory Council advises national and local authorities on SME development issues. The institutional landscape also includes ZimTrade to promote export competitiveness, private-sector institutions such as the Zimbabwe National Chamber of Commerce to facilitate business linkages and several associations to relay information and serve as platforms for dialogue with stakeholders.

Regional initiatives are also underway to support SMEs' participation in trade. The Common Market for Eastern and Southern Africa (COMESA) launched a Simplified Trade Regime in 2010 to expedite the import and export of goods by small traders, including those in Zimbabwe. It contains measures to simplify and streamline customs clearance procedures, reducing costs and enabling small cross-border traders to benefit from COMESA's preferential tariffs trading environment.

Note: ZimTrade is the national trade development and promotion organization, established in 1991.

YOU ARE NOW ENTERING ZIMBABWE
Chapter 2

Enhancing business support for greater efficiency

High logistics cost affects time of delivery ................................................................. 10
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Climate change hinders productivity ........................................................................ 14
Enhancing business support for

logistics cost affects time of delivery

timeliness in output delivery is crucial for firms, as it ensures customer satisfaction, strengthens participation in value chains and facilitates efficient resource allocation. Firms in Zimbabwe reported delivering, on average, 79% of their goods or services on time in the last year. However, only a few firms (30%) managed to consistently deliver 100% of their outputs on time.

Transportation networks and logistics systems affect the timeliness of delivery. ITC analysis based on firm-level data for 16 countries shows that 79% of the companies with access to high-quality logistics delivered most of their goods and services on time, compared to 67% of firms with access to low-quality logistics services.

Logistics is a key element in the economic growth and development of any country, including Zimbabwe. It pertains to several aspects used to move goods across the supply chain, including transportation, storage, information and communication systems, and distribution. It is even more important in a landlocked country like Zimbabwe, where transport and logistic issues are aggravated by the country’s geographical configuration. The logistics industry contributes directly to economic expansion, and it plays a major role in the Government of Zimbabwe’s Vision 2030 plan, translated into initiatives such as the Transitional Stabilization Programme.

The survey in Zimbabwe highlights issues with quality and logistics costs. Overall, 67% of firms perceive the quality of logistics to be low or average, and 48% believe the cost of these services to be high. In particular, 58% of firms in the agricultural sector reported high logistics costs, compared to 47% in manufacturing and 40% in services. This is consistent with the finding that agricultural firms struggle more than firms in the other sectors to deliver their product on time.
Logistics constraints tend to be greater for producers of seasonal and perishable commodities, especially when long distances are involved. Moreover, due to lower volume and frequency of trade, farmers and smaller firms tend to face higher fixed costs than larger firms when trading within and across borders.

Farmers in Zimbabwe often encounter barriers to these services due to excessive charges and poor handling, which reduces their profit margins.

Thus, the smooth operation of agrifood value chains and the prevention of agricultural produce wastage rely heavily on efficient logistics services.

The survey shows that firms that struggled with timeliness of delivery in the last year are more likely to report high logistics costs, with 53% reporting high costs compared to 33% of firms that delivered all their outputs on time (Figure 5). However, there is no difference in perceived quality between firms that deliver 100% of production on time and those that face delivery delays: two out of three firms in both groups report a low quality of logistic services.

Figure 5  Timeliness in delivery is impacted by high logistics costs

![Timeliness in delivery is impacted by high logistics costs](image)

Note: Respondents were asked: 'In the last year, what percentage of this company’s goods or services were delivered on time?' Responses ranged from zero to 100%. Respondents were also asked, 'Please rate the cost of the services offered by the logistics services companies this company uses.' Responses ranged from 1 (very low cost) to 6 (very high cost). Responses 1–2 were deemed as 'low cost', 3–4 as 'average cost' and responses 5–6 as 'high cost'.

Source: ITC based on SME competitiveness data collected in Zimbabwe.

Reliable transport infrastructure is central to logistics efficiency and in helping Zimbabwean firms deliver on time. Most trade in Zimbabwe is by road and, according to the African Development Bank, road density in Zimbabwe is about 0.23 km per square kilometre. This is high compared to many developing countries. For comparison, road density is 0.11 in low-income countries, 0.14 in upper-middle income countries and 0.47 in Organisation for Economic Co-operation and Development (OECD) countries. However, roads have been poorly maintained in recent years and the condition of road infrastructure has deteriorated considerably since the 1990s due to a lack of funding.

The SME Competitiveness data show that 75% of firms are not happy with the transport infrastructure. Furthermore, the transport quality is lower in rural areas than in urban and peri-urban areas of Zimbabwe: 82% of firms in rural areas report low quality of transport services, 12 percentage points lower than firms in urban or peri-urban areas.

The results from the latest World Economic Forum Global Competitiveness Index (2019) corroborate these findings. While Zimbabwe ranks well in road connectivity (85.9 out of 100), lower scores in road infrastructure quality (30.6), train service efficiency (15.2) and air transport services...
PROMOTING SME COMPETITIVENESS IN ZIMBABWE

...to contribute to its unfavourable placement in the index at 39.8 out of 100.

Deterioration in transport networks can significantly add costs to vehicle operations in terms of longer journey times, higher fuel consumption, damage to vehicles and accidents, which can increase the costs of logistics services.

The World Bank’s Doing Business 2020 report ranks Zimbabwe 159th of 190 countries on ease of trading across borders. With a score of 54.3, Zimbabwe performs worse than its closest neighbours (Zambia and Botswana) and shows structural weaknesses in cost and time spent on border procedures.

For example, Zimbabwe requires nine documents to export and 11 to import. Neighbouring countries such as Zambia require eight documents for both export and import while Botswana requires only seven for exports and five for imports. These procedural requirements further reduce logistics efficiency and are a disincentive for firms to participate in international trade.

A first step to simplify such procedures was the adoption of ASYCUDA World (Automated System for Customs Data), a computerized customs-management system developed by the United Nations Conference on Trade and Development that allows for faster customs clearance.

As of 2017, thanks to the ASYCUDA programme, only three of 45 customs offices in Zimbabwe were still paper-based. Indeed, using digital technologies – such as transportation or warehouse management system software – can improve the efficiency and timeliness of delivery. Most SMEs lack the necessary knowledge to fully leverage the potential of information and communication technologies (ICTs) in their logistics operations.

In Zimbabwe, just 19% of the surveyed companies use ICTs for transport and logistics purposes. Among these firms, though, 77% benefited in terms of better timeliness of delivery. Increasing the penetration of digital technologies in the logistics sector is key to improving its efficiency. For example, integrating the Internet of Things with logistics services could enhance fleet management and operational efficiency by tracking vehicle locations and cargo capacity.

Logistics and infrastructure costs also remain a major challenge for SMEs in joining global value chains and for lead firms in finding reliable suppliers. Without accessible and cost-effective logistics systems, SMEs risk exclusion from global and regional supply chains. For landlocked countries like Zimbabwe, the transport and logistics sectors play a vital role in facilitating intraregional trade, with trade passing through priority corridors and numerous border checkpoints.

To capitalize on new trade opportunities under the African Continental Free Trade Area (AfCFTA), optimizing border management, working with regional institutions to minimize delays and digitizing certain aspects of trade logistics are crucial. The anticipated surge in freight demand with the AfCFTA presents a golden opportunity to invest in and enhance logistics infrastructure and services.

... passing through priority corridors and numerous border checkpoints.
The survey also finds that Zimbabwean firms that have obtained certification services to be low. The survey shows that just 37% of firms consider the cost of doing business to compete on quality. The capacity, the country's improved testing facilities and certification for quality products due to financial constraints. SMEs in Zimbabwe struggle to meet international standards due to high-volume production or low pricing; among these firms, those that compete on quality have at least one internationally recognized certification. This is in contrast to those competing on price, where 14% are certified to international standards.

Certification is particularly helpful for companies seeking to demonstrate their commitment to quality, safety, environmental sustainability or best business practices. This demonstrates the firm's credible signal to customers that the firm meets internationally recognized standards. This is important to disseminate information about the process to buyers to get certified. International certifications can also open doors to new markets, both domestically and internationally, improve efficiency, promote best business practices and increase brand reputation, thus strengthening competitiveness.

Certification is key to compete in international markets and international trade. Certification can bring assorted benefits, depending on the type of certification and the industry in which firms operate. International certifications provide a gateway for Zimbabwean companies to engage in international markets and increase their business relationships and profitability.

One of the main reasons for the low uptake of international certification is an effective strategy to build trust and credibility. As different countries have specific regulations and standards, this demonstrates the firm's commitment to quality, safety, environmental sustainability or best business practices. This is consistent with previous studies that identified inadequate information as the chief obstacle to obtaining international certifications on quality and environmental management standards.

Among the 28% that have obtained internationally recognized certificates, those relating to safety are the most common (16% of firms have one), followed by performance and quality certificates, those relating to sustainability (6%).

SMEs in Zimbabwe struggle to meet international standards. The survey finds that certification among firms that are not export-oriented is an effective strategy to build trust and credibility. As different countries have specific regulations and standards, this demonstrates the firm's commitment to quality, safety, environmental sustainability or best business practices. This is consistent with previous studies that identified inadequate information as the chief obstacle to obtaining international certifications on quality and environmental management standards.

Generally, firms exporting to foreign countries encounter challenges in establishing their credibility, and certification can play a key role. Companies that engage with BSOs (Figure 6) are more likely to report good availability of information about standards and certificates related to their main product or services. This is consistent with previous studies that identified inadequate information as the chief obstacle to obtaining international certifications on quality and environmental management standards.

