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USAID STRATEGIC ECONOMIC RESEARCH AND ANALYSIS – ZIMBABWE (SERA) PROGRAM

CASE STUDIES ON REGULATION IN KEY SECTORS: BUSINESS REGULATORY REFORM IN ZIMBABWE

CONTRACT NO. AID-613-C-11-00001

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ACRONYMS

AHFOZ	Association of Health Funders of Zimbabwe
AMA	Agricultural Marketing Authority
AN	Ammonium Nitrate
DLVS	Department of Livestock and Veterinary Services
EIA	Environmental Impact Assessment
EMA	Environmental Management Agency
GMB	Grain Marketing Board
GMO	Genetically Modified Organism
HPA	Health Professionals Authority
MAMID	Ministry of Agriculture, Mechanization and Irrigation Development
MCAZ	Medicines Control Authority of Zimbabwe
MT	Metric Tonne
NSSA	National Social Security Authority
OSH	Occupational Safety and Health
RBZ	Reserve Bank of Zimbabwe
RDC	Rural District Council
SERA	Strategic Economic Research and Analysis
SI	Statutory Instrument
USAID	United States Agency for International Development
WFP	World Food Programme
WHO	World Health Organisation
ZERA	Zimbabwe Energy Regulatory Authority
ZIMACP	Zimbabwe Agricultural Competitiveness Program
ZIMRA	Zimbabwe Revenue Authority
ZINWA	Zimbabwe National Water Authority
ZRP	Zimbabwe Republic Police

EXECUTIVE SUMMARY

Background

The case study measures and reports on the cost of licence permit and regulation fees on three selected sectors of the Zimbabwean economy. These are maize, beef and the pharmaceutical industries. The value chain approach was employed to track down the costs as they impact firms at each stage on the value chain. The study provides a comprehensive analysis of the regulatory burden on firms. The conclusion includes a summary of the costs of some of the selected regulators on the general economy. The report on each sector is concluded with recommendations based on the observations in the sector. The report finishes with general conclusions and recommendations.

The costs of regulation impact company performance and can be a determining factor in the survival of firms, their profitability and ability to compete, especially in as far as international trade and competitiveness is concerned. Regulatory burden has an impact on the following dimensions of a firm:

I. Breakeven Point/ Company Profitability

Regulatory costs are of a fixed nature. They do not vary according to performance and directly influence the breakeven point and profitability of a firm. Where they are high and sales volumes are supressed, the breakeven point, which represents the sales level above which a firm makes a profit, is raised leading to higher pricing by firms if they are to trade profitably.

Zimbabwean firms have in the last few years experienced increased competition from imports resulting in squeezed margins as most firms have responded to this competition by reducing prices. The effect of squeezed margins on firms is a higher breakeven point and in a circumstance where sales volumes are stagnant it can lead to firms sliding towards loss making positions. This indeed has been the characteristic of the Zimbabwean firms in recent years. There has been a rapid rise in the number of firms which are making losses. Volumes achieved by local firms have been on a decline trend with fixed costs which include licence, permit and regulatory costs remaining stagnant.

According to the Zimbabwe Confederation of Industries Survey Report of 2015 capacity utilization declined in 2015 to 32.5 per cent, 37.5 per cent in 2014 from 39.6 per cent in 2013. Most firms have responded to decline in volumes by reducing costs with dominant firms demanding their suppliers to reduce prices of their inputs by set targets in an effort to contain costs.

Regulatory costs have remained at relatively higher levels as they cannot be negotiated downwards due to their regulatory nature. Regulatory agencies facing a squeeze on their revenue due to lack of support by the government have gone out control charging fees which are unrelated to their service.

II. Company Taxation/ Contribution Tax Revenue

An economic environment that is characterised by high fixed costs, consequential high breakeven points inevitably result in firms making low profits and losses under difficult economic circumstances. Low profit and loss making firms affect government revenues as firms make tax losses. The government gets starved of revenue whilst regulators do not necessarily suffer the same fate as their enabling Acts empower them to collect revenue without consideration to the performance of firms and the general economy.

III. Capital Formation

The cost of licenses, permits and regulation as part of the economy's indirect tax regime impacts capital formation and its accumulation, employment and consumer welfare if their levels are not aligned to yield competitive cost structures of firms.

Savings by citizens, corporate and private, are a source of capital for funding economic activities, their sustenance, expansion and growth. The lack of a sufficient number of firms making profits due to high costs adversely affects the capacity of the economy to accumulate savings. The Zimbabwean economy has been characterised by low savings due to firms failing to accumulate reserves through retained profits. The high fixed costs environment has a huge bearing on the ability of the economy to generate savings.

IV. Allocation of Resources

Regulatory regimes constitute an allocation of an economy's resources. The mandatory obligations paid in the form of licenses, permits, property taxes, levies whether direct or indirect as where they are built into a tariff such as in electricity tariff constitute an allocation of resources. The costs transfer resources from the private sector to government agencies which mainly use these resources towards salaries and unproductive uses. It is imperative for sustainable economic performance that regulatory charges are appropriately pegged to be affordable and should facilitate productive economic activities.

The legislative mandates can result in practices and policies that lead to unintended consequences. The burden can be a disincentive to business growth and new entrants. They can also adversely impact firm costs making them fail to compete. This can negatively impact on the gross domestic product of the national economy. Stakeholders in the sectors consulted advised that regulatory costs are a burden and are compromising the viability of their firms. They are too rigid and not responding to declining economic activity as players have adopted strategies to reduce costs.

Recommendations

I. Business Models

The business model of regulation bodies should be re – modelled. It is recommended that the current business models of all regulators should be reviewed by government with a view to rationalise regulatory fees and the dependence of regulators on the private sector and households.

II. Reduction of Fees

The regulatory fees of EMA, NSSA, local authorities, in particular, should be reviewed downwards. Local authorities should also reduce their charges for property taxes in line with the reduction level of the rest of regulatory levies. A significant level of reduction would be appropriate. Most of charges were set up at dollarization in 2009.This was a period of information asymmetry and charges set by both the public and private sector were not strategically co – ordinated.

III. Primary Producers Fees

Regulatory charges on primary producers should be kept at minimum level to minimize the multiplier effect of costs along a value chain. Costs on agricultural activities at the primary stage should be kept low to avoid the compounding effect of costs due to mark ups at various stages of production. Regulatory costs in the fertilizer industry should be reduced to a lower level than those industries at downstream stage.

IV. Sector Specific Regulators

The various regulatory activities within a sector should be rationalised and streamlined to eliminate duplications. The number of regulators in certain sectors should be reduced to avoid a multiplicity of mandatory regulatory inspections and compliance requirements. Certain regulators should be closed down. The pharmaceutical industry is regulated by three sector regulators, and the Health Professionals Authority of Zimbabwe could be done away with without compromising the standards of the sector.

V. Open Ended Regulatory Charges as a Percentage of Turnover

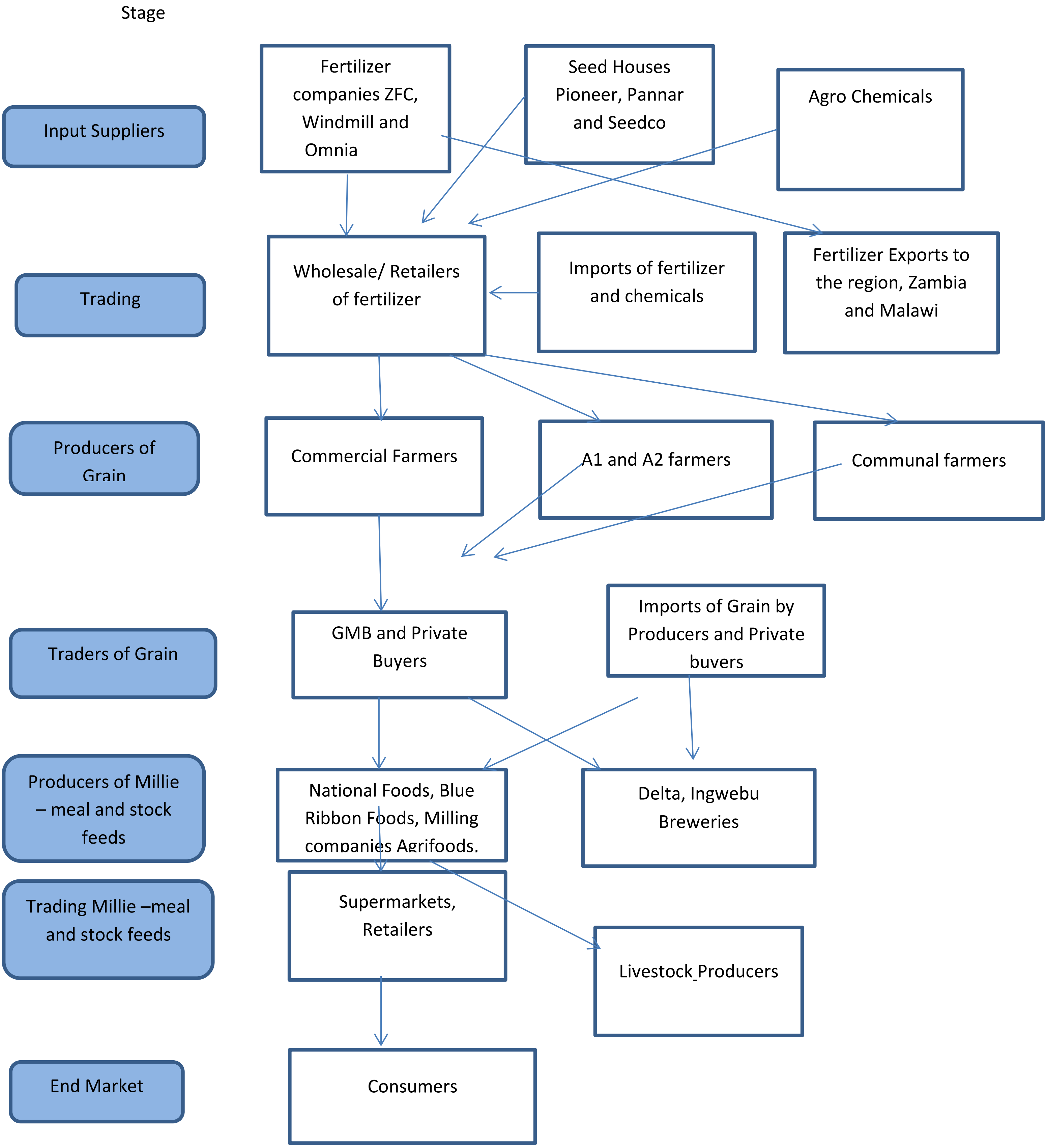
Open ended tariffs should be avoided. Fixed Fees with a cap would be most cost effective for business.

VI. Continuous Review of Regulatory Costs

The regulatory costs, as is the practice in advanced economies, should be reviewed on a continuous basis, to contextualise their activities and level of cost on firms and the general economy. Figure 1 below shows the value chain maps of maize production, maize processing to maize-meal and stock feeding manufacturing and marketing and distribution of processed products.

1. CASE STUDY – MAIZE INDUSTRY

Figure 1: The Maize/ Value Chain



Maize Meal Production

Regulatory Costs Applicable in the Value Chain

I. Fertilizer Manufacturing

Inputs- raw materials into maize fertilizer

The maize fertiliser is composed of ammonium nitrate (AN), phosphorus and potash. The licencing regime is as follows:

Ammonium nitrate

Ammonium nitrate which is mixed with other ingredients is also used as a top dresser is imported on a quota system: The import of 45 000 tons per year is duty free, the excess attracts duty of 25 per cent.

The quota system was introduced to protect Sable Chemicals. Sable Chemicals produced AN using an electrolysis technology which has since been abandoned. This consumed a significant amount of electricity and with its shutdown it renders the quota system unnecessary as the producers import all their ammonium nitrate requirements.

Phosphorous

Produced locally by Zimphos at Dorowa Mine and suffers from high regulatory costs as below;

EMA charges:

Annual fees for dumps of US$ 200 000 and paid quarterly

Movement fees of US$ 100 per truck or wagon from the mine to the factory in Harare

Potash

It is not available locally. It is imported and does not attract any duty.

Import Permit Requirements

Statutory Instrument 90, 92 1nd 93 of 2015 regulates the import of fertiliser and inputs into fertiliser manufacturing: The restrictions emanate from these statutory instruments.

Urea:

The import of 85 000 tons per year is duty free and any excess attracts duty at 25 per cent.

According to Statutory Instruments 90, 92 and 93 all finished fertiliser products including maize fertiliser are subject to a duty of 25 per cent. The cost of permits issued by the Ministry of Agriculture, Irrigation and Mechanisation is US$ 30 to $60 depending on volume being imported.

