

AN ANALYSIS OF BUREAUCRATIC AND LEGAL PROCEDURES TO START A BUSINESS IN ZIMBABWE

Kudakwashe Sithole*

Abstract

This paper looks at the ease of starting a business in Zimbabwe. It analyses the bureaucratic and legal procedures involved. The analysis was done using secondary sources of data. Results show that it takes an average of 91 days to register a business in Zimbabwe and the processes are cumbersome involving moving from one office to another. There is need for government to shorten the time by making use of Information Communication Technology.

Key words: bureaucracy, legal procedures, business formation

INTRODUCTION

Zimbabwe is a land locked country in Southern Africa with an estimated population of 13.2 million according to 2012 census report. The country got independence British from colonial rule in 1980. Over the past 36 years since her independence Zimbabwe has faced economic, political and social upheavals that picked in 2008. One of the challenges that Zimbabwe has been facing is lack of foreign direct investment.

Foreign direct investment refers to .There are several factors that affect Foreign Direct Investment and among them is the ease of doing business. Zimbabwe is ranked 182 out of 189 in terms of ease of doing business. The purpose of this paper is to analyse the bureaucratic and legal

*** Zimbabwe Open University, Department of Management and Business Studies Harare, ZIMBABWE**

procedures involved in starting a new business in Zimbabwe and propose recommendations for improving the bureaucratic and legal procedures involved in starting new businesses.

METHODS

The research used secondary sources of information. Among the documents that were analysed are statutes, policy documents on starting a private limited liability company in Zimbabwe. The following documents were reviewed.

- i. Companies Act(24.03)
- ii. Zimbabwe Investment Act(24:14)

In analysing the bureaucratic and legal the unit of analysis was the time taken to process required procedures. In addition the research also employed other secondary sources including research articles that have been done on the subject.

RESULTS AND DISCUSSION

Starting up a private limited liability company in Zimbabwe begins with conducting a name search with the Registrar of Companies. These procedures take five days. The name is reserved for 30 days and can be extended for another 30 days if the applicant is not ready to submit Articles and Memorandum of Association. It is critical to point out that despite the availability of online forms through the internet, these forms must be submitted physically.

The second stage involves filing Memorandum and Articles of Association with the names of directors and secretaries. This procedure takes 14 days.

The third procedure involves registering with Zimbabwe Revenue Authority (ZIMRA). Upon registration, a company must register at the regional Zimbabwe Revenue Authority Office. The required documents include the company's certificate of incorporation along with the memorandum and articles of association and a certified copy of the identification of the assigned public officer. A registration number will be generated, as well as the current tax tables and the pay-as-you-earn (PAYE) receipt books. The procedure takes 14 days.

Upon formation, a company must register with National Social Security for pension and accident prevention and compensation scheme. This procedure can be done concurrently with tax registration. In addition, companies are also required to register with the Manpower Development fund and contribute 1% of their wage bill to Manpower Development Fund. The fund allows employers to recoup their expenses when training employees. This procedure takes a day and can be done concurrently with tax registration.

All businesses operating in a local authority must be licensed with the local authority. This can take between 4-6 weeks as it involves publishing two notices in a local newspaper. The second notice is published seven days after the first notice and any objections are made within seven days after the second notice. The applicant submits two copies of the application forms to the local authority with proof of both publications in a local newspaper of a notice of intention to operate a business. On receipt of the application, the Licensing Office requests a police report from the applicant, as well as a similar report from the person who will be in actual and effective control of the premises to which the application relates, if that person is not the same applicant. The Licensing Office also seeks a report from the Harare Town Planner to ensure that the application is consistent with the zoned use of the premises. This procedure can be done soon after a name search has been completed and the local authority can grant a temporary licence. This procedure can take up to a month or longer and involves deployment of inspecting officers who inspect the premises to determine their suitability for intended business operations.

Table 1 summarises the bureaucratic and legal procedures that are required to register a private limited company in Zimbabwe.

Table 1: Bureaucratic and Legal Procedures for Starting a Business in Zimbabwe

No.	Procedure	Days
1	Name search and preservation of name for 30 days	5
2	File Memorandum and Articles of Association	14
3*	Register with Tax Authorities	5
4*	Register with National Social Security Authority	14
5*	Register with Manpower Development Fund	1
6*	Local Authority Licensing	28-42

*The procedure can be done concurrently with previous procedure

Table 1 show that the bureaucratic and legal procedures for starting a business in Zimbabwe are cumbersome. It explains why the country is ranked 161 in the Ease of Doing Business 2017 Report. Despite efforts by the Government of Zimbabwe to ease the processes, this has not helped to improve the country ranking. According to the World Bank (World Bank, 2016) it takes 91 days for one to formalise a business in Zimbabwe whilst the average time taken in Sub-Saharan Africa is 27 days whilst in OECD countries is 8 days.

CONCLUSION

It can be seen from this paper that it is cumbersome to start a business in Zimbabwe. Whilst it takes an average of 27 days in Sub-Saharan Africa to formalise business, it takes an about 91 days to formalise a private limited liability company in Zimbabwe. Despite efforts to ease procedures by introducing online applications, most procedures are still done physically.

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