The survey finds that certification among firms that are not exporting to foreign countries is an effective strategy to build trust and credibility. As different countries have specific regulations and standards, this demonstrates the firm's commitment to quality, safety, environmental sustainability or best business practices. This is consistent with previous studies that identified inadequate information as the chief obstacle to obtaining international certifications on quality and environmental management standards.

This is in contrast to those competing on quality. Among surveyed firms, 35% of those that compete on quality have at least one internationally recognized certification. This is in contrast to those competing on price, where 14% are certified to international standards. This is because value-chain partners tend to face stricter requirements from their buyers regarding the quality, safety and environmental sustainability of their goods or may receive assistance from organizations and investment promotion organizations – such as chambers of commerce, sector associations, trade promotion offices, international organizations, and other associations. In this context, business support organizations – such as chambers of commerce, sector associations, trade promotion offices, international organizations, and other associations – and hence do not have to produce outputs that follow specific buyer requirements – is lower than among those that are value-chain partners (15% vs 39%).

The survey finds that certification among firms that are not export-oriented is an effective strategy to build trust and credibility. As different countries have specific regulations and standards, this demonstrates the firm's commitment to quality, safety, environmental sustainability or best business practices. This is consistent with previous studies that identified inadequate information as the chief obstacle to obtaining international certifications on quality and environmental management standards.
Figure 6  Lack of information on certification hinders firms from being certified

<table>
<thead>
<tr>
<th>Share of certified firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not engaged</td>
</tr>
<tr>
<td>Certified</td>
</tr>
<tr>
<td>Not certified</td>
</tr>
</tbody>
</table>

Note: Respondents were asked: 'Does this establishment's main product or service hold any of the following types of internationally recognized certificates?' Possible responses were: 1: Safety certificate, 2: Quality or performance certificate, 3: Sustainability certificate and 4: Other certificates. For the purpose of the analysis, answers were grouped into 'no' and 'one or more'. Respondents were also asked: 'Are you actively engaged with any of the following types of institutions?' Possible responses were: 1: Trade promotion organizations, 2: Investment promotion organizations, 3: Chambers of commerce and 4: Sector associations. For the purpose of the analysis, answers were grouped into 'no' and 'yes'.

Source: ITC based on SME competitiveness data collected in Zimbabwe.

Climate change hinders productivity

The Zimbabwean economy depends greatly on water resources, with fluctuations in GDP closely linked to rainfall patterns over the past decades. Hydroelectric power, along with thermal generation, constitutes the main source of electricity, while rain-fed irrigation systems play a pivotal role in the agricultural sector. Climate change poses a serious challenge, manifesting itself in more frequent and severe droughts, besides exacerbating food insecurity and health concerns.

Less rainfall and rising temperatures will likely undermine economic productivity by reducing surface water and the country's capacity to generate electricity. This situation underscores the need for action to mitigate the adverse effects of climate change on key economic sectors, particularly agriculture.
Chapter 2 – Enhancing Business Support for Greater Efficiency

Figure 7 Firms facing environmental risks have lower capacity utilization rates

Environmental risk perception

<table>
<thead>
<tr>
<th>Significant environmental risk</th>
<th>26%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No environmental risk</td>
<td>74%</td>
</tr>
</tbody>
</table>

Note: Respondents were asked: 'In the last year, what was this company's output as a percentage of the maximum output possible? 100% means all resources are fully employed and an increase in output is not possible without increasing resources (an estimate is sufficient). Responses ranged from zero to 100%, with responses of zero to 79% considered as low capacity and 80%–100% as high capacity.

Respondents were also asked: 'Which of the following environmental risks are significant for your business?' Possible answers were: 1: Changing temperatures, 2: Changing sea levels, 3: Water scarcity, 4: Floods, 5: Decreased air quality (e.g. air pollution), 6: More severe and frequent storms, 7: Decreased quality of inputs (e.g. natural resources), 8: Scarcity of inputs (e.g. natural resources), 9: Other environmental risks not listed, 10: None, and -9: Do not know.

Source: ITC based on SME competitiveness data collected in Zimbabwe.

The survey reveals a worrying trend, as more than 70% of firms reported facing environmental threats to their production. This appears to affect their productivity: within the subset of firms that face significant environmental risks, 74% operate below 80% of their maximum capacity. In contrast, among firms perceiving no environmental risks, the corresponding share was comparatively lower at 54% (Figure 7).

There are substantial regional differences in the experience of environmental threats and thus the rate of capacity utilization (Figure 8). In regions where the perception of environmental risk is high, firms are less productive. These regions are also the ones with more agriculture activity and often the ones with the lowest income levels.

Firms in Matabeleland North, for example, seem to struggle with capacity utilization and, at the same time, fear the consequences of climate change the most despite being one of the most well-connected and touristic regions. Survey data show that 88% of firms in the region perceive at least one environmental risk – such as changing temperatures, change in sea level, water scarcity, floods, storms, deterioration of air quality, scarcity or decrease in the quality of inputs – with 41% of firms perceiving more than three. Farmers in Matabeleland North account for 83% of the workforce, the highest proportion in the country.

This contributes to the vulnerability of farmers, given that they are often self-employed and informal.

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Figure 8  Regions with low capacity utilization face more environmental threats

Note: Respondents were asked: ‘In the last year, what was this company’s output as a percentage of the maximum output possible? 100% means all resources are fully employed and increase in output is not possible without increasing resources (an estimate is sufficient).’ Responses ranged from zero to 100%. For the purpose of the analysis, the map shows the average capacity utilization per region. Respondents were also asked: ‘Which of the following environmental risks are significant for your business?’ Possible answers were: 1: Changing temperatures, 2: Changing sea levels, 3: Water scarcity, 4: Floods, 5: Decreased air quality (e.g. air pollution), 6: More severe and frequent storms, 7: Decreased quality of inputs (e.g. natural resources), 8: Scarcity of inputs (e.g. natural resources), 9: Other environmental risks not listed, 10: None and -9: Do not know. For the purpose of the analysis, the map shows the average number of reported environmental risks per region.

Source: ITC based on SME competitiveness data collected in Zimbabwe.

Manicaland, one of the regions hardest hit by cyclone Idai in 2019, has the highest number of firms reporting environmental risks: 93% identified at least one significant environmental risk, while 38% identified more than three. In this region – where half of the firms engage in agriculture – changing temperatures, water scarcity and floods represent the biggest risks to business operations for 61%, 55% and 56% of local businesses, respectively.

The survey also finds that 72% of firms in the Manicaland region have invested in measures to reduce their impact on the environment – a percentage remarkably higher than the survey sample average (23%). However, the region lags behind in terms of productivity.

Around 30% of all surveyed firms facing environmental threats have invested in measures to reduce their negative impact on the environment. This contrasts with 5% of those that do not perceive environmental risks. All the companies that have invested in measures to lower environmental impact believe their investments have reaped benefits, the top ones being keeping existing markets (70% of firms that invest), access to new markets (48%) and increased production (43%).

The need to adapt to climate change is reflected in Vision 2030, the National Development Strategy 2021–25 and the Low Emissions Development Strategy. In 2020, the Government unveiled a climate-proof agricultural technique, locally known as Pfumvudza, that helped increase resilience against drought impacts. Now called the Climate-proofed Presidential Inputs Scheme, the initiative aims to support farmers directly by providing inputs, eventually to ensure household food self-sufficiency. Building on previous government initiatives, strengthening the resilience of farmers remains a top priority for climate change adaptation and OLY HOKRRLGPSURY HPHQW.
CHAPTER 2 – ENHANCING BUSINESS SUPPORT FOR GREATER EFFICIENCY

Policy insight: Improving efficiency and credibility to compete internationally

Zimbabwean firms face competitiveness challenges due to factors in and outside their control that hinder timely product delivery. High logistics costs and inadequate transport infrastructure impede on-time delivery. To improve participation in global supply chains and promote regional and international trade, comprehensive reforms encompassing border and behind-the-border operational improvements are needed.

Implementation of the AfCFTA should provide both an opportunity and an impetus for such reforms, which are especially important for landlocked countries like Zimbabwe. These reforms should aim to reduce logistics costs, improve transport infrastructure and enhance customs procedures and border administration, particularly through the adoption of digital technologies for trade facilitation.

Achieving economies of scale through cooperatives or associations could help small-scale firms in the agricultural sector cut the costs they incur when using logistics services. In Ghana, where small pineapple exporters lacked the scale to achieve sufficient volumes to access sea-freight transportation, a few smallholder farmers formed the Sea Freight Pineapple Exporters of Ghana in 2015. Through this association, they were able to secure freight services from the Union Bananière Africaine (UBA/Dole) of France.

International certifications benefit firms by adding value to their output and helping them expand into new markets. Zimbabwe's quality infrastructure has improved considerably in recent years through external funding and technical assistance. However, businesses need a better understanding of the certification process and the benefits certification brings. Raising awareness, disseminating information and improving the certification process by simplifying and lowering costs is crucial. Business support organizations, such as The Standard Authority of Zimbabwe, the Confederation of Zimbabwe Industries and the Zimbabwe National Chamber of Commerce, have a major role to play in this respect. An affordable and effective quality management system will facilitate certification, especially for small and informal companies, enhancing their potential to access foreign markets.

Zimbabwe has a rich heritage of local traditional wisdom that has empowered communities to adapt to changing climatic conditions for centuries. However, current challenges have rendered the nation vulnerable. Droughts and rainfall variability threaten electricity generation, irrigation and business stability.

Addressing the threats posed by climate change demands collective action at both the firm and national levels. Increasing the resilience of the agricultural sector – for instance, through secure land tenure, private investment in irrigation and equipment, adoption of sustainable agricultural practices and farmer skill development – is vital for climate change adaptation. By establishing appropriate institutional frameworks, the investments made by firms to mitigate environmental impacts would yield greater benefits.