The above statutory instruments were gazetted after the local fertilizer manufacturing companies made representations to government seeking protection from lower priced imports. The players requested for support to ensure that local production is enhanced. This would enable the producers to increase capacity utilization and with this increase there would be a gradual tandem reduction in price. The AN quota was arrived at after factoring in national requirements against realistic local production from Sable Chemicals (see page 16 below for recommendations).

The local industry argued that they could not compete with imports due to high fixed production costs, which include regulatory costs, low capacity utilisation and unproductive labour.

Factory Regulatory Costs

Table 1: Fertilizer producers - factory regulatory costs

Typical Factory

Regulator	Total Cost (US$)
EMA	15 089
ZINWA	720
Harare City Council	6 460
Radiation Authority	10 000
NSSA	2 600
Total Factory Regulatory Costs	36 869

Source: Various Statutory instruments

Most of these costs are paid upfront at the beginning of the year. The EMA licences include boiler atmospheric pollution fees ($ 10 000), storage and transportation of hazardous substances ($ 3 089). Harare city Council fees are in respect of manufacturing licence ($625) and fuel storage fees of ($ 1 035). The companies also pay a disposal fee of $100 per disposal into council's waste disposal grounds. NSSA fee of $ 600 is a renewal factory annual licence fee. The NSSA boiler inspection fee is $2 000 per visit. NSSA stipulates that boilers should be overhauled once per annum. The overhaul is done by NSSA appointed agents and the cost of agents are $ 7 000 on average.

Though for different reasons, the boiler attracts charges by both EMA and NSSA.

Fertiliser Trading

Distribution and Trading of Fertilizer Permit and Regulatory Costs

The fertiliser companies have established a distribution network in the country. The fixed costs of running the distribution centres are considered to be high by players due to the multiplicity of licence fees by regulators.

Table 2: Regulatory Costs for each Distribution Centre

Typical Distribution Centre

Regulator	Annual Licence Cost (US$)
EMA	400
Local Council	670
Trading Licence Local Authority	1 500
AMA	500
MCAZ	200
Total	3 270

Source: ZFC

EMA charges are for both transportation and storage of fertilizers, products such as urea and ammonium nitrate are considered to be hazardous substances and attract levies as mentioned above.

Fertilizer companies operate various sales centers around the country which in addition to requirements above require various licenses as shown on table 3 below.

Table 3: Typical Total Company Various Trade Permit Renewal Costs – Distribution Centers

Issuing Authority	Nature of Permit	No of Permits	Rate	Total per Year($)
Min of Agriculture	Non Generic chemicals	30	$ 200 per 3 years	2 000
Min of Agr.	Generic chemicals	70	$ 300 per 3 years	7 000
Min of Agr.	Fertilizers	26	$ 100 per year	2 600
Min of Agr.	Pesticides retail license	50	$200 per year	10 000
EMA	Hazardous substances	50	$672 per year	33 600
ZIMRA	Import permits Zimra – chemicals	30	$30 per consignment	900
Local Authorities	Shop licenses	50	$ 200 per year	10 000
Total				66 100

Source: ZFC

These costs have a significant bearing to the total company costs when combined with the rest of the license and regulatory costs on Table 2 that firms are required to meet to be fully compliant. Apart from the direct fees, there are the indirect costs associated with human resources required to apply and complete licensing forms and make payments. Delays associated with the issue of licenses further exacerbate regulatory costs.

Table 4: Maize fertilizer prices

Indicator	AN	Compound D 10 – 20 - 10	Phosphates	Compound D 14 – 28 – 14
Fertiliser local market Price per ton	560	720	250	800
Import Parity without duty	425	600	220	775
Import Parity with 25 % duty	531	750	275	968.75

Author's Compilation

The prices of local producers as shown above are higher than import parity prices for all types of fertilizers. Ammonium nitrate was produced at Sable Chemicals. As mentioned above the electrolysis plant has been shut down and companies now import their requirements. The statutory instruments which were meant to protect Sable Chemicals are no longer necessary.

Export of Fertilizer

Three licences are required in the export of fertiliser.

Table 5: Export Licenses for Fertilizer

Regulator	Cost
Ministry of Industry and Commerce	US$ 30 to 100 depending on volume
Ministry of Agriculture	US$ 30 to 60 depending on volume
Registrar of Fertilisers	No charge
Reserve Bank of Zimbabwe	Exchange control clearance

The process of getting RBZ exchange control and customs bill of entry procedures can take up to 10 days. A cleared export order must be completed within 10 days; failure attracts a penalty of US$ 500 per truck. This was changed to 30 days in the budget statement of 2014 but has not yet been gazetted.

II. Maize Production – Farmers

Maize is produced by farmers under the following schemes:

i. Large commercial farmers
ii. A2 farmers with some operating under contract farming arrangements
iii. A1 farmers who are small to medium scale size producers
iv. Traditional communal farmers in the rural areas

Inputs

Transportation Levies

Transportation of hazardous substances, ammonium nitrate and fuels are subject to Statutory Instrument 12 of 2007 as stated below:

I. The movement of ammonium nitrate and urea of 10 tons and above attracts an EMA levy of $ 22 per load.
II. The transportation of fuels (diesel and petrol) above 200 litres attracts an EMA levy which fuel dealers incorporate into pricing. The levy is $ 200 per load.

Storage Levies

Storage of fuels, fertilizers and chemicals attract an EMA levy of $ 625 per year.

Contract Farming Regulatory Costs

Firms involved in contract farming pay levies to the Agricultural Marketing Authority as follows:

Table 6: AMA levies for farming contractors

Nature of Permit	Annual Amount ($)
Cereals Registration fee	1 000
Contract Farming Permit	500
Total	1 500

Source: Own Compilation

Firms who engage farmers are required to pay an annual registration fee to AMA. The involvement of AMA is to support parties to the contract by ensuring that there is no side marketing of produce by farmers. They also conciliate when there are disputes between farmers and contractors.

The view of both farmers and contractors is that AMA charges are not necessary and only add costs with no value to both farmers and contractors. The relationship between contractors and farmers is contractual and should be managed by the parties as bound by their contractual obligations.

Table 7: Regulatory costs for maize producers - farming and trading stage

Typical Large Producer and Processor as a Contractor

Stage	Regulator	Total Cost Per Year
Farming – based on contract farming		
	EMA	10 801
	AMA	2 000
Total		12 801
Grain Trading		
	Local Authorities	4 000
	Various Import Permits	175 304
	Export Permits	3 453
	Working capital costs	9 778
Total Grain Trading		205 335

Maize Grain Prices

The cumulative effect of the regulatory costs and policies as depicted above is that the price of maize grain in Zimbabwe has been consistently higher than both the international and regional parity prices. Whilst the country faces other challenges which negatively impact the overall cost of maize grain, the regulatory costs at various stages of production and the multiplier effect from one value chain stage to the next have a material bearing on the final price of grain to maize meal processors. The policy interventions witnessed in the last few years in particular have resulted in the setting up of unrealistic producer prices by the Ministry of Agriculture. The interventions have a large negative effect as they undermine market forces and distort the contributory costs of maize on other value chains that use maize as a raw material.

The table below shows the price of maize grain compared to import parity prices and the local price of maize meal based on the announced prices by the minister.

Table 8: Maize prices – 2009 to 2015

Year	2009	2010	2011	2012	2013	2014	2015
Local Maize Price	275	285	285	305	388	390	400
Import Parity Price	217	235	341	348	348	242	242

Source: Safex

In 2011 and 2012 the domestic prices were lower than import parity price. The situation changed in the later part of 2012 with the intervention from the Ministry of Agriculture setting a minimum floor price. The interventions have continued to apply to the present.

Impact on Maize Meal Prices

Table 9: Impact of maize prices on maize meal prices

Indicator	2009	2010	2011	2012	2013	2014	2015
Local maize meal market prices per ton	400	402	440	519	612	567	545
Average import parity maize meal prices per ton	290	313	454	464	464	322	322

Source: Author's Compilation

The price of maize meal in Zimbabwe is consistently higher than in the region except in 2011 when it was lower.

Maize Trading Stage

Trade Restrictions/ Market Intervention Policies

In 2012, 2013 and 2014, the Ministry of Agriculture, Mechanisation and Irrigation Department (MAMID), through the Grain Marketing Board (GMB) and AMA, introduced floor prices for maize which have been consistently higher than those prevailing in the region. The Statutory Instrument 122 of 2014 empowers the Minister of Agriculture to announce minimum prices of grain at the beginning of the grain marketing season.

On 8 August, 2014, the Minister gazetted SI 122 of 2014 AMA (Minimum Grain Producers Prices) Regulations 2014. The SI fixed the minimum procurement price of maize at $390/MT and this price was higher than any other comparable maize pricing system anywhere in the world. To achieve the objective of the SI, MAMID also put measures to restrict or ban the import of maize meal and maize grain from South Africa, Zambia and Malawi (which was holding until late 2014). In January 2015, the ban was lifted but temporarily. These neighbouring countries had surplus grain which was available for export to Zimbabwe at landed prices ranging from $265 to $310/MT. The justification given for this high price has been that it was required to stabilize food prices and to ensure that farmers receive remunerative prices for their produce. The ban was lifted in August 2015 when it became apparent that the country had not produced enough grain to meet its requirements.

The policy stipulation setting a floor price much higher than the market price and the ban on grain imports disrupted the market as private players withdrew from the market. Millers stopped operating and many of them shut down their factories. This left farmers with the GMB as the only buyer of grain. The Ministry overlooked the reality that high prices for producers lead to higher consumer prices which reduces real incomes and is harmful to consumers. Maize is a raw material in many food processing industries and higher prices induces higher production costs. Firms producing stock feeds (for beef and poultry) found it difficult to access local maize as it made their products too expensive. High prices supress effective product demand in the whole value chain.

The import restrictions led to industry contraction which resulted in many workers being laid off. Policy should support industry viability and this can be achieved with an open grain market system. This is a system which allows private millers, traders and farmers to trade freely in an open market.

Policy intervention should be holistic and positive in effect and should not take into account market considerations.

Genetically Modified Organism Policy

In mid-2002, in the midst of a famine that struck all of Southern Africa, Zambia, Zimbabwe, Mozambique and Malawi refused accept thousands of tons of donated grain, with Zambia returning more than 15,000 tons of donated maize already in the country back to the World Food Program (WFP). Opponents of GMO pointed to this as a clear case of the United States, through the WFP, attempting to take advantage of a food crisis to promote GMO crops in the region (Zerbe, 2004). These countries had a policy of total ban of GMO foods at that time.

There has however been a shift from this position with Zimbabwe, Malawi and Mozambique permitting the importation of GMO grains and maize – as long as the material is milled outside of their borders. Ostensibly this condition was to ensure that any seeds in the material would be destroyed prior to the crops entering the country (Karimjee, 2011), thus preventing farmers receiving food aid in the form seed. This seems to indicate that the chief concern of these three states was not in fact the safety of GMO crops in the food supply, but one involving the release of GMO strains in to the environment.

The implication of this policy is that GMO friendly industries outside the country can produce for onward exports into the country. This is at the expense of local industries which have to face stiff competition of GMO maize meal. GMO finished products are in the market and selling at much lower prices than locally produced products and are therefore creating an un-level playing field that places local producers at a disadvantage. The current GMO policy therefore needs careful review to consider what can be done to remove the cost of production disadvantage faced by domestic producers. One measure could be to require that imported GMO foods especially a staple food such as maize be transparently labelled so that consumers are informed and have a choice.

Recommendations

I. Fertilizer Industry

The quota system stipulated on Statutory Instruments 90, 92 and 93 of 2015 in respect of import of ammonium nitrate (AN) are no longer necessary. The restriction was intended to protect Sable Chemicals AN division which has been shut down. Players should be allowed to import their requirements without any regulatory impediments. The also applies to the import of urea, it is not produced locally and players should be allowed to freely import their requirements without restrictions.

The duties on the import of finished fertilizer products should be reviewed at an appropriate time as keeping the duties permanent suppresses competition and promotes inefficiency. Duties are a form of subsidy and should be used within a defined time frame to give beneficiaries an opportunity to retool, rebuild market share and be able to compete thereafter.

The trading license regime for finished products is costly, and current volumes of players they take up 4 per cent of sales to enable firms to comply and breakeven. This is a high ratio which should be reduced. The factory permit fees could be reduced significantly. The duplication by Harare City Council and EMA on storage fees should be eliminated. Both have to do with storage of hazardous substances and safety. The Harare Council storage fees should be eliminated and EMA fees should be reduced significantly in line with general recommendations under conclusion.

