

**Activity Completion Report
of the JICA Short-term Expert
for the Promotion of Business Start-ups in Zimbabwe**

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1. Introduction

The Government of Zimbabwe created the Ministry of Small and Medium Enterprises Development (MSMED) in August 2002 and has been trying to promote SMEs, with a view to alleviating poverty by increasing employment. Although Zimbabwe already has a relatively solid base of domestic industries and high level of education compared to neighboring countries, it does not have sufficient experiences and knowledge in the promotion of SMEs. JICA

supported the Ministry by sending a long-term expert in SME development for three years from August 2002, who contributed to the strengthening of the technical capacity of the Ministry's officials through visits and interviews to a number of domestic SMEs. Based on the Zimbabwe Government's request to further support the MSMED, the Japanese Government decided to send an SME expert, Mr. Shinichi Mori, MBA, for three months from April 2007, who is tasked to assist the Ministry to promote start-ups of new businesses in the country.

2. Activities Completed

(1) Promotion of Simplified Registration Procedures of Companies: Private Business Corporation

Background: One of the goals of MSMED's "Action Plan 2002-2007" is "Enabling Legal and Regulatory Environment", of which "simplification of company formation procedures" and "elimination of bureaucracy and complex licensing procedures for SMEs" are main components. Simplification of registration procedures is critical in formalizing businesses, which enables them to access financing, to transact business with large official companies, to join government tenders and to officially export products. Although the policy orientation is properly stated, the Ministry was not aware of the exact bottlenecks that are hindering registration of companies. This theme was identified as a priority area for the Expert's activities.

(a) Research on the Current Status of the Registration Procedures of Companies

The Expert, together with the MSMED's counterpart personnel, interviewed, in Harare and Bulawayo Provinces, a number of SMEs, consulting firms in registration services, and departments of city councils which are responsible for the issuance of business licenses in order to figure out the constraints in registration and licensing procedures in Zimbabwe. It turned out that registration and licensing procedures are rather simple in themselves, but that the major hindrance to business start-ups rests on the extremely long processing time of registration at the Registrar of Companies in the Ministry of Justice, Legal and Parliamentary Affairs; registration of a single company usually takes six months to a couple of years. As a result, most businesses are obliged to either buy "shelf companies" (companies that are already registered with a common "Memorandum and Associations Articles" with pre-determined company names), or use consulting companies that have specific connections to accelerate the registration process.

(b) Research on the Bottlenecks at the Registrar of Companies in the Ministry of Justice

The Expert and his counterpart personnel visited the Registrar of Companies, observed the actual registration procedures, analyzed their bottlenecks and discussed remedial measures with the Deputy Chief Registrar of Companies. The measures proposed as the conclusion of the research were (i) to promote registration of Private Business Corporations (PBC), a type of companies of which the registration process is much simpler than "Private Limited Companies", and (ii) to promote commercialization of Registrar of Companies to accelerate the registration process. Details of the observations and identified actions to be taken are shown in the following table.

Observations and Actions to be taken for the Facilitation of the PBC's Registration Process

No.	Item	Observation	Actions to be taken
1	Awareness on "Public Business Corporation (PBC)"	Although PBC's registration procedures as well as its reporting requirements are simpler and thus more fit for SMEs, most SMEs apply for "Private Limited" due to lack of information. Moreover, banks and major companies are apparently not aware of this type of companies.	MSMED and Registrar of Companies (ROC) jointly hold a workshop for the explanation and dissemination of PBC on 14 th June, 2007, inviting relevant ministries, SME associations, informal traders' associations, universities, banks etc.
2	Opening of an information desk in each province to receive PBC applications and deliver the results.	ROC's offices are located only in Harare and Bulawayo. Applicants residing in cities other than these two cities have to travel to these cities to submit their applications. This is one of the major hindering factors for the creation of companies.	ROC should open an information center at each province, which will be tasked to receive PBC applications and deliver the results. The incremental cost can be covered by the application fees once it is raised to a reasonable level. (This may require "commercialization of ROC") Until the above realizes, organizations to support entrepreneurs such as MSMED, Ministry of Youth, SME associations and informal traders' associations should provide the same service. Original formats for applications and their soft copies will be kept at these offices.
3	Check counter of documents	Although rudimentary mistakes in applications should be easily detected, no preliminary checks are conducted and all documents currently go to ROC assessors. This is causing an unnecessary burden to assessors as well as the waste of time for the applications whose mistakes could have been pointed out in the first place.	A check counter of documents should be opened at ROC offices in Harare and Bulawayo, where an officer quickly goes through the documents based on a checklist and points out mistakes. In provinces other than these two provinces, the person sitting at the information desk mentioned in (2) should assume this function.
4.	Application Form P.B.C.1 ("Application for reservation of name")	Most individual applicants do not know how to properly fill out the form PBC 1, resulting in the high rejection rate of applications.	MSMED prepared "Instructions of Application" for PBC 1, which will be made available at its branch offices.
5.	Notification of registered / reserved names	Most applicants do not have access to the information on the already registered or reserved names, which is resulting in the high rejection rate of name search applications.	ROC should compile all the registered / reserved names on a quarterly basis and make its PDF file accessible to the public, e.g. distribute the file to organizations that support SMEs.
6	Name Search (reservation of name)	Name search is currently taking too much time and thus, accumulating a backlog every day. Each one of assessors is required to process 60 to 70 names per day, and they do not have any incentives to process beyond their norms.	Assessors should be given proper incentives to accelerate the name search. For example, the name search fee should be raised to a reasonable level, such as 10,000 ZD, and each assessor should be given a certain percentage of the fee from each of the applications processed