Chapter 3

Strengthening networks to support SME growth

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Leveraging digital technologies helps mitigate supplier reliance ...................................... 23
Linkages with business support networks foster market connections ............................. 24
Building strong networks and fostering business relationships are crucial for companies to maintain a competitive edge. The quality of these relationships also directly affects the performance and effectiveness of the business ecosystem. In today’s digital era, where technologies are transforming industries, leveraging digital tools and platforms can further strengthen these connections and enable more efficient collaboration.

Active interaction with buyers and suppliers allows firms to gain valuable insights into business development opportunities, market trends and relevant policies and regulations. Additionally, sector associations and other business support organizations facilitate access to peer networks, mentorship and information resources. To foster good business relationships, firms should be proactive in providing information about their offerings through digital marketing and outreach activities.

The findings of the SME Competitiveness Survey in Zimbabwe show the impact of these connections on the development of enterprises in the country. Numerous businesses have experienced positive outcomes by leveraging digital technologies, strengthening supply chain resilience and using the services offered by BSOs. Nonetheless, this number remains small and mostly limited to large enterprises. SMEs require assistance to develop and capitalize on similar relationships.

Zimbabwean SMEs face many challenges that hinder their growth and digitalization efforts. The limited coverage and high cost of internet, along with the inadequate infrastructure, create major barriers to connectivity and productivity. Within their supplier networks, challenges arise from lack of diversification, posing risks during disruptions. Furthermore, limited information makes it hard for firms to meet evolving customer demands and adapt to the needs of supply chains accordingly. In particular, engagement with BSOs is low, especially among women-led and youth-led enterprises, which restricts their access to essential services, partnerships and learning opportunities crucial for inclusive business growth.

Strengthening networks to support SME growth
CHAPTER 3 – STRENGTHENING NETWORKS TO SUPPORT SME GROWTH

Digital technologies open new market opportunities

Digitalization is an important driver of productivity growth and can play a crucial role in triggering structural change. At the individual firm level, adopting ICT can counteract some of the challenges small businesses face. It helps lower transaction costs, enhance external communication and expand market reach by connecting firms with new clients, boosting sales and improving supply chain management. Moreover, reputation building via the web can be more rapid than through traditional methods.

Despite the benefits of connecting online, many Zimbabweans remain offline. Fixed broadband penetration is low, with only 1.1 subscriptions per 100 inhabitants. The level of internet penetration in rural areas is especially low due to high costs and inadequate infrastructure. According to the Postal and Telecommunications Regulatory Authority of Zimbabwe, rural 2G and 3G coverage is around 70% compared to only 2.85% 4G coverage; yet 61.8% of the population resides in rural areas. This contrasts starkly with urban areas, where 4G coverage is 92.87%.

The poor 4G coverage in rural areas reflects the low return on investment in this service, further limiting economic opportunities and national competitiveness. The SME Competitiveness Survey echoes these findings: just 38% of respondents in rural regions said they had access to the internet for their business operations. In contrast, the proportion rose to 62% for respondents living in urban and peri-urban areas. These results highlight the wide gap in internet availability between rural and non-rural regions of Zimbabwe.

The quality of internet connection and the affordability of data plans offered by telecommunication companies affect broadband adoption. Nearly half of the surveyed firms (46%) consider the quality of the internet to be low, and three of four firms find the cost of internet service to be high. Reliable and affordable internet would allow SMEs to stay connected, conduct business more efficiently and reach foreign markets better.

Limited broadband services and high costs are major factors contributing to the low number of websites maintained by Zimbabwean companies. About 85% of the businesses surveyed have no online presence through a dedicated website. Website ownership is highest in the two most populous urban regions: Harare (41%) and Bulawayo (33%). SMEs are more than seven times less likely to have a business website than large firms. All but two of the large firms in the sample have a website, compared with 12% of SMEs (Figure 9). Besides a lack of access to digital infrastructure and the high cost of internet access, SMEs may face other challenges in website development, such as financial constraints. However, the availability of alternative online platforms, such as social media for business promotion, partially makes up for the absence of dedicated websites.

Social media use in Zimbabwe has grown markedly in recent years. The number of social media users in Zimbabwe climbed 19.2% from 2021 to 2022. This trend, along with the global popularity of social media, highlights the key role that online or social media marketing will play in driving business growth. In response to this changing landscape, Zimbabwean SMEs have proactively embraced social media platforms and online advertising tools to promote their products, enhancing their marketing performance and sales. The survey found that online advertising, such as through social media, is the most popular form of advertising, irrespective of firm size or the gender/age of leadership. Among surveyed SMEs, 70% advertise exclusively online. A few online advertisers also use other channels (43% use leaflets, posters or newspapers, 5% use radio and television).

The lower cost and ease of using online advertising compared to traditional advertising channels or maintaining a website likely explain why Zimbabwean SMEs rely on social media platforms for visibility and reach. Access to mobile broadband has also directly affected the extraordinary growth of social media use in Zimbabwe. Mobile broadband, particularly 3G and LTE/WiMAX, is the preferred method of internet access for most Zimbabweans. In 2022, 65.3% of the country's population had a cellular data subscription, up from 30.6% in 2012.
Figure 9  Few SMEs have websites and most rely on social media marketing

Wide gap between small and large firms on website ownership

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large firms have a website</td>
<td>91%</td>
</tr>
<tr>
<td>SMEs have a website</td>
<td>12%</td>
</tr>
</tbody>
</table>

To bridge the gap, SMEs rely on social media marketing

<table>
<thead>
<tr>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs advertise on social media</td>
</tr>
</tbody>
</table>

Note: Respondents were asked: ‘Please rate the cost of your internet connection.’ Options ranged from 1 (low cost) to 6 (high cost). Responses 1-3 were deemed as ‘low cost’, and responses 4-6 as ‘high cost’. They were also asked, ‘Does this company have a business website?’ and ‘In the last year, did this company engage in any of the following forms of advertising: (i) Leaflet, poster or newspaper advertising, (ii) Radio or television advertising, (iii) Internet or social media advertising?’ Only those firms that used internet or social media advertising have been considered.

Source: ITC based on SME competitiveness data collected in Zimbabwe.

Digital or online marketing benefits the performance of SMEs. Online platforms give them access to larger markets and services by overcoming geographical limitations and providing access to a global marketplace. This allows small companies to engage with a wider customer base, effectively showcase their products or services, build brand recognition and interact directly with customers, thereby fostering credibility and visibility.

Furthermore, online platforms offer easy access to new customers and services, which can positively affect the sales and value-added of small companies. Only 39% of the surveyed firms that do not advertise online said they gained access to new customers. This climbed to 73% among firms that advertise online (Figure 10). Similarly, firms that advertise online are twice as likely to have higher sales (59%) than firms that do not advertise online (31%). These findings underscore the importance of advertising to expand customer reach and drive sales growth for businesses. By leveraging online platforms, including websites and online advertising, SMEs can level the playing field with larger companies and contribute to productivity growth.
**Figure 10** Online advertising helps reach new customers and boosts sales

<table>
<thead>
<tr>
<th>Share of respondents</th>
<th>No online advertisement</th>
<th>Online advertisement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Access to new customers</td>
<td>Increased sales</td>
</tr>
<tr>
<td></td>
<td>39%</td>
<td>73%</td>
</tr>
<tr>
<td></td>
<td>31%</td>
<td>59%</td>
</tr>
</tbody>
</table>

### Note:
Respondents were asked: ‘In the last year, did this company engage in any of the following forms of advertising: (i) Leaflet, poster or newspaper advertising, (ii) Radio or television advertising, (iii) Internet or social media advertising?’ Only those firms that used internet or social media advertising have been considered. They were also asked, ‘What benefits do you gain from using digital technologies: (i) Access to new customers and (ii) Increased sales?’

### Source:
ITC based on SME competitiveness data collected in Zimbabwe.

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**Leveraging digital technologies helps mitigate supplier reliance**

Businesses must be flexible to succeed in a competitive global landscape. A crucial aspect of this adaptability is the diversification of a firm’s supplier network. Having access to a range of suppliers can help businesses adapt to changing market conditions and evolving customer demands. This flexibility enables sustained growth for the firm, even in adverse economic conditions.

However, evidence from the SME Competitiveness Survey in Zimbabwe shows that most enterprises rely on a few input suppliers. This is especially true of SMEs. The supply chain of small businesses appears to be less complicated, with 54% having fewer than three suppliers, while only 95% of large firms have three or more suppliers.

Furthermore, 67% of surveyed firms said they strongly relied on their top supplier. High dependence on a single supplier means it is more difficult to prevent supply chain disruptions and maintain high-performing suppliers that meet customer requirements and comply with legal and regulatory standards.

Many firms assess suppliers to guarantee adherence to the firm’s standards and to identify possibilities to reduce costs and mitigate risk. Survey respondents that depended heavily on their biggest suppliers appeared to be aware of the risks of this relationship as they assessed their suppliers more often than those that were less dependent. Among firms that strongly depended on their biggest supplier, 46% evaluated their suppliers’ performance often, compared to just 32% of firms with weak reliance.

Supplier assessment is also associated with improving firms’ performance in terms of quality, delivery, flexibility and cost. Suppliers are part of a quality chain, meaning that standards impose the same requirements on all suppliers, including health, safety and environmental considerations.

The SME Competitiveness Survey results in Zimbabwe indicate that certified firms are more likely to assess their suppliers than non-certified firms. Among non-certified firms, 38% reported regularly conducting supplier assessments, while about half of the certified firms (49%) carried out such assessments.