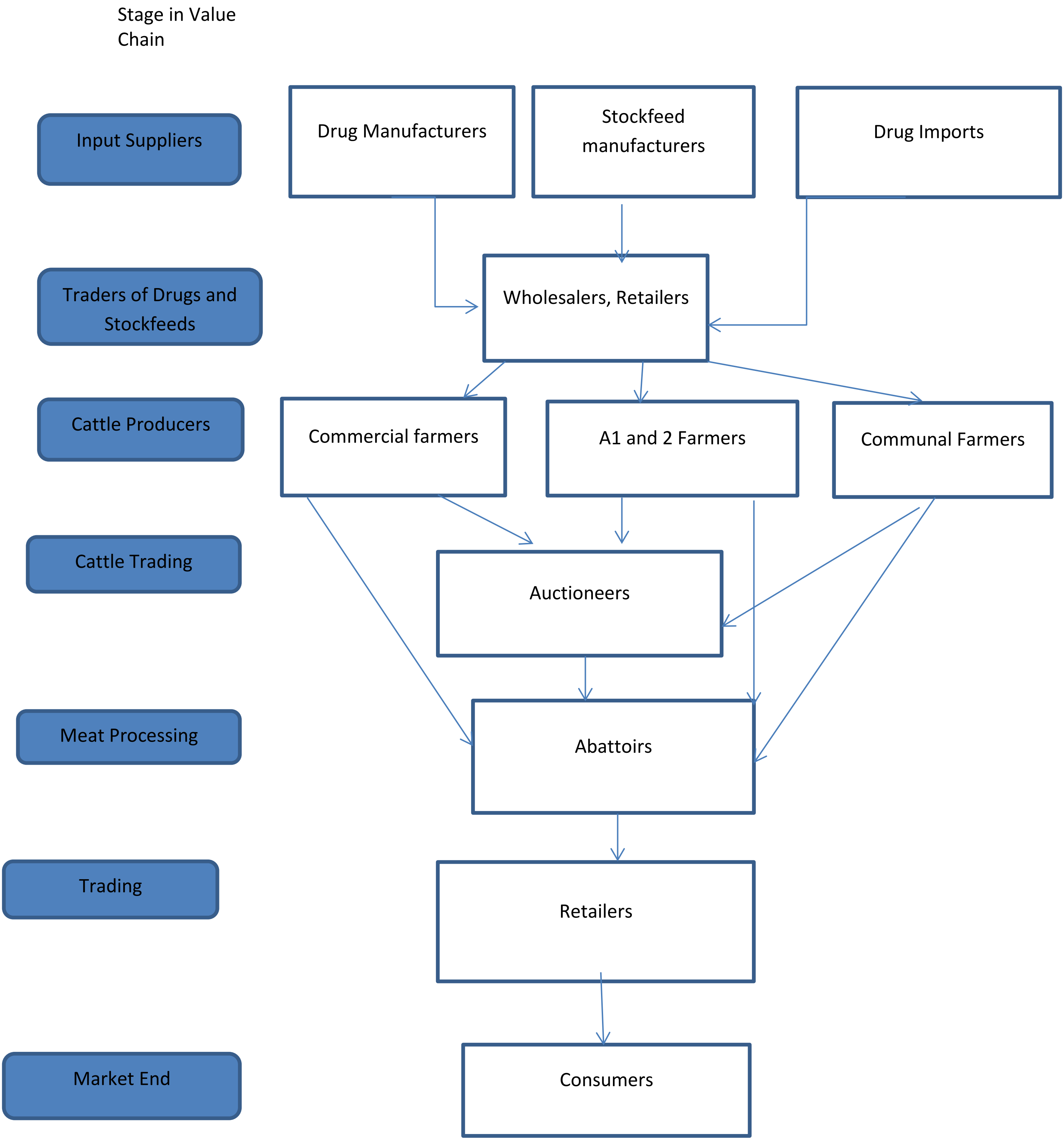
The various permit fees by the Ministry of Agriculture for trading in chemicals and fertilizer products should be rationalized. The local authorities charge their fees in addition to the MAMID fees. The local fees should be abolished as they do not add any value to the companies.

II. Policy on Genetically Modified Organisms (GMO) Technology

The policy of accepting GMO milled final products has a negative impact on local grain processors as it supports low cost GMO producers overseas while discriminating against local producers. This issue needs careful review. Local grain producers should also be allowed to import and mill GMO maize and sell this as a distinctly labelled product. In this way the local grain milling industry will not be subjected to unfair competition.

2. CASE STUDY – BEEF INDUSTRY

Figure 2: Beef industry value chain



The beef industry falls under the Ministry of Agriculture, Mechanization and Irrigation Development. The following regulators apply to the industry:

A. CATTLE PRODUCERS - FARMING STAGE

Regulators
Ministry of Lands and Resettlement
Rural District Councils (RDC)
Medicines Control Authority of Zimbabwe (MCAZ)

Ministry of Lands and Resettlement
Rental levies as announced by the Minister of Finance in the Budget Statement of 2016:

A1 resettled farmers – rental levy of US$ 10 and a development levy of $ 5 per annum.

A2 resettled farmers – US$ 5 development levy per hectare, per annum and payable quarterly. The utilization of the levy is split as follows; US$3 shall be for use by the Ministry of Lands and Rural Resettlement; US$ 2 shall be for use by the local authority or Rural District Council (RDC). The RDC shall use the funds for community development such as schools, clinics, roads etc.

The levies apply to all resettled farmers who have 99 year leases and applies equally to all natural regions. The Ministry of Lands and Rural Resettlement has been empowered to cancel offer letters of farmers who will fail to pay the levies for three consecutive quarters.

Table 10: Land Levies Costs Based on a Medium A 2 farm of 500 hectares

	Nature of Levy	Total per Year ($)
Min of Lands Resettlement and Rural Development	Land Tax $ 3 per hector per year	1 500
Rural Development Council	Development levy $ 2 per hector per year	1 000
Total		2 500

Source: National Budget 2016 and Own Calculation

Medicines Control Authority of Zimbabwe (MCAZ)
The Medicines Control Authority of Zimbabwe (MCAZ) is responsible for registering medicines for both human and veterinary use intended for sale in Zimbabwe. All medicines sold in Zimbabwe must be registered as stipulated under the Medicines Control Authority Act. MCAZ regulatory costs affect the costs of veterinary medicines; dealers must be registered with MCAZ and should comply with its governing Act.

Table 11: Typical Licence Cost of a Veterinary Shop

Regulator	Nature of Permit	Total Cost per Year ($)
Local Authority	Trading license	500
Medicines Control Authority	Premises license. Responsible person license. Sales rep. Import permit of $ 50 per consignment. Import levy of 1 per cent of the value of the invoice. Drug retention fee of $ 300 per strength if drug manufactured locally. Drug retention fee of $ 500 if drug produced outside Zimbabwe.	400 50 50

Source: Own Compilation

The levies charged by Medicines Control Authority affect the prices of veterinary medicines and are considered to be exorbitant resulting in farmers importing their own drugs informally. This has the implication of large quantities of drugs coming into Zimbabwe illegally. Informally imported drugs may be of inferior quality as farmers seek cheaper drugs to cut costs.

B. TRADING STAGE

The applicable regulators are:

- Rural District Councils
- Agricultural Marketing Authority
- Zimbabwe Republic Police (ZRP)
- Department of Livestock and Veterinary Services (DLVS)

Agricultural Marketing Authority (AMA)

AMA was set up through the Agricultural Marketing Authority Act (Chapter 18:24) (No 26 of 2004) to regulate the orderly marketing of agricultural products. AMA's functions are implemented through subsidiary legislation in form of statutory instruments (SIs), notably the Agricultural Marketing Authority (Registration of Companies and Submission of Returns) Regulations 2012, SI 147 of 2012. This SI empowers AMA to register buyers and processors of agricultural products, including abattoirs, livestock buyers, auctioneers and traders on an annual basis after paying a stipulated fee. The fees range from $150 for livestock buyers to $1,000 for a Class A and B abattoir. In addition, the SI provides for the registered operators to submit periodic returns to AMA on the products bought or processed. The funds raised from the registration fees are meant to meet the costs of administering the system as well as developing the industry.

Zimbabwe Republic Police

The role of the police is not a regulatory one. The movement of cattle is controlled by the Department of Veterinary Services. The department views cattle to be moved at the owner's farm. A permit is issued stating the destination of the cattle. The police are required to clear the cattle as confirmation that they are not stolen and belong to the farmer. The police do not charge for the service, farmers however incur the costs of fetching the police from the police station and taking them back at their cost. The ZRP cost on Table 14 is based on this activity and is always borne by the farm. Police officers do not have vehicles to enable them to play their role.

Livestock Auction Market

The main livestock auctioneering companies include Cattle Company Sales, with branches in Harare, Gweru and Bulawayo; Agricultural Auctioneers in Bulawayo and CK Holland in Manicaland. The auctioneers are mostly engaged in the cattle trade. The company charges a sales commission of 6% plus a pen fee of USD5 per beast and USD5 veterinary fee. Some auctioneers charge a commission as high as 10% of the value of a beast. The average total levy in the country is 10.5 percent.

The Rural District Councils own auction pens and charge farmers for use of the pens.

The use of the levy is split as follows:

- 3.5 % - for the RDC
- 2.5% - for use of the pen usually owned by the RDC
- 3 % - for the Department of Livestock Production Department
- 1.5 % for the auctioneer

The auctioneers collect levies on behalf of the other beneficiaries.

C. PROCESSORS

Abattoirs

Applicable Regulators

- Local authority (RDC ACT)
- Agricultural Marketing Authority (AMA) – Statutory 147 of 2012
- Environmental Management Agency (EMA) - Statutory Instrument 6 of 2007 as amended
- Department of Livestock Veterinary Services (DLVS) - Statutory Instrument 50 of 1995

Zimbabwe has 161 registered abattoirs as at August 2013 (World Bank Study on Beef 2013). Of these, just over 30 are members of the Zimbabwe Abattoirs Association. The abattoirs provide slaughter services to butchery owners as well as slaughter their own animals for wholesaling to retail outlets such as butcheries and supermarkets.

The abattoirs have to be inspected and registered annually by Department of Livestock Veterinary Services after meeting the requirements for veterinary public health. AMA also requires them to register annually and submit monthly returns. In addition, they also need to meet the requirements of the Environmental Management Agency for effluent management. They are also subject to grading requirements by LPD’s Livestock and Meat Grading Services and meat inspection by Veterinary Public Health. The various levies charged are as shown on Table 14 below.

Environmental Management Agency (EMA)

EMA regulates and monitors the collection, disposal, treatment and recycling of waste, among other activities. The Statutory Instrument 6 of 2007 is applicable to abattoirs dealing with the management of effluent and solid waste disposal.

Table 12: Cost of Compliance – Beef VC Levy/ Regulatory Cost

Cost of Compliance – Beef VC Levy/Regulatory Cost	Cost per animal slaughtered
Land Unit Tax (at $5/ha)	$ 36.67
RDC Levy (based on 10 .5 % value of a beast)	$ 70.99
Police Clearance	$ 0.17
Movement permit - DVS	$ 0.17
AMA SI 147 cost - Registration	$ 0.29
VPH Registration + Inspection	$ 0.12
EMA Registration + Inspections	$ 1.22
Carcass Inspection Fee	$ 2.00
Carcass Grading fee by DLPD	$ 1.50
Meat Inspection & Transfer certificate	$ 0.13
Total	$ 113.26

Source: Author' Calculation and World Bank Zimbabwe Beef 2013

The ratio of regulatory costs to the price of a beast can be as high as 25 per cent of the value of the beast. Selling weights ranging from 250 kg to 650 kg, depending on age and condition with a price range of $350 to $1,900 would result in accost to the farmer ranging from $37 to $200. This discourages farmers from selling their cattle through the formal market. According a study by R. Sibanda (SNV, Harare) 92 percent of cattle are sold through the informal market to avoid these high charges.

Recommendations

I. The Environmental Management Agency regulations, penalties and fee structures should be reviewed to make them farmer friendly. Current regulations were said to be criminalising abattoirs. They generate effluent which pollutes the environment and should pay compensation to society for pollution. It is argued that this stance leads to high costs for abattoirs, without leading to a reduction in pollution. The agency should set incentives to reward better recycling of wastes from production processes. EMA should set standards for the sector and should not just raise charges against pollution without a solution to stop the pollution. The charges should be lowered based on effort to meet set standards. The agent should also work with the Ministry of Finance to agree on tax incentives on expenditure incurred to meet set standards. The tax incentives could be a tax credit for expenses incurred to meet the set standard and accelerated wear and tear allowances on fixed assets acquired as part of program of environmental management.

II. The current medicines import regulations are too stringent and are increasing the drug companies' cost of doing business. According to stakeholders and studies - USAID Zimbabwe Agricultural Competitiveness Program, this has led to an increase in illegal importation of drugs, some of which may be of dubious efficacy, putting the livestock industry under risk. The importation protocols should be streamlined to remove the constraints for the benefit of the whole industry.

It is recommended that the importation of veterinary medicines be the responsibility of the Department of Livestock and Veterinary Services, which would leave the MCAZ to be responsible for human medicines.

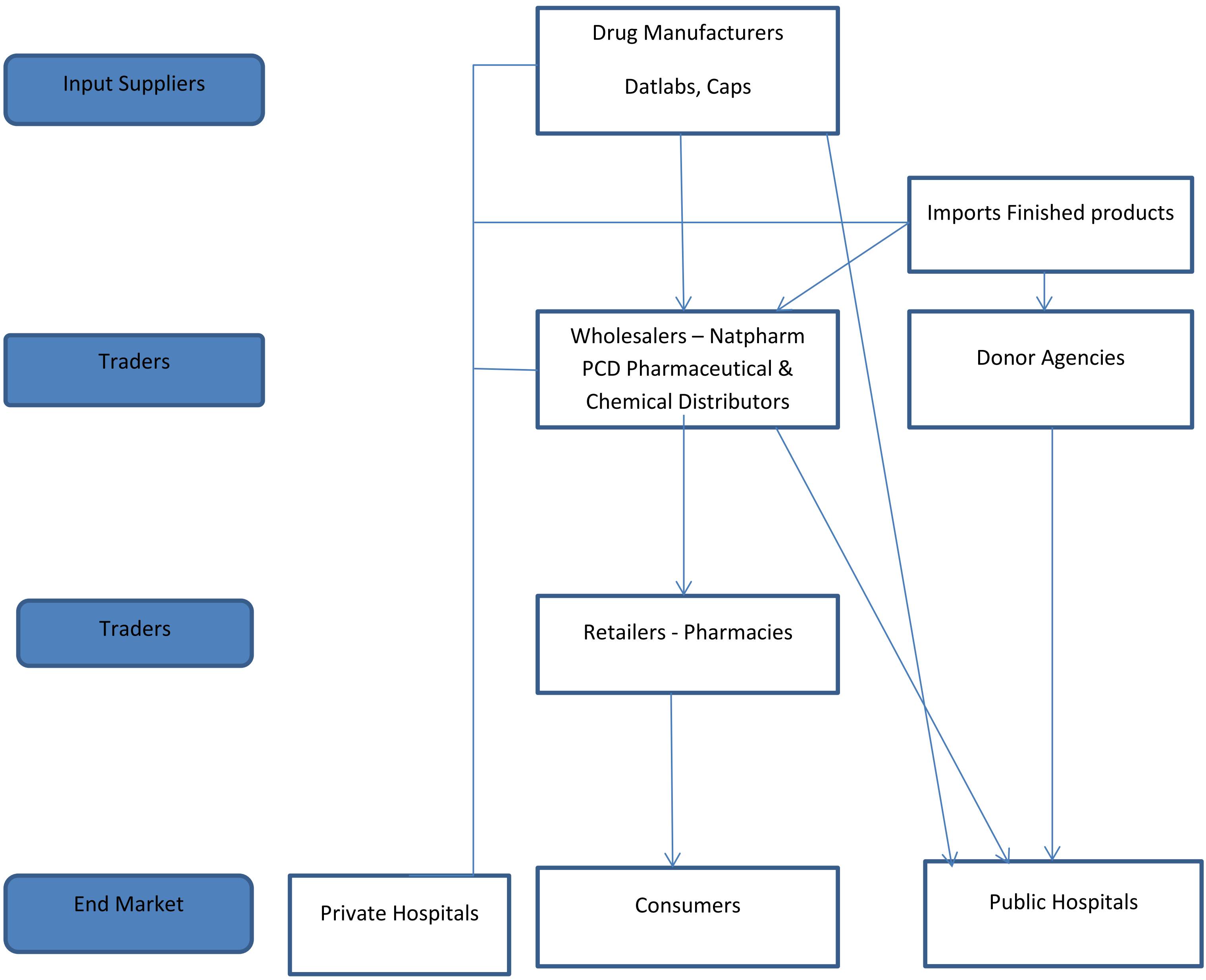
III. Trading Fee Structure of 10.5 percent

The Minister of Finance expressed concern over the high level of fees on cattle trading in the Budget Statement of 2016. He advised that the levies would be reviewed downwards in early 2016 in consultation with various stakeholders.

According to various studies (Zim ACP, Zimbabwe Beef Study 2013; and SNV, R. Sibanda) stakeholders recommend a flat fee of $10 per head sold. This would encourage livestock producers to sell through the formal livestock sale yards. This would yield more revenue for the RDCs than the punitive charges presently levied on cattle sold through their sale pens.

3. CASE STUDY – PHARMACEUTICAL SECTOR

Figure 3: Pharmaceutical Value Chain



Pharmaceutical Industry

The pharmaceutical industry in Zimbabwe is regulated by statutory bodies that fall under the Ministry of Health and Child Welfare and Local Government bodies and the specific sector regulators. The industry is one of the most regulated sectors in terms of the number of regulators that have to oversee the sector. The sector is tasked with saving lives and small variation in medicine manufactured can easily be harmful, hence the slightest variation in manufacturing process must be regulated.

The regulations affecting the sector are as follows:

Cross Cutting Regulators
Environmental management Services (EMA)
Local Authority
National Social Security Agency (NSSA)

Sector Specific Regulators
Medicines Control Authority (MCAZ)
Health Professional Authority (HPA)
Pharmacist Council of Zimbabwe (PCZ)

Medicines Control Authority of Zimbabwe (MCAZ)

Manufacturers
The Medicines Control Authority of Zimbabwe derives its mandate from the Medicines and Allied Substances Control Act [Chapter 15:03]. It issues licenses and inspects manufacturers of medicines to ensure that they conform to minimum requirements as set out in the Act and to process applications for importation of unregistered medicines, narcotics and psychotropic substances. Regulation of the industry follows international best practice with the authority having adopted good manufacturing practice (GMP) procedures of the World Health Organisation (WHO). These guidelines provide guidance for the manufacturing, testing, and quality assurance in order to ensure that drug products are safe for human consumption. The following requirements apply with respect to MCAZ:

Licensing & Enforcement
The licensing and enforcement responsibilities are as follows:

- to license manufacturers of medicines
- to license pharmacies, wholesale dealers and industrial clinics.
- to license persons who supervise the above premises.
- to license pharmacists
- to license pharmaceutical technicians
- to license drug salesman
- to inspect all the above premises to ensure that they conform to minimum requirements as set out in the Act.
- to evaluate advertisements of medicines and medical conditions as set out in the Act.
- to process applications for importation of unregistered medicines under Section 75 of the Act.
- to process applications for importation of narcotics and psychotropic substances.

The department of Licensing and Enforcement Unit reports to the Licensing & Advertising Committee of the Authority, which makes the final decision regarding the issuing and cancellation of licences and permits.

Registration process of new premises with the MCAZ

i. Submit an application form along with the prerequisite documents accompanied with an application fee;
ii. MCAZ carry out an inspection or assessment of the premises;
iii. MCAZ tables the report to the Licensing Committee;
iv. The secretariat is tasked with preparatory work, and then submits its findings and recommendations to the Licensing & Advertising Committee for deliberations;
v. The committee makes the final decision with regard to the issuing and cancellation of licenses and permits. The committee meets at least once a month to deliberate and make consideration of applications in line with the Medicines and Allied Substances Control Act. The process of issuing of a premises license takes approximately a month.

Procedures in the registration of medicine

i. MCAZ inspect the manufacturing process to ensure that they comply with the GMP guidelines;
ii. The manufacturer submits an application file (dossier) to the regulator;
iii. The manufacturer sends samples of the drug for analysis at the MCAZ laboratory;
iv. The secretariat is tasked with preparatory work and then submits its findings and recommendations to the Licensing & Advertising Committee for deliberations;
v. The committee makes the final decision with regard to the issuing and cancellation of licenses and permits. The committee meets at least once a month to deliberate and make consideration of applications in line with the Medicines and Allied Substances Control Act.

The registration of new drugs with the MCAZ takes approximately 20 months (median time). Delays in the issuance of the licenses and permits are usually due to the volume of preparatory work that has to be undertaken by the secretariat before the Licensing & Advertising Committee convenes. Since the committee sits once in a month, the process also takes at least a month. The authority also issues export and import permits for the exportation and importation of drugs out and into Zimbabwe.

Statutory Instrument 186 of 2012, issued under the Medicines and Allied Substances Control Act [*Chapter 15:03*] lays out the various charges that manufacturing firms (among others) are supposed to pay in compliance costs. These include the following:

Medicines Control Authority of Zimbabwe regulation fees

	Category	Costs ($)
1	**Licence for manufacturing premise**	
	A sterile manufacturing unit	6,000

	Premise with more than 3 dosage forms but not including sterile product facilities	5,000
	A premise with up to 3 dosage forms	4,500
	A restricted pharmaceutical premise	3,500
2	**Renewal licences**	
	Pharmacist	50
	Nurse	60
	Industrial clinic	180
3	**Inspection of premises**	
	Sterile pharmaceutical unit	1,000
	Premise with more than 3 dosage forms	750
	Premise with up to 3 dosage forms	500
4	**Registration of medicine**	
	Medicine imported as a finished product (various categories)	750-3,500
	Imported and relabelled in Zimbabwe (various categories)	600-1,500
	Other categories of imported medicine besides the two	600-900
5	**Retention of a registered medicine**	
	Medicine imported as a finished product for human use	500
	Human medicine which is repackaged and relabelled after import	300
6	**Application to manufacture on contract an unregistered medicine for export**	
	In the case of a local principal	100
	In the case of a foreign principal	500
7	Approval of advertisement or promotional material	50

Source: SI 186 of 2012

The retention fees for drugs would also apply even if drugs are not sold in the market. Any variation in molecule content would also have to be separately registered and renewed with MCAZ. For example, paracetamol tablets that have different levels of paracetamol are treated as separate drugs, such that any small variation would not only have to be approved but also be subject to a new retention fee. No product can be sold in the market without paying the retention fees.

New Firms Requirements

The registration process for a new manufacturing firm in the pharmaceutical industry would pass through the following steps:

Registration process for the Pharmaceutical industry

	Registration with the Local Authority **Premises Inspection by local authority health department in line with the City by laws and get a positive health report**		
Registration with the Medicines Control Authority of Zimbabwe **Licenses to manufacture medicines and register /licence professionals in the health sector (pharmacists and biochemists).** **Registration of new drugs and medicines and licence the importation of unregistered medicines, narcotics and psychotropic substances** ***Medicines and Allied Substances Control Act [Chapter 15:03]***	**Registration with the National Social Security Authority (NSSA)** Registration /licensing of the manufacturing premises as a factory *Factories and Works Act(Chapter 14:08)*	**Registration with the Pharmacist Council of Zimbabwe** Registration of premises as a health Institution Registration of professionals in the health sector(pharmacist) *Health Professions Act(Chapter 27:19)*	**Registration with the Health Professions Authority (HPA)** Registration of premises as a health Institution Registration of professionals in the health sector(pharmacist) *Health Professions Act(Chapter 27:19)*

Source: HPA

Manufacturing of Pharmaceuticals

Input Regulatory requirements for Raw Materials

Import Permits

Input raw materials for the manufacturing pharmaceutical sector are predominantly imported and are not available locally. The raw materials are freely imported under open general import licence except those that are regulated such as lactose and glycerine which fall under the Ministry of Agriculture, Mechanisation and Irrigation and the Ministry of Industry and Commerce.

Import permits for lactose and glycerine issued by the Ministry of Industry and Commerce (at a cost $30 – 100 depending on volume) and Ministry of Agriculture, Mechanisation and Irrigation (cost US$ 30 – 60 depending on volume). The issuing of permits by the authorities takes between 3 – 14 days. The delay in granting of permits can be costly resulting in lost production. This is prevalent and is often compounded by clearing delays the Beitbridge border post. The sum of delays in obtaining import permits and border clearance can average up to two weeks.

Table 13: Typical Pharmaceutical Manufacturer Licence and Regulatory Costs

Regulator	Enabling Statutory Instrument	Nature of Permit	Number of Permits	Rate	Annual Charge ($)
Cross Cutting Charges					
NSSA		Premises renewal licence Boiler inspection	1 2	400 600	400 1 200
EMA		hazardous substance, Boiler			3 000
Bulawayo City Council		Annual trading licence Rates	1 12 months	500 2 100	500 25 200
Total Cross Cutting Costs					30 300

Table 14: Typical pharmaceutical manufacturer sector specific licence and regulatory costs

Regulator	Enabling Statutory Instrument	Nature of Permit	Number of permits	Rate ($)	Annual Charge ($)
Medicines Control Authority (MCAZ)	SI 186 of 2012	Premises	1	3 000	3 000
		Wholesale dealer	3	2 212	6 941
		Regulatory pharmacist	1	50	50
		Pharm technicians	2	80	160
		Sales reps	3	80	240
		Import permit		50 per consignment	
		Import levy		1 % value of consignment	
		Drug retention annual fee		$ 300 for a mixed product , part local processed; $200 produced locally,$500 for an imported finished product , per strength	Average paid per year – US$ 30 000
Health Professional Authority		Premises	3	575	1 725
		Pharmacist Practicing certificate	1	185	185
		Pharm technicians	2	110	220
Total Specific Costs					42 511
Grand Total cross cutting and specific					72 621

Author's Compilation (Based on a large Manufacturer in Bulawayo)

Medicines Control Authority of Zimbabwe

The Medicines Control Authority of Zimbabwe is funded from various levies as shown above. It does not receive any fiscal budget support after it weaned in 1997. Its sources of revenue through various levies are; levies on registration of new medicines, annual retention fees for registered medicines, persons and premises licenses, renewal of licences, sales reps and wholesalers permits, inspection fees, amendment fees and import and export licenses and veterinary permits. Manufacturers of medicines are subject to all these fees. Table 14 gives fees that are typically incurred annually.