Supplier assessment is also important when firms want to sell internationally or source inputs from abroad. Exporters need to source acceptable inputs (domestic or foreign) to meet buyers’ requirements for quality, safety and other standards in foreign markets, which may result in the regular assessment of suppliers. Importers of inputs must ensure their imports meet both domestic and foreign standards if they are subsequently exported.
Survey respondents engaged in international trade as exporters or importers (50%) and firms that are part of a value chain (55%) tend to evaluate their suppliers more often than those that do not trade (38%) or are not part of a value chain (26%).

Firms need adequate and reliable information on potential suppliers to diversify their supplier base. Survey findings indicate that using digital technology to communicate with and manage information about buyers and suppliers yields major benefits in terms of the availability and quality of supplier information.

Seventy percent of the firms using digital technology reported higher availability of information on potential suppliers, surpassing the 53% reported by firms not using any digital technology (Figure 11). Furthermore, 72% of the firms leveraging digital technology reported a higher quality of information on potential suppliers, compared to the 54% reported by firms without digital technology engagement.

**Figure 11 Digital technology enhances market information on potential suppliers**

<table>
<thead>
<tr>
<th>Availability of market information on potential suppliers</th>
<th>Quality of market information on potential suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>No use of digital technology</td>
<td>No use of digital technology</td>
</tr>
<tr>
<td>53%</td>
<td>54%</td>
</tr>
<tr>
<td>Use of digital technology</td>
<td>Use of digital technology</td>
</tr>
<tr>
<td>70%</td>
<td>72%</td>
</tr>
</tbody>
</table>

Note: Respondents were asked: ‘Do you use digital technologies for any of the following purposes: 1. Communicating with buyers or suppliers (e.g. by e-mail), 2. Buyer and supplier data management (e.g. CRM, big data analysis)?’ and ‘Please rate the availability of market information on potential suppliers?’ Options ranged from 1 (very low) to 6 (very high). Responses 1–3 were deemed as ‘low availability or quality of market information’ and responses 4–6 as ‘high availability or quality of market information’.

Source: ITC based on SME competitiveness data collected in Zimbabwe.

Despite the clear benefit of using digital technologies to communicate with and manage information on suppliers, women-led and youth-led companies tend to use them less than those led by men and non-youth. About 45% of women-led firms have used digital technology for such purposes, compared to 53% of men-led firms. Similarly, 35% of youth-led firms have used digital technology to communicate with buyers and suppliers or manage buyer/supplier databases compared to 54% of non-youth-led firms. Thus, while the number of firms in Zimbabwe using digital tools and e-commerce has grown rapidly, further progress can be made to bolster competitiveness and resilience in the digital future, particularly among the smallest and most vulnerable businesses.

Linkages with business support networks foster market connections
CHAPTER 3 – STRENGTHENING NETWORKS TO SUPPORT SME GROWTH

Central to an effective business ecosystem, they build useful networks by fostering partnerships, enabling learning, building technical skills and furnishing market information.

BSOs in Zimbabwe are active in all sectors and provide a wide range of services to firms, which allows them to foster better connections with buyers and suppliers. Generally, surveyed firms perceive the quality of the services provided by the BSOs to be high. However, more than half (53%) do not engage with BSOs, hindering their ability to build the connections they need to be competitive.

Survey analysis shows that joining industry associations and BSO networks can facilitate the sharing of essential market information beneficial for the sector. Firms that are engaged with BSOs are more likely to report high availability of market information on both potential buyers (66%) and potential suppliers (73%), compared to 45% (buyers) and 54% (suppliers) among those that are not engaged with any BSO. This indicates that active participation with institutions such as industry associations or trade promotion organizations can play a crucial role in helping firms access market information.

The survey also found that engaging with BSOs is linked to better collaboration and exchange of market and business information. According to the survey, companies that are actively involved with BSOs are more inclined to collaborate with other businesses in their industry, enabling them to exchange valuable market information and address shared challenges.

Among firms engaged with any BSOs, three-quarters reported regular cooperation for problem-solving with their peers, compared to 52% among those not involved. Similarly, firms that engage with BSOs also reported a higher exchange of market information (71%) compared to 54% of firms that do not interact with them. These findings suggest that BSO-linked businesses perceive a greater advantage in terms of accessing and leveraging market insights and issue resolution that benefit the sector.

Despite these advantages, engagement with BSOs is uneven. Women-led and youth-led firms tend to be less engaged with BSOs than those led by men and non-youth. About 42% of women-led firms have interacted with a BSO, compared to 49% of men-led firms.

This gender imbalance is not unique to Zimbabwean businesses. Around the world, women are less likely than men to be members of BSOs. An International Labour Organization study found that women entrepreneurs have different opinions on using business networks and associations for their business development. Factors such as lack of awareness about the advantages of joining and limited access contribute to low membership rates among women-led companies. Unclear mandates and functions of the organizations further discourage women-led firms from joining, as they perceive limited benefits in doing so.
In response to this, dedicated associations have been created in Zimbabwe to support female entrepreneurs and business leaders. One example is the Women Alliance of Business Associations in Zimbabwe, which was founded in 2010. It provides a platform for women and those operating in the informal economy to feel empowered and engage with key players in government, the private sector and civil society.

Similarly, limited access to business networks, mentorship opportunities, information and advocacy tools offered by BSOs put youth-led firms at a disadvantage. The survey found that non-youth-led firms are more likely than youth-led firms to interact with BSOs (50% vs 32%). It is vital to raise awareness and foster an entrepreneurial mindset to promote entrepreneurial opportunities among youth-led companies and provide them with pertinent business information.

BSO networks can serve as valuable platforms for young entrepreneurs to connect with their peers, exchange knowledge and explore opportunities in the international trade landscape.

Difficulties accessing formal channels of cooperation have often driven youth-led firms to seek digital solutions. BSOs can enhance engagement among young entrepreneurs by leveraging digital tools.

A notable example is the Young Entrepreneurs' Association in Zimbabwe, which has established a vibrant community on social media. This platform enables young Zimbabwean entrepreneurs to interact, collaborate and help their businesses grow. By investing in networking opportunities and receiving support, they can navigate the challenges of starting and expanding their ventures more effectively.

**Figure 12 Engaging with business support organizations builds market linkages**

![Figure 12 Engaging with business support organizations builds market linkages](image-url)

**Note:** Respondents were asked: 'Are you actively engaged with any of the following types of institutions: (i) Trade promotion organizations (ii) Investment promotion organizations (iii) Chambers of commerce (iv) Sector associations?', 'What is the gender of the top manager?', 'What is the age of the top manager?', 'Please rate the availability of market information on potential buyers?' and 'Please rate the availability of market information on potential suppliers?' Options ranged from 1 (very low) to 6 (very high). Responses 1–3 were deemed as 'low market information' and responses 4–6 as 'high market information'.

Source: ITC based on SME competitiveness data collected in Zimbabwe.
CHAPTER 3 – STRENGTHENING NETWORKS TO SUPPORT SME GROWTH

Policy insight: Enhancing business ecosystems to promote inclusive growth

The Government of Zimbabwe recognizes the potential of digital technologies in the country's path towards prosperity. For firms to benefit fully from digital transformation, however, solid foundations must be established through effective policies and planning. This entails strengthening strategic and policy frameworks for the digital economy, including the implementation of existing ICT policies and the Smart Zimbabwe Master Plan (see note).

SMEs have been slower to adopt internet and ICT for business than larger firms, despite the potential benefits. Small enterprises face barriers such as inadequate technological capabilities and difficulty identifying business opportunities, which business support organizations and policymakers can help resolve. Policy should focus on technology diffusion, creating a favourable business environment and developing an inclusive and robust e-commerce policy.

Policymakers should prioritize efforts to improve the efficiency and effectiveness of the telecommunications sector, increase internet access countrywide and promote internet inclusivity. This will also help address the challenges of limited broadband availability and high costs. Better corporate governance frameworks would raise investor confidence and enable progress towards achieving widespread internet access and inclusivity.

Digitalization can be seen as a way to develop resilience to shock by diversifying a firm's supplier base, stimulating growth and inducing structural changes at the economic level. Policymakers play a key role in creating an enabling environment that encourages SMEs to adopt digital technologies, take advantage of online government services and maximize the potential of digital tools for business competitiveness. For instance, ZimTrade could strengthen supplier linkage programmes between domestic SMEs and established exporting firms, fostering connections within global value chains.

The ability of young entrepreneurs to thrive depends on the supportiveness of their business ecosystem. Helping youth-led businesses internationalize and grow entails strengthening the environment in which they operate as well as the level of assistance they receive. While BSOs have managed to reach some firms in Zimbabwe, their potential influence on the competitiveness and resilience of women-led and youth-led firms has not been fully realized. Furthermore, strengthening the capacities of BSOs, especially sector associations, while increasing their engagement with SMEs would improve the competitiveness of smaller businesses. As BSOs operate within a support ecosystem, there are opportunities for them to review and enhance the efficiency of the services they provide collectively.

Note: Smart Zimbabwe 2030 is a strategic master plan developed by the Zimbabwean Government to guide the growth of the ICT sector over the next decade. It aims to transform government processes, services and management, making them more efficient and improving information access. The plan also envisions Zimbabwe becoming a regional technology hub and aligning with the ICT objectives of Vision 2030 to achieve middle-income status.

Chapter 4

Innovating through financing and digital capability

Financial literacy enhances access to formal credit ................................................................. 30
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Digital competencies boost business performance ................................................................. 35
Companies must be able to adapt to evolving market conditions to survive and compete in the long term. Adaptability is especially important in challenging macroeconomic contexts, such as Zimbabwe. The country has experienced a combination of external shocks and internal instability that have contributed to economic distress over the past two decades, with inflation on the rise since 2018.