Health Professional Authority
The Health Professionals Authority charges an annual re- registration to drug manufacturers. The annual renewal fees are its main source of revenue.

The consulted firms advised that they have not been inspected by any of the regulators. The inspection fees are raised when there is in fact no inspection of premises.

Pharmaceutical Trading
The industry produces medicines for the local market and has not developed interests in exports. The local market should be dominated by public hospitals. The failure by government to pay for services on time has been a major stumbling block in efficient capacity utilisation. The manufacturing company consulted is owed over US$ 0.5 million with some of debt going back to over seven years ago. The company is struggling with cash flow constraints and complained of the heavy handedness of ZIMRA officials in times when the company is not able to meet its tax obligations on time as a result of government not paying for services on time. The company has explored the possibility of swapping debt with its own obligations to no avail. The company is operating at low capacity and licence fees and regulatory charges are threatening its going concern capabilities. The licence fees are high in relation to effective demand; this demand represented by sales for which cash is paid on agreed terms.

Finished Pharmaceuticals
Import Permit Requirements
The import of finished pharmaceuticals is regulated by the Medicines Control Authority of Zimbabwe. A permit costs $50 for each consignment. An additional inspection uncapped levy equivalent to 1 per cent of the value of the consignment is levied for all imported finished products.

The local manufacturers compete with imported medicines which land in Zimbabwe at competitive prices which are much lower than local ones.

Import Ban Statutory Instrument 18 of 2016
The association of pharmaceutical manufacturers successfully lobbied government to ban the importation of 23 medicines which can be produced locally to the full satisfaction of the local market. Statutory instrument 18 of 2016 bans the importation of certain medicines. The players argued that they had the capacity to satisfy the local market and they needed to be protected from unfair imports competition. The SI stipulates that the prevailing prices as at the promulgation date should not be increased and that there should be at least two producers at any given time. This is to enable competition and to avoid monopolisation of the market. Wholesalers have however expressed concern over the Statutory Instrument citing that local prices are too high.

Local manufactures have to deal with high fixed costs which include relatively high license and regulatory costs. Rationalization of these high fixed costs is necessary as protection whilst useful as a tool to allow local industry to recover can breed inefficiency and punishes consumers. The protection should be reviewed after some time as conditions in the economy improve.

Medical provisions in public hospitals have been dominated by donors since the collapse of the economy in 2008. Donors prefer to import medicines. This has at times been at the expense of the local market.

Medicines Wholesalers License Regime

The wholesalers source their medicines from both local and foreign producers with the greater part being imported due to high local prices. The operation of wholesalers is regulated by the three major sector regulators; namely Medicines Control Authority, Health Professionals Authority and the Pharmacists Council of Zimbabwe. The level of fees and other regulatory costs is shown on Table 15 below.

The concern of wholesalers is that the sector is over regulated and that there is no benefit derived. The licensing of institutions, pharmacists, technicians and sales representatives by the Medicines Control Authority was viewed by those interviewed as costly and restrictive. It is considered as money making and abuse of regulation.

Table 15: Typical pharmaceutical wholesaler regulatory costs

Regulator	Enabling Statutory Instrument	Nature of Permit	Number of Permits	Rate ($)	Annual Charge ($)
Cross Cutting Charges					
NSSA		Premises renewal licence	1	100	100
EMA		Storage hazardous substance, Truck movement of hazardous substance	1 22 per truck load	1 545 22 per truck load	1 545
Harare City Council		Annual trading licence Rates	 12	500 2 100	500 25 200
Total Cross Cutting Costs					27 345
Sector Specific					
Medicines Control Authority (MCAZ)	SI 186 of 2012	Premises: Wholesale dealer Regulatory pharmacist Pharm technicians Sales reps Import permit Import levy	 3 1 2 3	 2 212 92 115 100 50 per consignment 1 % invoice value of a consignment	 6 941 92 230

Health Professional Authority		Premises	3	575	1 725
Pharmacists Council of Zimbabwe		Pharmacist Practicing certificate Pharm technicians	1 2	185 110	555 220
Total Specific Costs					9 763
Grand Total					37 108

Author's Compilation (Based on an average sized wholesaler and Nat Pharm)

Pharmaceutical Retail License Regime

The sector regulatory bodies are the same as those of wholesalers. The concern raised is that the costs are fixed and most pharmacies are owned by individuals who rent properties. The fixed costs of which license fees are part of in running a pharmacy are high leading to high mark ups on medicines. The pharmacists get the larger volume of their business from customers who are on medical aid. The medical aid societies are failing to settle claims on time and based on cash flows the ratio of license fee costs are a material amount. They are all payable upfront at the beginning of the year. This creates a cash flow challenge for players as they are required to comply with all the regulatory requirements. There is scope to rationalize the number of licenses and the actual level of fees and the time frame for compliance can be extended.

Table 16: At Start of an Institution Pharmaceutical Manufacturer

Regulator	Nature of Compliance Activity
Local Authority	Inspection – health department checks suitability of premises, compliance with approved use of the building and minimum equipment stipulations Inspection – council fire brigade
Medicines Control Authority	Inspection – drug storage facilities and standards based on World Health Organisation Standards
Health Professionals Authority	Inspection – inspects premises to ensure that an institution has a certain minimum requirements in respect of facilities and equipment
Pharmacist Council of Zimbabwe	Approves the pharmacist responsible for the institution based on their professional standing
NSSA	For manufacturing companies; inspection on safety standards
Environment Management Agency	Assesses impact on the environment

Source: Author's Compilation

The inspection by the Health Professionals Authority is an unnecessary burden and should be eliminated. The investment in equipment and creating ambience is a business decision and entrepreneurs will invest appropriately to create a competitive edge to gain market share. Winning a market share through providing a quality service in a market where there is competition is inevitable and does not require monitoring and to be established by use of a regulation. It is a decision that should be left to investors. The use of several regulators is not only costly in respect of regulatory fees but also of administrative time and implied costs. It leads to delays in starting a business. The delays can be more than three months as all the regulators have to make approvals and the institution cannot start operating without the various licences. The delays can be costly as in most instances the new institution would be renting premises, paying interest on borrowed funds and incurring other costs during the waiting period.

The inspection fees by the local authority were found to be exorbitant. The inspection fee by the fire brigade can be as high as $ 950 based on the experiences of those interviewed. The fee does not reflect the costs of inspection. The costs are too high in view of the total actual costs of investing in equipment, start- up costs, stocks and other working capital costs. The costs should be reduced in line with the general recommendations to reduce regulatory costs for the general economy.

Table 17: Licensing – during operating

Regulator	**Purpose of Activity**
Medicines Control Authority	Renewal of practicing licence – pharmacist, pharm technicians and salesmen
Health Professional Authority	Annual renewal fee for an institution
Local Authority	Annual renewal trade licence
Pharmaceutical Council	Renewal of practicing certificates
Environment Management Agency	Renewal of permits
NSSA	Renewal of premise licence

Author's Compilation

The licences for professionals working in these institutions are duplicated between Zimbabwe Medicines Control Authority and the Pharmaceutical Council. The reasons for the need for issuing licences for the individuals were given as follows by:

The Medicines Control Authority:

- To hold the individuals accountable for their actions and to avoid suing the institutions in the case of a complaint.
- Licencing of salesman required as they carry drugs in the course of their work

The Pharmacy Council of Zimbabwe

- To ensure professional conduct and that pharmacists observe rules in dealing with patients and selling of drugs e.g. selling of prescription drugs, counter medicines, prohibited drugs and unregistered drugs.

The charges by the Medicines Control Authority on professionals are duplication, as conduct of the individuals is governed by the Pharmacy Council of Zimbabwe. Whilst it is appropriate that the institutions have a registered qualified professional, it is onerous on companies to pay for the responsible person's licence and other employees up to sales representatives. Individuals employed in these companies have binding contracts which demand a certain degree of professional conduct. When sales representatives go out to market products they are bound by company controls and samples given out are controlled according to a company's internal control system. The companies are able to trace their whereabouts at any given time. It is unnecessary that the persons carrying samples be subject to regulatory approval at a cost to their employers.

Table 18: Typical pharmacy regulatory costs

Regulator	Enabling Statutory Instrument	Nature of Permit	Number of Permits	Rate ($)	Annual Charge ($)
Cross Cutting Charges					
City Council		Annual trading licence Rates	1 12 months	500 350	500 4 200
Total Cross Cutting Costs					4 700
Sector Specific					
Medicines Control Authority (MCAZ)	SI 186 of 2012	Premises Pharmacist Pharm technician Sales reps Import permit Import levy	1 1 2 2	400 50 185 50 50 50 per consignment 1 % of invoice value	400 50 370 100
Health Professionals Authority		Premises	1	345	345
Pharmacist Council		Pharmacist Practicing certificate Pharm technicians	2 1	185 110	370 110
Association of Funders of Zimbabwe (AHFoZ)		Licence	1		15
Total Specific Costs					1 760
Grand Total					6 460

Author's Compilation (Based on a medium sized pharmacy)

Health Professions Authority

Background

It was established after the repealing of the Medical Dental and Allied Professions Act (Chapter 27.08) and the disbandment of the Health Professions Council in 2001. It commenced operations on 1st July 2001.

Its major responsibility is as follows:

- Registration of health institutions and the regulation of services, conducting inspection in all health institutions and co–ordinates the seven health professionals listed above.

The sources of revenue for the Authority are stipulated in Section 15 of the Health Professions Act which should consist of levies, government grant and any other levies. The government has not been able to provide the stipulated grant to the authority leaving health practitioners and institutions to provide funding. The inspectorate activities are of national concern and should be the responsibility of the ministry of health. The primary role of inspection is to protect the public.

The use, storage and selling of drugs is governed by the Medicines Control Authority. Professional members of the industry are regulated through membership of their councils. The requirements for minimum standards such as level of tooling and ambience of operating premises are inherent to any business that has to compete. The sector has been subject to severe competition with people seeking medical attention having to go to places like India where medical cost are competently charged.

There have been numerous recorded complaints from practitioners of numerous licencing requirements and inspections by various regulators. In the survey carried out by the Authority in 2015 the general feedback from stakeholders was that the medical industry in Zimbabwe is over regulated, resulting in duplication of roles, layering of the same services and multiple licensing which were administratively time consuming and costly. The response of the authority is that regulation is necessary what is required is the streamlining of collection of various fees.

It is recommended that the Health Professionals Act is repealed. The professional councils should keep a register of members and the institutions for which they are responsible. The Ministry of Health and Child Welfare and Medicines Control Authority should have a consolidated register of all health institutions in the country. The Medicines Control Authority should already be in possession of this register and it is prudent to expect the ministry to have it also.

The running of health institutions especially private hospitals whilst meeting specific sector requirements should have a corporate governance structure which should have representatives from interested groups. This should facilitate the protection of public interests in these institutions.

The Authority is collecting about $ 1.2 million from the sector. This is money that could have been saved by the sector and applied towards reducing costs to consumers.

Import of Drugs

Registration of New Drugs

One of the main responsibilities of the Medicines Control Authority of Zimbabwe (MCAZ) is to register new drugs. Manufacturers who wish to introduce new drugs in the Zimbabwean market are required to register the drugs with the MCAZ. Registration is a long process involving the analysis of the pharmaceutical formulation of the drug at the MACZ laboratory. The drug is tested under different conditions to check it stability and that its properties do not change under different conditions. The whole process up to approval can take 2 to 3 years.

The long registration process creates a monopolistic situation where the company that registered a new drug ahead of others can act as a monopoly during the period of waiting for approval. A new entrant of a drug cannot trade in the drug until approval and registration. The registration delay creates ground for monopolization of the market and the firm that registers ahead of players tends to charge exorbitant prices. The practice has negative effect on consumers who for some time are forced to pay a monopolistic price when an alternative would have been made available. A shorter period of registration of new drugs should be worked.

Drug Importers

Importers of medicines are required to possess a permit issued by the Medicines Control Authority. The permit costs $ 50. There is an additional inspectorate fee that is equal to 1 per cent of invoice value. There is no ceiling to the charge. It is recommended that the levy is capped as it can be costly where consignments are of high value. The level should be determined based on the reasonable cost to conduct an inspection.

National Projects - Exemptions

The regulators should be barred from raising charges resulting from national developments and emergencies. Natpharm has imported DDT for spraying against mosquitoes across the country. The Environment Management Agency has raised various charges for transportation ($22 per truck load) of the materials and for moving them around the country to places targeted. DDT is classified as a hazardous substance and carries a high charge to store and move according to EMA regulations. (Storage fees - $ 1 545) One of the negative effects of El Nino is that tropical diseases like malaria would be on the rise. The DDT spraying is in response to this development. The EMA regulations should provide for exemption where there is justification in support of a public cause.

4. CONCLUSIONS AND RECOMMENDATIONS

Regulatory Costs – Total Economy

Regulatory costs whilst having a direct impact on the activities and costs of firms have an impact on the whole economy. The charges by various regulators and local authorities are an indirect tax to the private sector. The charges are meant to bring a public benefit which can be in the immediate or in the future. Taxes payers should have an appreciation of the reasons why they are made to pay the taxes or else the taxes will be resented. The taxes paid should be prudently applied as the collectors are part of tax collecting government agents. The poor application of the collected taxes can be a big opportunity cost to the economy. The use of the taxes should be evaluated against their alternative application and ranked to realise optimal benefits of their application. The recommendations under conclusions are derived from evaluating the alternative use of the funds that are being collected and on optimising value from them given the obtaining economic realities.

4.1. The impact of the Regulators – Total Economy

Table 19: Annual Total Cost

	2014		2013		2012		2011		Total Fees for 4 years
Regulator	Annual Fees ($ Millions)	Surplus (Loss) ($ M)	Annual Fees ($ M)	Surplus (Loss) ($ M)	Annual Fees ($ M)	Surplus (Loss) ($ M)	Annual Fees ($ M)	Surplus (Loss) ($ M)	($M)
EMA	27.70**		25.70	11.32	14.15	2.23	13.95	4.38	73
NSSA	1.38	-	1.21	-	1.82	-	1.47	-	6
ZERA	9.39	2.32	10.30	1.14	9.40	0.31	2.04	0.87	31
HPA	1.15	0.16	1.1	0.14	0.950	0.80	0.85		4
AMA	2.98	2.150	1.72	0.58	1.01	0.37	0.48	0.095	6
MCAZ	3.93	0.53	3.84	0.233	2.49	0.13	2.35		13
TOTAL	74.53		93.75		75.66		62.67		133

Source: Annual Reports

**EMA 2014 – Estimated, actual not provided

There is an observation that growth in revenue as represented by fees etc. is not matched by an increase in surpluses. The graphs below show that the curves for revenues and surpluses are general in opposite directions.

Table 20: Revenue Graphs for Various Regulators

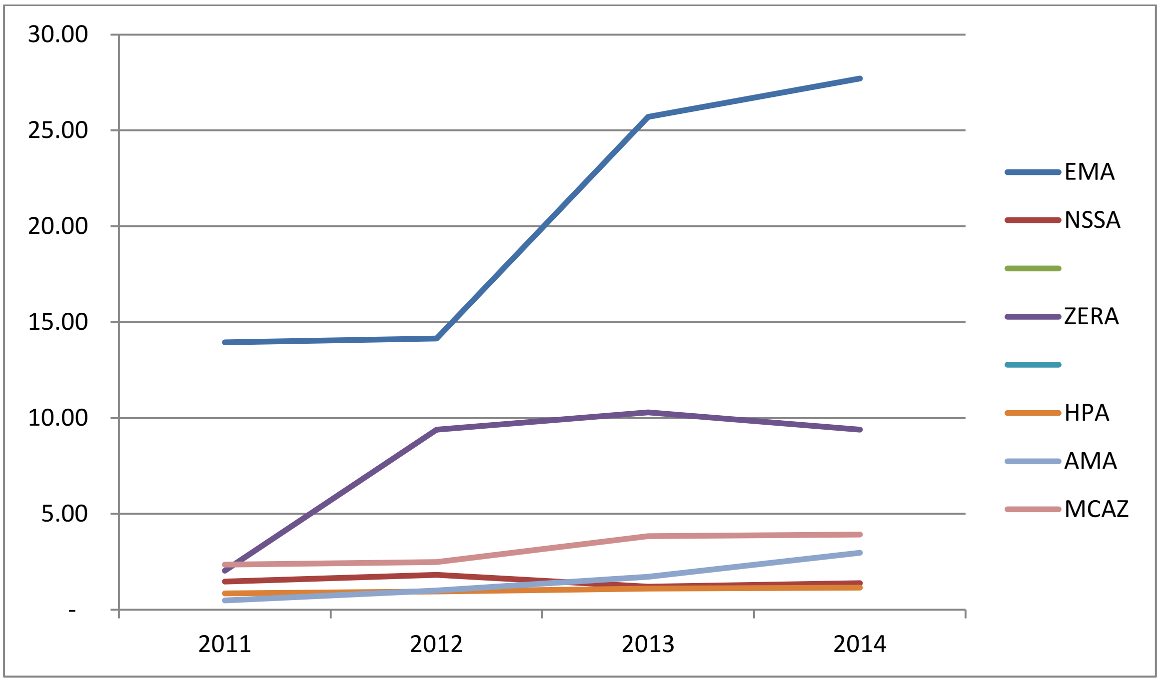
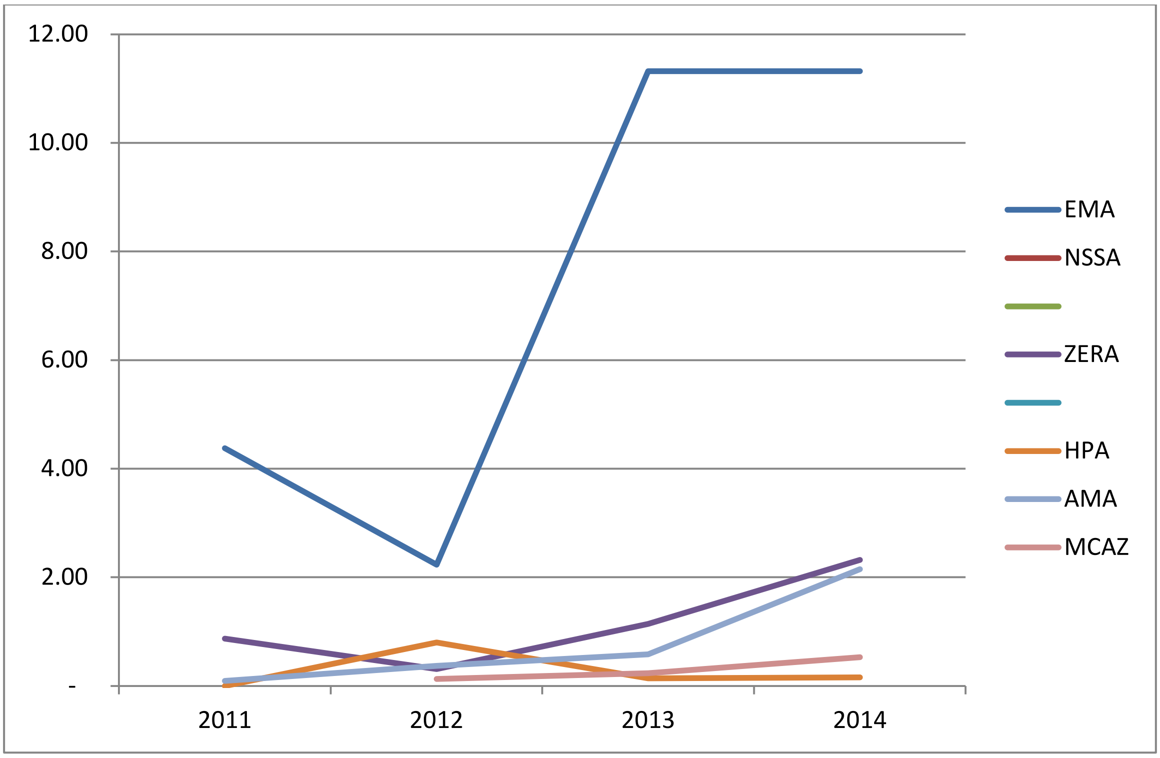


Figure 4: Surplus / (loss) graph for various regulators



Allocation of Resources

Taxation, direct or indirect is an allocation of resources from households and private sector towards general government requirements and programs. The various fees by regulators should be guided by best practice and should not be a cause for businesses to become less viable and uncompetitive.

The complaints by various stakeholders in connection with levies, permits and licences point to that there is a need of a review of the level of these charges. It is also important that the use of these funds is reviewed. For an economy that is very short of capital, with the benefit of hindsight, and with the desperate needs of the general economy the total amount collected by regulatory agencies could have been applied differently to yield benefits for the whole economy. An examination of the accounts shows that most of the money collected is spent agency salaries. The government is grappling with the same challenge of spending over 85 per cent of tax collected on its wages, allowances and benefits. The private sector is reporting poor results and manufacturers are failing to compete with imports and players maintain their position that they are operating in high fixed cost environment of which regulatory costs feature prominently. The general recommendations derived from this study are to facilitate the review of regulatory costs so that they are harmonised with best practice.

A recovering economy should have its firms operate with variable costs which are much higher than fixed costs. A low level of fixed enables firms to be flexible and to adjust costs, more so when there high uncertainty. Variable costs are discretionary and vary with the level of a firm's activity. Fixed costs have no relation with volume of activity and are unavoidable in the short term; hence they should be kept at a lower level than variable costs to enable firms to adapt to varying circumstances. The ratios of regulatory costs as reported by various players are not affordable and have contributed significantly to their weak balance sheets.

4.2. Cross Cutting Regulators

Regulatory costs are real costs and affect consumers by increasing the prices of goods and services. Whilst Zimbabwean firms are experiencing several setbacks that adversely affect their ability to compete, regulatory costs have played a significant role as they are rigid and have remained at the 2009 levels. This is when the use of multi - currency system was introduced and it was a period of information asymmetry due to a lack of a coordinated national approach in determining wages and salaries and other charges of the various sectors of the economy. Regulatory costs form part of the fixed costs of the economy and have led to high prices as part of firms production costs. The high prices have resulted in Zimbabwean prices being higher than those of surrounding countries. The regulatory environment is a major factor in determining the cost structure of firms.

The charges of these institutions should be reduced and this should be based on re- modelling of the institutions. It is recommended that teams of experts on business modelling are put in place to carry out studies and advise government of better models that will enable the country to minimise the dependence of these institutions on the private sector and households for their revenue needs. It is noted that using their regulatory power and mandate they are sucking dry the private sector, unintentionally drawing from them capital that is required for their sustenance.

4.2.1. Environmental Management Agency Business Model

The current EMA business model is based on the Polluter Pays Principle. Firms that pollute or have the potential to pollute the environment pay certain fees and penalties are raised where there is a violation of the founding Act. This model employs extensive inspections and monitoring and to achieve this, the agency has established offices in the eight provinces of the country and is planning to add two more to cover the rest of the country. This requires office infrastructure, personnel, equipment and motor vehicles.

It is recommended to re-model EMA to reduce extensive monitoring and replace it with environmental research and development of frameworks to help firms adopt technologies that meet regulatory requirements. EMA should set minimum standards for each sector of the economy based on best practice and the level of development of the economy. The standards should be part of the specific sector regulatory requirements and enforced by the regulator of the sector.

This requires that the agency establishes the level of development of various sectors of the economy, state of technology in use and pollution level and degree of environmental harm. The objective should be to establish what needs to be done so that firms can adopt environment friendly technologies. The agency can also set acceptable technologies for new investments in a sector. The agency can set tax incentives through the Ministry of Finance to incentivise firms to invest in new technologies that generate less waste, pollutants and hazardous substances. This is against the current practice where fees are raised without a program to eliminate practices that pollute the environment.

Various EMA reports point to the following as areas of concerns:

- Solid Waste in Local Authorities
- Industrial Solid Waste that goes into water systems
- Pollution of water sources by industry like tanners and soap manufacturers.
- Environmental degradation by artisanal mining activities

It is recommended that:

I. Primary Producers

EMA charges on primary producers should be minimized and where practical eliminated as this adds to the cost of doing business and increases costs to consumers due to the compounding of costs from one point in the value chain to the next, for example fertilizer companies charges for storage and movement of ammonium nitrate and urea.

II. Fertilizer Companies

The companies are charged for movement and storage of ammonium nitrate, urea and diesel. There is no substitute for these materials and raising charges on them is a revenue generating exercise, it will not lead to elimination of their use.

Charges on potential to pollute e.g. coal movement – this is also a fund raising exercise and should be eliminated as it only adds to costs. The country's level of development is not ready to stop the use of coal as an industrial fuel.

III. Boilers

Charges for boilers are subjective. The quality of coal is a natural phenomenon and will not change to meet lower levels of emission as stipulated by EMA. The penalties for poor quality coal are made against users yet this is beyond their control. The miners of coal should be responsible; the miners however can only wash the coal to lesson emissions. Stakeholders, given these circumstances view

EMA as a fund raising agent and it is recommended that boiler emission charges be eliminated. The use of coal driven boilers is a reflection of the level of development of the economy.