In such an uncertain business environment, businesses need dynamic and sustainable strategies to stay ahead. Many factors shape their ability to do this, including good financial management practices, the ability to identify and upgrade employees’ skills, and building trustworthy connections, as highlighted in the ITC SME Competitiveness Outlook 2023.

Survey evidence suggests that Zimbabwean businesses, especially small and informal ones, struggle to access finance. Very few have applied for loans in recent years due to a lack of collateral, high interest rates and complex procedures. This has a serious impact on their innovation capabilities. Only one company in ten is able to invest significantly in research and development, and the frequency of innovation is low.

The skills landscape in Zimbabwe appears to be relatively good, with most companies rating the availability of skilled workers as high. Many enterprises also report that the skills of their employees match the company’s needs.

Improving access to finance through targeted policy interventions therefore appears important to boost the ability to enhance digital skills, particularly in Zimbabwe, where companies need dynamic and sustainable strategies to stay ahead.

Such initiatives would strengthen companies’ adaptive capacity and resilience during crises.

Financial literacy enhances access to formal credit

Financing is a key enabler of firms’ day-to-day operations and investments. Whether to run production, manage overheads or invest in equipment and innovation, access to affordable finance allows businesses to operate seamlessly, making it an essential aspect of competitiveness. SMEs in Zimbabwe, according to the SME Competitiveness Survey, face a major constraint to growth.

Firms at different stages of the business life cycle have varying financing needs. Start-ups and microenterprises tend to rely on personal savings or informal loans from family and friends, while larger companies are more likely to do so than smaller ones. In Zimbabwe, providing various types of loans, banks have been the main institutional lenders for businesses, with larger companies more likely to do so than smaller ones. Eight in four microenterprises has applied, as opposed to less than half of small and large firms.

Firms that did not apply for a loan were asked why this was the case. Almost half were concerned about the costs -
CHAPTER 4 – INNOVATING THROUGH FINANCING AND DIGITAL CAPABILITY

complex, while 7% said they did not need a loan. Indeed, the National Financial Inclusion Strategy I (2016–2020) identified a lack of acceptable collateral, bureaucratic loan processing procedures and poorly designed financial products as key challenges to financial access.

Only 58% of loan applicants were successful. The low approval rate is attributable to several factors. On the macroeconomic side, high inflation and economic contraction in recent years have put liquidity constraints on banks. This limits their ability to lend to the private sector, especially to SMEs, which bankers perceive as high risk.

In mid-2022, SME loans to total bank loans were still low, at 5.54%.

As is the case generally, formal financial institutions in Zimbabwe consider SMEs high-cost borrowers compared to large firms because of a lack of trading history, greater risks of default and an absence of financial statements. On the business side, the survey shows that inadequate accounts, financial statements and knowledge about the credit process make access to bank financing difficult.

The survey found that having a prior relationship with the financial institution, such as having a business bank account, can improve a firm’s chances of obtaining credit from the bank. Among firms that applied for a loan, more than 70% of those with a business bank account were successful, compared with 37% of firms without a bank account (Figure 13).

Figure 13  Financial literacy and banking boost firms’ access to credit

Note: Respondents were asked: ‘At this time, does this company have a bank account for daily operations which is separate from a personal account?’ and ‘Please rate this company’s knowledge of the processes involved in getting a loan with domestic financial institutions’ and ‘Please rate the extent to which this company has the capability to present a fully costed business plan to a bank for the purposes of getting a loan’. Responses ranged from 1. No knowledge/capability to 6. Very detailed knowledge/Full capability. Responses of 1–2 are considered ‘poor’, 3–4 as ‘average’ and 5–6 as ‘good’. Source: ITC based on SME competitiveness data collected in Zimbabwe.

Having a bank account can help companies with financial planning by keeping records of financial transactions and facilitating cash flow management. Among firms with a bank account, 74% reported keeping records of financial variables such as income, expenditure, liabilities and assets, compared with 45% of unbanked firms. In addition, firms with a bank account were twice as likely to have good cash flow management as those without (52% vs 26%).

Banks need financial records and cash flow data to determine a firm’s loan eligibility and lending terms, as they signal the company’s financial accountability and creditworthiness. By improving firms’ financial accounting and management capability, bank accounts can be an important determinant of access to finance. Furthermore, past studies have shown that Zimbabwean firms with a bank account tend to be more profitable, because they can access funds at cheaper costs than unbanked firms.
Yet bank account ownership is still relatively low, with just 56% of surveyed firms having a business bank account. Strict account opening requirements and the high proportion of informal firms in the sample may be the main reasons. To apply for a bank loan, SMEs have to provide at least seven documents, the collection and completion of which is time-consuming, especially for those with limited financial literacy.

Moreover, with real interest rates remaining negative due to persistent inflation, firms may not see the benefit of opening a bank account and may instead prefer to hold physical cash. The survey shows that informal and smaller enterprises lag behind in terms of bank account ownership. All large companies have a bank account, compared with 54% of SMEs, and 76% of formal firms have a bank account, compared with 30% of informal firms. As a result, informal and small businesses are more likely to find access to finance difficult compared to formal and large firms. For instance, 64% of surveyed SMEs had trouble accessing finance compared with 9% of large firms.

Knowledge of the loan application process and the ability to produce a sound business plan can also facilitate borrowing. Without a proper understanding of loan requirements, providing suitable information required by lenders is hard. Business plans are an important part of loan applications as they help firms communicate the merits of their business idea to potential lenders and investors. If a business is looking to grow, a well-written and costed business plan that sets out company facts, its products, the issues it solves and how it will generate revenue becomes indispensable for attracting finance.

Despite the low loan application rate, Zimbabwean businesses seem to have good knowledge of loan application processes set up by domestic financial institutions. More than half of the firms (52%) said they had detailed knowledge of the processes involved and 44% said they were highly capable of presenting a fully costed business plan to obtain a loan.

According to the survey, however, 45% of firms with a good knowledge of loan procedures or business plan formulation still struggle to access finance. This means they have not applied for a loan in the last three years, either due to unfavourable interest rates or loan terms, complex procedures or doubts that the application would be approved.

However, twice as many firms with poor understanding of loan procedures or business planning – that is, more than 90% – struggle with these issues (Figure 13). On the other hand, of those businesses that had applied for a loan, more than 70% of the firms with good knowledge and business planning ability had their loan approved while only a third of those with limited knowledge and business planning skills were granted a loan.
Similar to bank accounts, SMEs and informal enterprises are less likely than large and formal firms to have good loan application and business planning knowledge. For instance, half of SMEs and 31% of informal firms have good knowledge of loan application procedures compared to 95% of large firms and 67% of registered firms. Likewise, 41% of SMEs and 25% of informal companies said they had a good ability to produce a fully costed business plan compared to 95% of large firms and 58% of formally registered firms.

Improving financial literacy was one of the four pillars under the two phases of the National Financial Inclusion Strategy (NFIS I, 2016–2020 and NFIS II, 2022–2026), with SMEs being the target group.

As of September 2020, 17 banks of 19 had established SME units. These units help small companies learn how to use financial services, such as opening a bank account and providing financial literacy, leading to greater access and usage of these services.

Increasing access to finance is fundamental to the economic performance of firms in Zimbabwe. SMEs, in particular, require additional support and guidance to acquire formal financing. Education and training could equip them with the necessary skills to prepare effective loan requests and business plans, enabling them to navigate complex loan procedures.

Access to finance is key to fostering innovation

Innovation plays a central role in this ever-changing world. It gives companies an important competitive advantage to thrive in today's dynamic business environment. The ability to innovate continuously is also essential for business survival, especially in unstable market settings. In such environments, innovative companies can cope better by developing new processes and products and seizing new market opportunities.

There is room for more innovation in Zimbabwe. The country ranked 107 of the 132 economies featured in the 2022 Global Innovation Index and 23rd out of 36 lower-middle income economies. The index identifies areas where the country needs to improve the most: political and regulatory environment, ICT access and use, as well as logistics. The index also indicates the need for improvement under the market sophistication pillar, an indicator related to domestic credit to the private sector, underlining the key role of financing for innovation.

Evidence from the SME Competitiveness Survey shows that Zimbabwean firms rarely innovate. Only 12% of the surveyed respondents invest a high level of resources in research and development (R&D), and 29% innovate often. Small and informal companies are the least innovative. Survey data show that SMEs are half as likely as large businesses to innovate often (28% vs 60%), leading to a wide innovation gap. Similarly, informal firms are less innovative, with 17% innovating frequently compared to 38% of businesses registered or licensed with a national authority.

For R&D spending, the same underlying pattern is observed in small and informal firms. The latter are less likely than their large and formal counterparts to commit a high level of resources to R&D.

The low innovation rate may signal the difficulty of innovating in times of instability, when innovation is often survival-driven. This type of innovation tends to involve simplifying business processes to adapt to current circumstances, rather than introducing new products or adopting productivity-enhancing technologies.

Nonetheless, some Zimbabwean companies innovate by carrying out higher value-added activities to improve their value chain positioning. The top four activities that Zimbabwean firms performed in the past three years to update their value chains were marketing (61% of respondents), packaging (36%), product design (32%) and processing (30%), according to the SME Competitiveness Survey.

That 61% of Zimbabwean firms added marketing to their activities reflects its prominence in driving their success (Chapter 3). With much of today's marketing being done digitally on social media platforms, developing digital skills will be essential to ensure workforce skills keep pace with market needs.