IV. National Projects

EMA should also exempt charges on national projects where government is averting a disaster for example, transportation and storage of DDT. There is a national program to spray mosquitoes across the whole country. There is a marked increase in mosquitoes in hot areas due to the El Nino effect. This should not give EMA an opportunity to raise revenue.

V. Business Model

It is recommended that the business model of EMA is reviewed by a team of experts to fit their mandate with the level of development of the Zimbabwean economy. The study should also direct areas of concern, rank the area so that available resources are optimally used as the country progressively manages its contribution to environmental degradation.

VI. Escort of Trucks Carrying Hazardous Materials

The agency charges $2,000 per truck load. The escorting practice is costly in respect of support fixed assets, mainly motor vehicles. This could be substituted with registering trucks at entry and verifying arrival at destination points.

4.2.2. National Social Security (NSSA)

The level of charges for boilers are considered to be high by firms consulted. Firms are required to overhaul their boilers annually even where firms have adopted planned maintenance programs that make this unnecessary. They are required to use NSSA appointed agents despite that they have developed internal skills to service boilers. The internally skills are not recognised by NSSA. The charges by agents are considered to be too high and firms have limited capacity to negotiate the level of charges.

NSSA fees were set in 2009 when the economy suffered from information asymmetry due to dollarization and should be reduced to a more realistic level. The main mandate of NSSA is to collect statutory pensions, ensure safety standards are maintained at the workplace and attend to the care and compensation of workers in the event of an injury at the workplace. The main revenue streams according to this mandate are pensions and workmans compensation insurance. The existing additional streams should be repealed to reduce the regulatory burden on firms and eliminate duplication of activity with other regulators, for example EMA on the inspection of boilers.

It is recommended that:

I. NSSA Factory Licence Fees

The fees should be reviewed. It is noted that the licence renewal fees are the same as the initial registration fee whereas initial registration involves administrative work which is not the case at renewal. In this regard a once off licence which is payable at initial registration should be considered.

II. Rehabilitation of Boilers

Firms should also be allowed to rehabilitate their boilers where there is skill to do so. The boilers are already subject to NSSA inspection, there is therefore no logic to prohibit firms from servicing and rehabilitating their own boilers.

Firms also argue that it is not necessary to overhaul boilers every year. The frequency of maintenance should reflect the levels of productivity and capacity utilisation which according to the Confederation of Zimbabwe Industries in their state of the manufacturing sector report 2015 is currently 34.3 compared to 36.5 percent in 2014. Also, some of the technologies allow for longer periods of use between one overhaul and the next.

III. Availability of Inspectors

NSSA should improve availability of its inspectors so that production activities are not disrupted. The firms consulted expressed discontent that NSSA inspectors are not always readily available when they are needed and factories have been kept closed waiting for their boilers to be inspected. It is noticed that firms have tended to overhaul boilers during their year- end shut down, by allowing firms to service and overhaul their boilers this will allow firms to call on NSSA inspectors at different times in the year so that the inspectors are not overwhelmed with work over a short period.

IV. One Per cent Levy on New Projects

It is noted that the NSSA charge of 1 percent as the cost of new projects can be too high on higher value projects. It is recommended that the levy is capped and based on cost recovery. The cost incurred to inspect a project should be considered.

4.2.3. Local Authorities

The operating model of local authorities requires a review. The prevailing paradigm of executives and supervising councillors who have been seen increasing council budgets each year despite calls to reduce costs across the economy cannot be expected to re- organise councils so that they operate efficiently in a dollarized economy.

The charges by local authorities have been noted as being high by various studies that have been carried out. For example the study on Cost Drivers by Zeparu pointed out that the charges were relatively too high and should be reduced. The indications are that property taxes should be reduced by 40 to 50 per cent for Harare and Bulawayo. This is also reflected in the discounts they have been offering firms as they attempt to incentivise firms to clear their arrears. Both cities have offered discounts ranging from 30 to 50 per cent. The discounts have however been of limited effect as firms are not making excess cash due to the prevailing liquidity crises.

It is recommended that:

I. Rates Review

Councils should reduce their rates to an affordable level such that it is not difficult to clear arrears should firms which fall into arrears.

II. The Local Authority Manufacturing Licence

The manufacturing licenses should be scrapped. Firms are already paying rates to local authorities and the licence is an unnecessary burden.

III. Council Storage Fees

Council storage levies for fuel storage should be repealed as this is duplication with the storage fees charged by EMA.

IV. Council Shop Licence Fees

The fees should be reviewed as part of business case in redefining the business model that councils should adopt after a detailed study. Currently councils charge the same amount to start a new shop as at the renewal of the licence yet the administrative cost at renewal is lower than at the beginning where there are inspections involved.

V. The ZERA for Fuel Imports

The charge of US23, 000 on fuel importers should be reviewed downwards in line with general recommendations to reduce licence fees. It is recommended that the fee be calculated based on volume with a cap.

4.2.4. Continuous Review of Regulatory Costs

The regulatory costs, as is the practice in advanced economies, should be reviewed periodically to assess impact on firms and the general economy. They can stifle economic development, keeping new investment out of the economy and stifling the performance and growth of existing firms yet they should enable their existence. The costs and benefits of regulators ought to be evaluated regularly in order to contextualize and justify the existence of the regulatory authorities.

ANNEXURES

Classification of Regulations

List of Cross – cutting Regulators

These are regulations that affect all the players of the economy. The identified ones which have been dealt with in this study are:

- Environmental Management Agency (EMA)
- National Social Security Authority (NSSA)
- Local Authorities (Urban Councils)
- Zimbabwe Energy Regulatory Authority (ZERA)

Environmental Management Agency

Background

The Environmental Management Agency is a statutory body responsible for ensuring the sustainable management of natural resources and protection of the environment, the prevention of pollution and environmental degradation, the preparation of Environmental Plans for the management and protection of the environment. It was established under the Environmental Management Act [Chapter 20:27] and operationalized on the 17th of March 2003 through SI 103 of 2003.

The EMA regulations are generally intended to safeguard the environment. Firms are required to pay fees for general inspection and registration. Under the Pay Polluter principle firms that pollute the environment during their operations or have a potential to pollute are required to pay certain fess to the agency. Fines are charged in addition to fees where there is a violation of the Act.

Cost of the EMA regulations on business

New Projects

Firms starting new projects are required to submit an Environmental Impact Assessment report to the agency; EMA. The prospective developer is required to submit a prospectus to EMA in line with Section 98 of the Environmental Management Act. The prospectus is a short report that describes the proposed project in respect of location, size, area sensitivity, and project implementation strategy. The agency examines the prospectus and if satisfied advises the developer to proceed and prepare an environmental impact assessment. The environmental impact assessment (EIA) report gives a detailed description of the project, activities to be undertaken in implementing it and a detailed description of the likely impact the project may have on the environment. The report details measures to be undertaken to minimise any possible damage to the environment. The developer is issued with a license after the EIA report has been examined for compliance.

Fees on New Projects

The submission of Environmental Impact Assessment (EIA) report is accompanied by a fee. The fee level was pegged at 1.5 percent of the project costs until the 1st December 2015. Statutory Instrument 3 of 2011 stipulated upfront payment of the fees. The level of fees according to this statutory instrument were criticised by stakeholders since promulgation. The fees were perceived as exorbitant, creating a barrier to new projects, stifling new investments and expansion of firms.

In his Budget Statement for 2016 the Minister of Finance proposed a revision of the fee structure as detailed below:

Table 21: Environmental Impact Assessment Fees Adjustments

Project Category	Current EIA Fees	Proposed sliding scale fee	Level of environmental and social impact and example of projects	Staggered Payment terms of EIA (% project costs)		
				Upon EIA submission	Upon Implementation	During implementation
A	1.5% of project cost	US$210.00	Small scale projects with minimal impact: small scale mining, small scale infrastructural development projects, SMEs etc.	100%	Nil	Nil
B	1.5% of project cost	0.8% of the project cost	Moderate impacts e.g. Tourism infrastructure, commercial brick moulding, housing development etc.	0.26%	0.26%	0.28%
C	1.5% of project cost	1% of the project cost	High negative impacts e.g. commercial entities, manmade lakes etc.	0.33%	0.33%	0.34%
D	1.5% of project cost	1.2% of the project cost	Extremely High negative impacts e.g. mining, ore processing, chemicals plants, tanneries, and oil and gas exploitation. Impact can continue after decommissioning e.g. acid mine drainage	0.4%	0.4%	0.4%
E	1.5% of project cost	The maximum payable EIA fee shall be US$2 million	EIA fee cap for all the categories from B to D	20%	20%	60%

Source: Ministry of Water

A maximum cap of US$2 million is applicable for projects that exceed the stipulated levels.

The new tariff schedules are effective with effect from 1st December, 2015.

Requirements on Existing Firms

An operating firm is subject to EMA regulatory requirements. As mentioned above, EMA focuses on four types of regulations namely; Air Pollution Control Regulations, Importation and Transit of

Hazardous Substances, Hazardous Waste Management Regulations, Effluent & Solid Waste Disposal Regulations.

Statutory Instrument 72 of 2009 (Air Pollution Control Regulations) empowers EMA to control, prevent, and abate air pollution to ensure clean and healthy ambient air. The statutory instrument provides for the establishment of emission standards for various sources such as mobile sources (e.g. motor vehicles) and stationary sources (e.g. industries). In relation to this the agency issues emission licenses for processes prescribed under SI 72 of 2009, and these licenses are based on the 'polluter pays' principle[1]. The emission licenses are issued subject to the condition that the license expires on the 31st of December of the year of issue and that the license is not transferable.

The importation and transit of hazardous substances is governed by Statutory Instrument 77 of 2009, which aims at streamlining the handling, transportation and disposal of various types of waste with a view to protecting human health and the environment. On the other hand, Statutory Instrument 10 of 2010 focuses on the regulation of waste, with the regulation putting emphasis on waste minimization, cleaner production and segregation of waste at source. Statutory Instrument 6 of 2007, i.e. the Environmental Management (Effluent and Solid Waste Disposal) Regulations of 2007, focuses on the disposal of waste (solid waste and effluent), and thus it provides guidelines and standards in which the effluent should be discharged into the environment. EMA employs a risk-based approach which concentrates on facilities considered to pose a high risk to the environment.

Highlights of the Importation and Transit of Hazardous Substances and Waste Management Regulations SI 77, 2009

Waste Management Regulations are meant to streamline the handling, transportation and disposal of various types of waste. The aim of the Waste Management Regulations is to protect human health and the environment. Currently, different types of waste are dumped haphazardly posing serious environmental and health concerns. The regulations place emphasis on waste minimization, cleaner production and segregation of waste at source.

- The regulations have classified various types of waste and recommended appropriate disposal methods for each waste type. Under the Waste Management Regulations, EMA licenses transporters, incinerators, landfills, composers, recyclers and transfer stations. Facilities to be licensed include local authorities, transporters and handlers of various types of waste. The licensing employs a risk-based approach by concentrating on facilities considered to pose a high risk to the environment.

The Waste Management Regulations also provide an opportunity for investment in various aspects of waste management.

The licenses have four bands, that is, the blue, green, yellow and red. The licensing mechanism is as follows:

i. Blue – in respect of a disposal which is considered to be environmentally safe.
ii. Green - in respect of disposal that is considered to present a low environmental hazard

[1] *The 'polluter pays principle' states that whoever is responsible for damage to the environment should bear the costs associated with it."*

iii. Yellow - in respect of a disposal which is considered to present a medium environmental hazard
iv. Red - in respect of a disposal that is considered to present a high environmental hazard.

Classification depends on two important variables; the concentration of the emission and the mass flow. The Blue category is the most desirable class for business operators to operate within as this level of pollution is considered to be environmentally safe. The agency does not condone operations by businesses operating in the red category and any process which emits emissions above the red class upper threshold value is not licensed. The licence fees are based on the four categories with the red category paying more for a licence compared with the other three categories and entities within the blue category pay less compared to the other categories. Therefore the EMA licenses transporters, incinerators, landfills, composers, recycler's local authorities, transporters and handlers of various types of waste that handles hazardous substances based on the level of pollution produced.

EMA ANNUAL FEES Statutory Instrument 72 of 2009

Type of Registration	Annual license	Class	USD
Manufacturer, user, importer, seller, storage, of hazardous substances/ products per plant, per person, per premise respectively per year		Red	640.00
		Amber	500.00
		Green	340.00
	Issue a duplicate license		20.00
Local transporter of hazardous substances/products per vessel per year		Red	1030.00
		amber	650.00
		green	430.00
Fees for appealing against the decision of the Agency			10

Transportation Levies

- The movement of ammonium nitrate and urea of 10 tons and above attracts a levy of $28 per load.
- The transportation of fuels (diesel and petrol) above 200 litres attracts a levy which is incorporated into pricing by fuel dealers who make bulk deliveries to farmers. The EMA charge is $200 per load.

There are several different types of licences which have to be paid for, which can see one firm paying for several licences. These licences can be classified into three basic categories; those dealing with effluent and solid waste disposal, those dealing with atmospheric pollution control as well as those dealing with hazardous waste. Licences are classified into different categories, with amounts paid also differing depending on the class. Firms have to produce samples to EMA which are tested to define the category of the licence at a cost of $200 per quarter, which is borne by the applicant.

EMA Frequency of compliance:

Environmental Management Agency		
	Licence/requirement	**Frequency of Compliance**
Air Pollution	Emission licence	Emission Licence for each stack(Chimney that discharges gaseous smoke) The licence expires on the 31st of December of the year in which the licence was issued, thus the licence has to be renewed annually. (annual licence)
	Install emission sampling equipment	Submit information to EMA relating to quality and quantity of emission at such times specified by the Agency
Importation and transit of hazardous substances	Import/transit permit	Each truck/rail wagon has to be licenced and issued with a transit permit. Vehicles designated for transportation of hazardous substances have to be registered and inspected regularly by EMA. The vehicles are subject to an annual licence. (annual licence)
	Inspection	Inspection of containers carrying hazardous substance to ensure that the declaration, packaging and labelling of consignment and compliance is in line with hazardous substance transportation regulations to avoid accidental spillages on the country's roads. Inspections are carried out at the country's ports of entry by EMA inspectors.
	Escort of hazardous substance carrier and awareness campaigns	Provide escort for the carrier of a hazardous substance from the point of entry to their final destination whenever it is imported into the country e.g. Transportation of Sodium cyanide. Carry out awareness campaigns along routes used to transport hazardous substances and educate the population on the dangers posed by the contents being transported. (per load moved)
	Notification of accidental spillage	Agency to be notified both orally and in writing within 24 hours with information on the circumstances relating to the accidental spillage.
Effluent and solid	Waste Disposal	The licence expires on the 31st of December of the year in which the licence was issued, thus the licence

waste disposal	licence	has to be renewed annually. (annual licence) Prepare and submit an annual waste management plan to EMA detailing the waste management situation and specifying the quantity of waste produced and components of such waste.
	Inspections and assessment of quality of effluent discharge	Quarterly assessment of the quality and quantity of effluent discharge.

A. EFFLUENT AND SOLID WASTE DISPOSAL

Statutory Instrument 6 of 2007 (as amended) lays out the fees that firms have to pay in relation with licensing and inspection with respect to effluent and solid waste disposal. The following fee schedule applies:

Effluent and solid waste disposal costs

Regulatory cost	Effluent Disposal	Solid Waste Disposal
Annual registration fee (per year)	$32	$32
Monitoring fees(per year)		
Blue	$80	$80
Green	$155	$155
Yellow	$300	$300
Red	$585	$585
Discharge levy (per quarter)		
Blue	$80	$160
Green	$155 + 0.0075 per m^3 of effluent	$310
Yellow	$300 + 0.015 per m^3 of effluent	$600
Red	$585 + 0.030 per m^3 of effluent	$1200
Red License Penalty fee	50% of Discharge levy + Monitoring Fees + Registration fees	
Administration Fees	5% of all the above fees for each type of license	

Source: EMA Statutory Instrument 6 of 2007 as Amended

As expected, the charges would also vary depending on the concentration of the flow as defined by the four colours.

B. ATMOSPHERIC POLLUTION CONTROL

Fees for emission licenses for air pollution are given under SI 72 of 2009 (as amended). The following are the details for the license fees and charges:

Atmospheric pollution regulation costs

Annual Registration Fees	$32				
Annual Monitoring Fees:					
Blue	$100				
Green	$145				
Yellow	$280				
Red	$555				
Quarterly environment fees for each license band and quantity of emissions					
License band	Volume of emissions discharge per mt per quarter				
	< 5 mt	> 5 but < 50mt	> 50 but < 100 mt	> 100 but < 200 mt	> 200 mt
Blue	$100	$145	$280	$555	$1 110
Green	$145	$280	$555	$1 110	$2 000
Yellow	$280	$555	$1 110	$2 000	$4 500
Red	$555	$1 110	$2 000	$4 500	$9 000
5% administration fee shall be charged on all fees					

Source: EMA Statutory Instrument 72 of 2009 as Amended

C. HAZARDOUS WASTE MANAGEMENT CONTROL

Depending on the level of emission of hazardous substances, firms are also classified into blue, green, amber and red for licensing. Hazardous substances are also classified into different categories depending on their type as well as emission levels. The varying amounts are also a form of fines based on the amount of emission levels as follows.

Hazardous waste management regulation costs

HAZARDOUS SUBSTANCES	Amount charged for emission levels from 10T to more than 40T
Flammable Aerosols	$20-$100
Flammable Gases	$30-$200
Flammable Liquids	$30-$200
Flammable Solids	$30-$200
Group III hazardous substances (all kinds of acids)	$10-$200

Source: EMA website

Statutory Instruments 10 and 12 of 2007 generally outline the fees payable in relation to hazardous substances. Costs in relation to hazardous substances include the following:

Hazardous waste management regulation costs

Licence	Costs (US$)
Licence for storage and use of hazardous substances	
Green	457
Yellow	525
Red	672
Transportation of fuel (more than 200 litres)	200
Receiving bay effluent (yellow licence)	
Annual registration fees	$32
Annual monitoring fee	$300
Quarterly discharge levy	$300
Boiler gaseous emissions (yellow licence)	
Annual registration fees	$32
Annual monitoring fee	$280
Quarterly discharge levy	$280
Boiler Effluent (yellow licence)	
Annual registration fees	$32
Annual monitoring fee	$300
Quarterly discharge levy	$300

Source: EMA Statutory Instrument 10 and 12 of 2007 as Amended

Local Authority Regulations

The Council Act [Chapter 29:15], requires that new firms should have their premises inspected by council officials and be issued with an inspection/health certificate in line with the Public Health Act [Chapter 15:09] which seeks to safeguard public health and safety. Section 29 (3) of the Councils Act prohibits the use of any building in a manner other than that indicated on the plans submitted to and approved by the council in connection with the construction, except with the consent of the council. The Regional, Town and Country Planning Act [Chapter 29:12], also support the Councils Act and also stipulates that the activity to be carried in the factory or the siting of the factory should not be in contravention of any approved scheme, operative regional plan, operative master plan or operative local plan as defined in the Act. Firms are required to advertise in the local press and notify neighbours through registered mail of their intention to use the premises in a manner other than specified in the master plan. The newspaper advertisements cuttings together with the application forms are submitted to the local authorities licensing department for onward submission to the licensing committee

Council Regulatory Costs on New Firms
Council approve plans for new buildings and their charges are based on the cost of construction. The level of fees charged is staggered up to 6 percent.

Council Regulatory Costs on Existing Firms
The firms also have to comply with different regulations from the city council by paying some fees. This includes a factory licence, a permit to discharge, trading permit, industrial clinic, and an industrial canteen.

Local Authorities		
	Licence/requirement	**Frequency of Compliance**
Local Authority By-laws	Shop licence	The licence expires on the 31st of December of the year in which the licence was issued, thus it has to be renewed annually
	Premise licence/health report	The licence expires on the 31st of December of the year in which the licence was issued, thus it has to be renewed annually
	Waste disposal licence	Have to be issued a waste disposal licence for every 30 tonnes of waste to be disposed (City of Harare).

NSSA Regulations

The National Social Security Authority (NSSA) is mandated by the Factories and Works Act [Chapter 14:08] to register and control factories. Section 8 of the Act states that no person shall occupy or use a factory unless he/she has been issued with a registration certificate. The Act requires that an application for the registration of any premises as a factory shall be made to NSSA in the prescribed form by or on behalf of the person occupying or intending to occupy such premises as a factory. NSSA in consultation with the local authority concerned, shall register the premises in respect of whether the activity to be carried on in the factory or the siting of the factory would not be in contravention of any approved scheme, operative regional plan, operative master plan or operative local plan as defined in that Act. NSSA is also mandated to inspect and examine all industrial boilers and machinery to ensure that they satisfy set industrial standards and that they do not pose any danger to operators. Thus, an inspector may at any reasonable time enter any factory or premises where boilers or machinery are in use to inspect and examine such machinery.

In addition to costs associated with employee benefits, manufacturing firms also meet costs directly related to their production as compliance costs payable to NSSA. Before a manufacturer starts operating, plans for their factories have to be approved by NSSA before construction starts. For this, the manufacturer would need to pay an amount of 1% of the estimated costs as approval fees. Every manufacturer should be registered in terms of the Factories and Works Act[Chapter 14:08].

Registration is needed for the factory, the elevators, the escalators and the boilers. The manufacturer would be expected to pay between $100 and $300 for the factory, about $200 each for the elevator and escalator as well as between $100 and $1 800 for the boiler, depending on size. When in operation, firms also have to pay inspection fees for the same infrastructure to NSSA. While inspection is free for the factory, a charge is levied for elevator and escalator inspections ($1000 each) as well as for boilers ($50-$600 depending on size). Firms incur costs to third parties for services rendered in order to comply with these regulations.

National Social Security Authority (NSSA)		
	Licence/requirement	**Frequency of Compliance**
National Social Security Authority (NSSA)	Factory Licence	Once the factory is registered and issued with a licence in terms of the Factories Act. The licence expires on the 31st of December of the year in which the licence was issued, thus it has to be renewed annually. (annual factory licence)
	Boiler Licence	Each boiler used in any industrial process has to be inspected and licenced The licence expires on the 31st of December of the year in which the licence was issued, thus the licence has to be renewed annually. (annual licence)
	Boiler/equipment inspection	An inspector from NSSA may at any reasonable time enter upon any factory or premises where boilers or machinery are in use to examine and inspect the equipment. Escalators –at least once per year, boiler at least twice a year

Fees charged by Occupational Safety and Health (OSH) Division in National Social Security Authority (NSSA)

The OSH Division has four Departments namely, Factories and Works, Occupational Health Services, Promotions and Training, Research and Development.

The services offered to workplaces require that the professional either go to the plant, equipment and stakeholders or process the information submitted. Resources to fulfil this mandate are required to provide professional services. The resources need to be maintained in good working order all the time.

The following fees are charged to employers or users as a statutory requirement or administrative costs recovery;

Fees charged by Factories and Works Department

Item	Enabling Statutory Instrument (S.I)	Fees	
Plans	SI 26 of 2007	1% of the estimated cost of the building	
Elevators	SI 28 of 2009	Registration $200.00 plus $20.00 per landing Inspection $100.00 plus $20.00 per landing	
Escalator	SI 28 of 2009	Registration $200.00 Inspection $100.00	
Factory Registration	SI 16 of 2011	<50 people$100.00 >50<100 people $200.00 >100 people $300.00	
Boilers	SI 27 of 2009	Size	Registration
		Heating surface 4,5m <	$200.00
		Heating surface 4,5 to 25m	$400.00
		Heating surface 25 to 75m	$600.00
		Heating surface 75 to 150m	$800.00
		Heating surface 150 to 500m^2	$1 000.00
		Heating surface 500m^2 >	$1 200.00
		Electrode	$100.00
Inspections Fees	RGN 279	Charged at 50% of registration fees per visit	Fees range from $50 to $600 per visit with a maximum of 3 visits per year.

Occupational Health Services Department

Employee Medical Certificate	SI 30 of 2009	Medical Bureau processing fees $10 per X-Ray
Occupational Health Assessments		$30
Occupational Health short course		$100/day (for a group of 10 people)
Audiometry test		$20 per person
Spirometry test		$30 per person
Sight screening		$20 per person
Chest X-Ray		$20 per person

Occupational Safety Health Promotion and Training Department

Item	**Enabling Statutory Instrument (S.I)**	**Fees**
OSHEMAC Part I		$460
Engineers Workshop		$450
Dr's Course		$450
OSHEMAC Part II		$520
Boiler Operators' Course		$250
Safety Representative Course		$250
Nurses Course		$450
Safety and Health at Work (SHAW) Conference		$450
Basic Occupational Safety and Health Course (1 week)		$100 per person
Train the Trainer Course (1 week)		$100 per person
Teach-ins		$200/day (for a grp of 10pple)
Environmental Impact Assessments (EIA)		$30 + fuel charge
Audits		$30 per hour

Research and Development Department

Item	Enabling Statutory Instrument (S.I)	Fees
Dust measurement		US$70 per point
Noise Measurement		US$30-50 per hour
Light Measurement		US$30.00 per hour
Heat Stress Measurement		US$50.00 per point
Hazard Evaluation/Ergonomics Assessment		US50.00 per hour
Gaseous/Fume emissions		US$40.00 per point
Transport		+Current AAZ Rates