A major barrier to undertaking innovation activities for many small firms is the lack of access to finance. Both established businesses and start-ups need finance to fund their innovation and R&D projects. Previous evidence has shown that the high cost of the equipment required for successful innovation deters Zimbabwean companies from innovating, particularly in the agricultural sector. Indeed, the SME Competitiveness Survey shows that 41% of firms with good access to finance often innovate, compared with 24% of those with poor access to finance (Figure 14).
Reducing barriers to innovation can increase business competitiveness and access to international markets. Approximately 54% of interviewed companies with high R&D investment have at least three export markets, compared with 35% of companies with low or average R&D investment. Similarly, 48% of companies that innovate often export to at least three export markets, compared with 28% of those innovating rarely or occasionally.

The relationship between trade and innovation is circular: involvement in international trade is positively associated with innovation. Nearly half (48%) of firms engaged in international trade—whether importing or exporting—said they regularly innovated, compared with just 22% of domestic companies. When it comes to R&D investment, 21% of firms operating across national borders reported committing a large amount of resources to R&D, compared with 8% of domestic businesses.

Innovative companies are also more likely to address environmental issues. The survey found that 35% of businesses with high R&D spending invested in measures to ease the negative effects of their activities on the environment over the past three years, compared with 22% of those with lower R&D investments.

Forging networks and connections is another way to overcome innovation-related barriers in Zimbabwe. Survey data reveal that innovation is positively associated with firms' frequency of networking and collaborations. Thirty-four percent of firms that extensively share market information with peers often innovate, compared with 21% of those that rarely exchange information. Moreover, companies that often cooperate with their peers to solve common sectoral problems were twice as likely to innovate frequently as those that seldom cooperate (Figure 14).

The relationship between networking and innovation is not surprising. Studies have shown that high levels of business innovation are more likely to be found in areas where companies can create networks that lead to a high-quality knowledge pool. Indeed, a major reason firms collaborate is to exploit synergies. Several businesses come together to share their different skills, resources, and experience to innovate and solve common problems. This is known as collaborative innovation. It makes innovation activities more efficient and enables cost sharing. This can be of great benefit to businesses, especially those struggling to finance their innovation projects due to their limited access to finance.

### Figure 14  High frequency of innovation

<table>
<thead>
<tr>
<th>Share of respondents</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to finance</td>
<td>24%</td>
<td>41%</td>
</tr>
<tr>
<td>Exchange of market information</td>
<td>21%</td>
<td>34%</td>
</tr>
<tr>
<td>Cooperation to solve common problems</td>
<td>18%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Note: Respondents were asked: 'To what extent do companies in your sector exchange market information which may be beneficial to the sector as a whole (e.g. market trends)?' and 'To what extent do companies in your sector cooperate to solve common problems which may be beneficial to the sector as a whole?' They were also asked, 'Has this business applied for a loan in the last three years?', 'What was the outcome of that application (in the case of multiple applications, please select the highest by value of the loans)?' and 'Why did the establishment not apply for a loan, or reject the offer given by the bank?'

Source: ITC based on SME Competitiveness data collected in Zimbabwe.

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Source: ITC based on SME Competitiveness data collected in Zimbabwe.
CHAPTER 4 – INNOVATING THROUGH FINANCING AND DIGITAL CAPABILITY

with 26% and 13% of firms with average and low R&D spending, respectively. The same is true for the frequency of innovation. The share of firms making green investments is much higher among those that frequently develop or improve their processes and products.

The potential for innovation to reduce the environmental footprint of businesses in Zimbabwe should not be underestimated. The country has rich biodiversity on which many people, especially in rural areas, depend for their livelihoods. As climate change and overexploitation already threaten this biodiversity, sustainable environmental practices through innovation could undoubtedly benefit Zimbabwe's ecosystems and improve business resilience to environmental challenges.

Digital competencies boost business performance

Innovative activities are more likely to occur and succeed when supported by a well-trained workforce. By bringing new ideas, skills and creativity, a talented workforce can greatly affect the ability of a company to adapt and compete.

Zimbabwe's workforce has a reputation for being well-trained. The post-independence government has made substantial investments in formal education and training. As a result, up to 90% of the population over the age of 15 was literate in 2021, and both primary and lower secondary completion rates were well above the regional average in 2020. In that year, 90% of Zimbabweans had completed primary education and 68% had lower secondary (general and pre-vocational). These rates were 71% and 45%, respectively, for the population of sub-Saharan Africa in 2020.
Such efforts have a positive impact on businesses. The survey shows that 57% of Zimbabwean firms rate the availability of skilled workers as high. In fact, 69% of firms reporting good availability of skilled workers also said there are good-quality training institutions, compared with 35% of firms with poor availability of skilled workers. This highlights the key role of the education system in providing people with the essential skills and knowledge to enter the labour market.

Still, efforts must be made to facilitate access to training institutions. When asked to assess the cost of such institutions, 42% of respondents reported high costs, 40% average costs and just 19% low costs.

In terms of matching skills to market expectations, previous research suggests that although Zimbabwe's workforce appears to meet the needs of the economy, several key sectors, including technology, have major skills gaps. In line with this, the SME Competitiveness Survey finds that employers are generally satisfied with their workers' skill sets, with two-thirds of respondents (66%) believing that employees meet job requirements.

Nonetheless, digital skills are lacking. Although all the companies interviewed reported using digital technologies, only one in 10 said its employees had all the skills required to meet the company's digital technology needs. Small businesses have fewer digital skills than larger enterprises. Only 10% of SMEs said they were fully equipped with digital skills, compared with 41% of large companies. Similarly, informal companies were four times less likely than their formal firms to have all the digital skills they needed. The findings also suggest that companies operating across borders are better equipped to take advantage of the opportunities offered by digital technologies. Twenty percent of businesses engaged in international trade, whether importing or exporting, were fully equipped with digital skills, compared with 8% of domestic firms. This is not surprising, as digitization enables them to reduce the costs of participating in export or import markets and to grow by accessing a larger number of consumers.
CHAPTER 4 – INNOVATING THROUGH FINANCING AND DIGITAL CAPABILITY

To seize opportunities to transition towards higher value-added production and service delivery in this digital age, businesses need to find workers with more advanced skills. Strengthening hiring processes is one avenue that firms can pursue to achieve this and reduce their digital skills deficit.

Companies with good recruitment processes were found to be five times more likely than those with average or weak hiring processes to report that their employees have the digital skills they need (25% vs 4%). Good human resource practices can indeed help businesses efficiently identify the best match for the position they are seeking to fill, thereby increasing productivity and competitiveness.

Figure 15 Good recruitment processes enable better access to digital skills

<table>
<thead>
<tr>
<th>Strong hiring process</th>
<th>Weak to average hiring process</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Note: Respondents were asked: ‘Please rate the extent to which your company has an established hiring process to hire the best candidates?’ Responses ranged from 1. No established process to 6. Strong established process. Responses of 1–2 are considered ‘weak’, 3–4 as ‘average’ and 5–6 as ‘strong’. Respondents were also asked, ‘Do your employees have the skills needed to meet the business’ digital technology needs?’ Response options are 1. Fully equipped, 2. Well-equipped but with some digital skills gaps, 3. Not very well equipped – we have considerable digital skills gaps, and 4. Not applicable, we do not require digital skills.

Source: ITC based on SME Competitiveness data collected in Zimbabwe.

Businesses have much to gain from having a workforce with digital capabilities. Research has shown that improved digital competencies can increase the contribution of both capital and labour to productivity and growth. The survey data support this, as firms whose employees were fully equipped with digital skills were more likely than those with little or no such skills to reduce operating costs, improve the efficiency and timeliness of production and delivery, enhance the quality of their offerings and increase revenues (Figure 16).

Businesses with more digitally literate employees were also more likely to leverage technology to connect with new customers and access information, business intelligence, networks and easier payment methods.

Bridging the digital skills gap in Zimbabwe will help build a strong and competitive digital economy, fostering the emergence and growth of innovative businesses.
Figure 16 Digital skills enhance firms’ performance and connectivity

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Fully equipped</th>
<th>Well equipped but with some digital skills gaps</th>
<th>Not very well equipped – we have considerable digital skills gaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to new customers</td>
<td>76%</td>
<td>61%</td>
<td>29%</td>
</tr>
<tr>
<td>Increased sales</td>
<td>75%</td>
<td>67%</td>
<td>23%</td>
</tr>
<tr>
<td>Reduced operating costs</td>
<td>69%</td>
<td>59%</td>
<td>23%</td>
</tr>
<tr>
<td>Improved efficiency and timeliness of production</td>
<td>65%</td>
<td>56%</td>
<td>31%</td>
</tr>
<tr>
<td>Access to easier payment methods</td>
<td>65%</td>
<td>59%</td>
<td>40%</td>
</tr>
<tr>
<td>Improved delivery</td>
<td>62%</td>
<td>55%</td>
<td>40%</td>
</tr>
<tr>
<td>Improved quality</td>
<td>55%</td>
<td>40%</td>
<td>29%</td>
</tr>
<tr>
<td>Better access to information and networks</td>
<td>49%</td>
<td>40%</td>
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Source: ITC based on SME Competitiveness data collected in Zimbabwe.
CHAPTER 4 – INNOVATING THROUGH FINANCING AND DIGITAL CAPABILITY

Policy insight: Addressing financing challenges for innovation

Facilitating access to finance is one of the key measures needed to promote SME development in Zimbabwe. Survey evidence shows that small Zimbabwean companies struggle to access formal credit. Inadequate collateral, high interest rates and a lack of information were the main issues identified. Limited access to credit prevents SMEs from reaping the economic benefits of innovation, investing in R&D and upgrading to higher value-added production.

Research has shown that improving financial access for SMEs in Zimbabwe increases GDP growth, employment and tax revenues. Zimbabwe has made considerable progress on financial inclusion. The share of banked adults (formal or informal) more than doubled to 83% in 2022 from 38% in 2011. The country has introduced two phases of the National Financial Inclusion Strategy (2016–2020 and 2022–2026), with SMEs as one of the target groups. These strategies aim to promote the use of formal financial products and services and raise financial literacy among individuals and firms.

However, a large proportion of firms do not have a formal bank account, hindering access to formal credit. Expanding access to business bank accounts can help improve access to credit as they can serve as a means of assessing SMEs’ creditworthiness, especially for firms without sufficient track records or collateral to obtain finance.

Barriers to register a business in Zimbabwe have a negative impact on access to finance. Without formal registration, firms cannot open a business bank account, limiting their access to finance. Lengthy and stringent registration procedures prevent informal businesses, which are primarily microenterprises, from being legally registered. Simplifying the registration process, reducing costs and improving transparency would encourage formalization. Consolidating requirements and processing times on a government portal can facilitate registration. Capacity building and awareness raising on how to register and the benefits of formalization are also important.

Information about loan application requirements and the different types of loans available to SMEs must be widely disseminated. Many firms interviewed had not applied for a loan because they already expected rejection. Banks and BSOs could directly help SMEs meet the requirements of formal financing by providing training and/or advice on how to apply, prepare an effective business plan and adopt good business management skills.

Improving credit access also requires innovative financial products tailored to the needs of SMEs. Zimbabwe has launched the Movable Collateral Registry to promote lending and transparency in the financial system. The registry is a centralized online database of movable assets, such as vehicles, machinery, equipment, livestock and inventory that can be used as collateral for loans and other credit. This lowers creditors’ risks and increases the borrowing capacity of individuals and businesses. Ecocash is another innovative product from Zimbabwe. It is a listing platform that uses payment data for due diligence and credit ratings.

The adoption of affordable digital financial services should be encouraged to help firms obtain finance. A number of innovative mobile money systems have emerged in Zimbabwe, but these are often subject to outages or heavy transaction fees. Policymakers and regulators should encourage innovation in financing platforms and technology-driven lending to help bridge the financing gap.

Beyond its direct impact on firms’ day-to-day operations, finance is a key driver of innovation. The low levels of innovation and R&D investment among Zimbabwean firms points to a fundamental need to develop more accessible financial products and services.

Source: Watambwa & Shilongo, 2021; Chipika, 2022; Majoni, Matunhu & Chaderopa, 2016; Mukorera, 2019; FinMark Trust, 2022.
Chapter 5

Policies for competitiveness

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Promoting SME Competitiveness in Zimbabwe

Small businesses in Zimbabwe have the potential to shape the country’s economic future. Representing 90% of companies, they are the primary contributors to its GDP and employment. Enabling them to become more competitive and grow is crucial to driving transformative economic development.

While some SMEs demonstrate global competitiveness, others face challenges. Limited connectivity and weak capacity to meet international standards hinder firms from expanding into new markets. Moreover, limited access to finance, exacerbated by widespread informality, stifles innovation while digital skills are in short supply.

Diversifying exports (now concentrated in the Southern African Development Community region) and leveraging comparative advantage can accelerate economic growth and integration into global value chains and facilitate structural transformation. To unlock the potential of SMEs in driving economic development, policymakers must proactively implement strategic measures to enhance SME performance.

Priority areas for reform could include improving basic infrastructure, facilitating market connections and financial access, and supporting innovation and digitalization. These measures will enable SMEs to seize promising opportunities on the horizon.

Improve business environment to encourage formalization

Most Zimbabwean SMEs are informal, which limits their access to resources, market integration and growth. Addressing the challenges of informality requires a comprehensive policy framework that tackles the root causes and consequences. The Government of Zimbabwe has recognized and addressed this issue in the National Development Strategy 1 (2020–2025), which prioritizes facilitating the transition from the informal to the formal sector to create quality employment opportunities.

The main barriers to formalization for Zimbabwe’s informal SMEs are their small size, lack of financial resources and unawareness of the benefits. Reducing the cost and the time needed to formalize would encourage informal businesses to formalize their operations. Increasing business formalization would thus require raising awareness about formalization and its potential benefits, streamlining the registration process, providing online registration options to avoid physical visits and increasing transparency by consolidating all requirements and processing timelines for business registration on a single government portal.

Policies for competitiveness

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Strengthen business support organization networks

- Improve the capacity of BSOs to provide targeted business support services to increase participation.
- Encourage the participation of women- and youth-led businesses by providing specialized programmes and mentorship initiatives.
- Focus on areas such as business management, digital skills, access to finance, and market linkages to address gender- and age-related barriers.
- Expand supplier linkage programmes through online portals and digital applications.
- Improve market information centres to provide insights into product details, availability, and pricing.
- Enhance SME growth by acting as dynamic platforms for digital marketing, knowledge sharing, and collaboration.
- Increase SME participation in government contracts to enhance market reach.
- Strengthen certification schemes for international management standards.
- Consider decentralizing or partnering with agencies in other provinces to make the certification process more affordable.
- Promote cooperation among BSOs and between BSOs and relevant government agencies.

Invest in logistics infrastructure to increase market access

- Improve transport infrastructure and logistics efficiency for Zimbabwean SMEs to access markets.
- Address logistics bottlenecks and ensure reliable infrastructure, especially in rural areas.
- Expand value chains and increase market access for SMEs.
To benefit from the new trade opportunities offered by the AfCFTA, it is vital to optimize border management, collaborate with regional institutions to minimize delays and digitize certain aspects of trade logistics. Progress in this direction includes implementing the Border Efficiency Management System, a programme of international border management standards initiated by COMESA to improve efficiency.

To advance the implementation of BEMS in Zimbabwe, various actions need to be taken, such as establishing legal and organizational structures, training personnel, upgrading infrastructure and establishing information and data exchange protocols. Continuous investments in digitalization can improve the logistics performance of the country. Zimbabwean firms that use digital technology in their logistics operations reported better timeliness in output delivery. Digitalization serves as an enabler and a necessity to upscale trade facilitation performance. Using modern technologies can transform the provision of information, the exchange of data and how trade flows are processed and documented. In this regard, exploring public–private partnerships to introduce new digital solutions for infrastructure development can yield major benefits.

Improve SMEs’ access to finance

Improving access to finance and financial literacy are important steps to foster SME growth and innovation in Zimbabwe. Survey findings show that SMEs lack access to formal financial services, such as bank accounts and formal credit.

To address this, policy reforms could seek to facilitate access to business bank accounts by simplifying registration procedures and reducing costs; promote financial inclusion to increase access for SMEs, rural firms and women and youth entrepreneurs; disseminate information about loan requirements; and provide training on how to prepare a business plan and correctly complete loan applications. Policies requiring financial institutions to set minimum thresholds for SME lending could also be introduced to ensure adequate loan amounts are granted to SMEs to revitalize their businesses and boost competitiveness.

Increasing financial inclusion and access to credit also requires innovative financial products tailored to SME requirements. While mobile money services are growing in Zimbabwe, these could be made more accessible and complement bank expansion, especially in rural areas. Policymakers and regulators should encourage innovation in financing platforms and technology-driven lending to help bridge the financing gap. However, it is equally important to ensure that such financial inclusion programmes are accompanied by a strong commitment to data protection.

Promote digitalization and digital skills development

The Government of Zimbabwe recognizes the transformative power of digital technologies for economic prosperity. To fully harness the potential of digital technologies, it is essential to prioritize the implementation of existing ICT policies and the Smart Zimbabwe 2030 Master Plan.

Promote digitalization and digital skills development
CHAPTER 5 – POLICIES FOR COMPETITIVENESS

The survey results highlight the many benefits of digital marketing for SMEs, but the limited availability and accessibility of broadband hinders its use. Some Zimbabwean firms have also used digital technologies to improve logistics efficiency, manage supplier information and facilitate payments. Improved digital infrastructure – including affordable broadband and accessible 4G – would create a more favourable environment for modern services and encourage SMEs to adopt digital technologies to become more competitive.

Developing digital skills is crucial to ensure that the workforce remains relevant to market needs. While businesses in the survey expressed satisfaction with the skills of their current workforce, there is a shortage of future-oriented digital skills. SMEs require policy support through targeted awareness-raising campaigns and digital literacy programmes to help overcome barriers and drive technological advancements for business growth.

Furthermore, adopting measures such as tax incentives to lower training costs, providing grants for training programmes and fostering strong connections and integration within BSOs can effectively promote skills upgrading.

Help firms mitigate environmental uncertainties

Promoting sustainability and addressing environmental risks is vital to foster long-term export growth in Zimbabwe. A large share of surveyed companies (70%) reported facing environmental threats to their business, which affect their productivity. Firms in the agricultural regions are particularly vulnerable. Unpredictable rainfall patterns and droughts threaten not only crop yields, but also electricity generation and water for irrigation.

The country needs collective action at both firm and national levels to tackle climate change challenges. About 30% of Zimbabwean firms have taken steps to address climate change impacts, resulting in positive outcomes such as improved market access and production. The Government could provide guidance, resources and incentives to enable firms to manage environmental threats.

Establishing appropriate institutional frameworks and support systems, such as promoting sustainable agricultural practices and skills development, will strengthen Zimbabwe’s resilience to climate change, protect its productive sectors and encourage sustainable economic growth in line with global environmental goals.
Annex

About the SME Competitiveness Survey
Many factors influence the competitiveness of an economy in domestic and international markets. ITC provides a holistic view of enterprise competitiveness in the following definition:

Competitiveness is the demonstrated ability to design, produce and commercialize an offer that fully, uniquely and continuously fulfils the needs of targeted market segments, while connecting with and drawing resources from the business environment, and achieving a sustainable return on the resources employed.

The importance of competitiveness in driving firm survival, growth and trade makes it a key element in economic development. For this reason, ITC has developed an analytical framework to understand firm competitiveness and how it can be improved over time. It consists of three pillars that drive competitiveness, each subdivided into three themes.

The three pillars of competitiveness are compete, connect and change.

1. **The Capacity to Compete** assesses the ability of enterprises to deliver output of appropriate quantity, timeliness, quality and cost to meet current market expectations. This ability to meet short-term market requirements is influenced by firm-level operational characteristics, such as efficient inventory management, professional financial management and compliance with internationally recognized standards, as well as factors at the business ecosystem and national level, including electricity and transport infrastructure and services.

2. **The Capacity to Connect** assesses the ability of enterprises to use information, products and services to build strong linkages with actors in its business ecosystem for successful firm operations and growth. At the firm level, this includes efforts to disseminate marketing information to current and potential buyers and build better relationships with suppliers and other value chain actors. Collaborating with other firms in the sector, and linking with chambers of commerce and other business support organizations, forges connections within the business ecosystem to access market information, products and services. Information and communications technology infrastructure and services support these connections and are influenced by national level factors.

3. **The Capacity to Change** assesses the ability of enterprises to adapt their business model in response to, or in anticipation of, dynamic market forces. When companies are able to build a forward-looking business strategy, and mobilize the required funds and skills to implement it through innovation, they draw on their current competitiveness, market connections, and their knowledge to improve their competitiveness today and in the future. Access to finance, innovation networks, and appropriately skilled workers in the business ecosystem are key ingredients in the implementation of these changes. At the national level, the political environment and governing structures with their approaches to education, innovation and research affect the incentives for firms to invest in change.

These three pillars of competitiveness can be examined at three levels of the economy.

- At the **firm level**, their ability to manage resources adeptly influences their competitiveness.
- At the **business ecosystem level**, factors that support firm competitiveness but are outside the firm – including the availability of skilled workers, infrastructure and business support organizations – are important.
- The **national environment** includes the macroeconomic and governmental factors that establish the fundamentals for the functioning of markets in the economy.

The SME Competitiveness Grid bridges a gap in composite indicators that focus on macroeconomic determinants of competitiveness rather than local or microeconomic factors.
ANNEX – ABOUT THE SME COMPETITIVENESS SURVEY

Determinants. The importance of macroeconomic determinants is fully recognized, however, and is reflected in the ‘national environment’ level of the competitiveness grid. ITC’s SME Competitiveness Outlook 2015 provides a more detailed description of the SME Competitiveness Grid and the methodology behind it.

What are SMEs?

This report defines small and medium-sized enterprises as companies with fewer than 100 employees. The term ‘SME’ thus includes micro-sized firms, understood as those with fewer than five employees. It also covers small companies with 5–19 employees and medium-sized ones with 20–99 employees.

This classification of firms by number of employees is based on ITC’s classification consistently used in the SME Competitiveness Surveys, for ease of international comparison. It is, however, different from the legal SME definition specified in the Small and Medium Enterprises Act of Zimbabwe, which is based on number of employees, turnover and value of assets.

The SME Act defines SMEs as firms with 1–75 full-time paid employees, with annual turnover up to $30,000–$1,000,000, depending on the sector, and gross value of assets (excluding immovable property) up to $10,000–$2,000,000 depending on the sector.

How to measure the competitiveness of small firms?

Measuring all dimensions of competitiveness can be difficult. ITC created the SME Competitiveness Survey (SMECS) to allow countries to collect the data they need to measure the competitiveness of their enterprises. As of July 2023, more than 42,000 firms had been surveyed in 58 countries, including Botswana, Eswatini and Zambia.

Figure 17 SME Competitiveness Surveys across the world

Source: ITC.
PROMOTING SME COMPETITIVENESS IN ZIMBABWE

SMECS is typically deployed in partnership with domestic trade and investment support institutions. ITC gives these institutions the software to gather and maintain an active database on micro, small and medium-sized enterprises, and helps their staff select samples and train interviewers. SMECS helps governments and trade support institutions better understand the needs of their enterprises. The tool is designed to combine information at the macro (national business climate), meso (local support ecosystem for businesses) and micro (firm capacity) levels to provide a nuanced picture of the capacity of a country's private sector to compete in international markets.

Policymakers and trade support institutions can use the findings to identify and address bottlenecks to competitiveness; compare the competitiveness of enterprises based on size, sectors and location; and better match firms with potential investors and buyers.

How to understand the competitiveness of small firms?

This report uses the conceptual framework described above to evaluate the Zimbabwe SME Competitiveness Survey data and assess the competitive position of small and medium-sized companies in the country. The report analyses data from three levels in the SME Competitiveness Grid: national, ecosystem and firm-level. The national environment is examined based on a review of secondary data and related literature. Firm- and ecosystem-level competitiveness are evaluated from firm-level survey data collected through SMECS.

Subsamples from each sector are analysed to assess sector-specific challenges and strengths. Results vary by firm size, defined according to the number of employees, and women-led firms are compared to their men-led counterparts.

Where relevant, and notably in the final chapter, policy recommendations highlight opportunities to address issues that have been identified in the analysis of the data. The report presents highlights of the study of the data, given the limited space available. More analysis was conducted, and additional information can be extracted from the data.
Endnotes

1 (Reserve Bank of Zimbabwe, 2022)


3 (Reserve Bank of Zimbabwe, 2022)

4 (Ibid.)

5 (FinMark Trust, 2022)

6 (ITC, 2023a)

7 International Trade Centre. Local Business Intelligence: SME Competitiveness Survey. https://www.intracen.org/SMEIntelligence

8 (Reserve Bank of Zimbabwe, 2022)

9 (Zimbabwe National Statistics Agency, 2021)

10 Most exporting companies in Zimbabwe operate in agricultural – mainly tobacco – and minerals. These subsectors are outside the scope of our survey, which explains the low proportion of exporters in the sample.

11 For more on Export Potential Map, see https://exportpotential.intracen.org/en/?type=country&code=716


13 (Labour and Economic Development Research Institute of Zimbabwe & Friedrich-Ebert-Stiftung, 2015)

14 (Parliament of Zimbabwe, 2022)


16 (ITC, 2023a; Machemedze et al., 2018)

17 (Zimbabwe National Statistics Agency, 2021)

18 (FinMark Trust, 2022)

19 (Machemedze et al., 2018)

20 (ITC, 2023a)

21 (Ohnsorge & Yu, 2023)

22 (World Bank, 2022)

23 (Machemedze et al., 2018)

24 (Ministry of Women Affairs, Community, Small and Medium Enterprises Development, 2020)

25 (ITC, 2022)

26 (Mazikana, 2023)

27 (OECD, 2019)

28 (Webber et al., n.d.)

29 (ITC, 2022)

30 (Zimbabwe Logistics Infrastructure, n.d.)

31 (Mushonga, n.d.)

32 (African Development Bank, 2011)

33 Using data from Global Data Lab, the regions were classified as urban and peri-urban if more than 15% of the population resided in urban areas. Based on this classification, the following regions were identified as urban and peri-urban in this report: Harare, Bulawayo, Manicaland, Mashonaland West and Midlands. Conversely, the regions of Mashonaland East, Masvingo, Matebeleland South, Matebeleland North and Mashonaland Central were classified as rural.

34 (World Economic Forum, 2019)

35 (African Development Bank, 2011)

36 (World Bank, 2020)

37 (World Bank, n.d.-a)

38 (ASYCUDA, n.d.)

39 (Telukdarie et al., 2023)

40 (HiveMQ, n.d.)

41 (World Trade Organization, 2016)

42 (Deepesh, 2023)

43 (Signé & Munyati, 2023)

44 (Nyakudya & Nyakudya, 2022)

45 (Chiliya & Masocha, 2012)

46 (ITC, 2017)

47 (Nyati, 2020)

48 (Zhang et al., 2019)

49 (Mbohwa & Madzinga, 2000; Nyati, 2020)

50 (Brazier, 2015)

51 (Busani, 2022)

52 (D. Brown et al., 2012)

53 (United Nations Development Programme, n.d.)

54 (The News Day, 2018)

55 (International Federation of Red Cross and Red Crescent Societies & International Committee of the Red Cross, 2019)


57 (Belete, 2022)

58 (Mavesere & Dzawanda, 2022)

59 (South African Development Community, 2022)
PROMOTING SME COMPETITIVENESS IN ZIMBABWE

Respondents were asked: 'Please rate the quality of your internet connection.' Responses ranged from 1 (low quality) to 6 (high quality). Responses 1–3 were deemed as 'low quality' and responses 4–6 as 'high quality'.

Respondents were also asked: 'Please rate the cost of your internet connection.' Responses ranged from 1 (low cost) to 6 (high cost). Responses 1–3 were deemed as 'low cost' and responses 4–6 as 'high cost'.

A private sector operator, Econet, has emerged as the market leader, commanding a 69.9% market share of mobile subscribers. State-owned operators (NetOne and Telecel) compete with each other and the private sector.

According to the survey, sector associations are the most popular BSO with which firms engage (41%), followed by chambers of commerce (13%) and trade promotion organizations (13%). Very few firms are engaged with investment promotion organizations (5%).

World Bank Enterprise Surveys
In 2019, it took about 27 days to start a new business in Zimbabwe, while the average cost of business start-up procedures amounted to 77% of gross national income in Zimbabwe. Source: The World Bank, Doing Business project (doingbusiness.org)
References


PROMOTING SME COMPETITIVENESS IN ZIMBABWE