		The low fee for name search (500 ZD) does not discourage non-serious applicants to submit applications. This is resulting in the excessively large number of applications, and at the same time, causing the high rejection rate of applications.	after the first 60 applications in each day. The supervisor of assessors should also be given an incentive. The number of name search results rejected by the supervisor should be deducted from the assessors' achievements to maintain their quality of work. (<u>This may require "commercialization of ROC"</u>) MSMED will initiate discussion about how to improve the name search process with Ministry of Justice.
7	Application Form P.B.C. 2 (Certificate)	The current form for P.B.C 2, which is usually completed in hand-writing, is not appealing. Since large companies or banks do not give trust to this certificate, PBC 2 is not facilitating its holders to expand their businesses.	MSMED has prepared a new P.B.C. 2 form in line with the current regulations, which will be made available at its branch offices. <u>This form should be officially adopted by MOJ and made public through its gazette.</u> Until the new form is adopted, MSMED will distribute the soft copy of the current form to relevant organizations/stakeholders.
		Individual applicants tend to make mistakes in filling out the application form, which creates a burden to ROC and slows down the whole registration process.	MSMED has prepared "Instructions of Application" for PBC 2, which will be made available at its branch offices.
8	Nomination of an accounting officer for PBC ¹	The current regulations require the nomination of a certified accountant to each PBC, which is imposing a heavy burden to SMEs.	<u>Regulations on P.B.C. registration procedures should be changed</u> as follows: "A person who completed secondary education and is capable of practicing book-keeping as a profession shall be qualified to perform the duties of an accounting officer in terms of paragraph (a) of subsection (1) of section 47 of the Act."
9	Flow of information and documents in ROC	Once an ROC officer is assigned in each province, s/he will be required to answer all the inquiries on the status of applications. Currently, information cannot be easily tracked even between Harare and Bulawayo ROC offices.	<u>ROC should investigate and streamline the flow of information and documents,</u> and establish an information tracking system. This can be easily done even without information technology.
		In ROC, applications of registration are currently going back and forth between supervisors, assessors, and examiners of memorandums and articles, and assessors/examiners are obliged to do some manual labor (stamping, separation of documents, etc.) which are actually slowing down their core work.	

¹ It turned out at the workshop that nomination of accounting officer is not necessarily difficult in itself. Therefore, the workshop concluded to leave this issue as it is, because it is much easier than changing the regulations.

(c) Organization of a Workshop on the Dissemination of Private Business Corporations

Based on the findings mentioned above, the MSMED, jointly with the Ministry of Justice, held a workshop with a view to disseminating PBC to the representatives of SMEs and other relevant organizations. In the workshop, “Business Start-up Procedures for SMEs” ([Attachment 1](#)) and a recommended new application format of PBC ([Attachment 2](#)) prepared by the Expert were distributed, presentations were conducted by the Expert as well as by the Deputy Chief of the Registrar of Companies, and actions and steps to promote PBC were discussed among participants. Although the workshop was also intended to raise awareness of the Minister of Justice on the importance of the commercialization of Registrar of Companies, neither the Minister nor other high ranking officials of the Ministry of Justice were able to attend the workshop. On the other hand, representatives of SME associations as well as those of informal traders’ associations were all pleased to know about the PBC, expressing their strong willingness to disseminate the information to their members. The workshop was also helpful in making the Minister, Deputy Minister, Directors and Provincial heads of MSMED understand their roles in the promotion of PBC as well as the necessity of lobbying toward the Ministry of Justice for the acceleration of registration procedures.

(d) Facilitation of Registration of PBC

One of the requests made by the participants of the above workshop was that the application formats of PBC should be made available to the public. The Expert prepared, based on the current Government regulations, the application formats of PBC 1 (name search) and PBC 2 (registration of PBC) along with the instructions of application ([Attachment 3](#)). Each one of the MSMED’s provincial offices has received a set of laminated application formats and their electronic files so that visitors to their offices can easily access the formats.

(e) Preparation of a Policy Paper toward Facilitation of Registration Procedures

There is a serious concern that the Ministry of Justice does not take any remedial measures recommended in the workshop and thus, the promotion of PBC does not bear any fruit, simply ending up with an increased backlog at the Registrar of Justice. In contrast to the MSMED, the decision making in the Ministry of Justice is not bottom-up; the Minister of Justice needs to be lobbied in order to realize the necessity of changes. Under the request of the Minister of SMED, the Expert drafted a policy paper ([Attachment 4](#)) for the facilitation of registration procedures, which the Minister will present to the cabinet.

(2) Training of Trainers: Basics of Business

Background: The market of Business Development Services (BDS) is not mature in Zimbabwe and thus, training activities of SMEs are mostly conducted only by two organizations: EMPRETEC, a training institution of SMEs that was created under UNDP’s initiatives, and SEDCO (Small Enterprise Development Corporation),

a parastatal organization that extends small loans to SMEs. These two organizations are self-financed and thus currently providing training on commercial basis or under the financing of Zimbabwean ministries or international donors (ILO, UNDP and SNV (Netherlands Development Organization), etc.). Since cost-recovery needs to be ensured in their training business, their training fees are not necessarily affordable to small businesses and their outreach is also limited. In order to fill the gap between the demand and supply of training, the MSMED wished to train officials in their provincial offices so that they could provide training on basic business skills to micro enterprises that cannot afford the fees of regular training courses. For this reason, the MSMED requested the Expert to develop training materials on basic business skills and conduct training of trainers to its officials. It is expected that those micro enterprises that will receive MSMED's training will become aware of the importance of acquiring business skills and seek for a higher level training to be provided by EMPRETEC or SEDCO. It is also expected that the basic knowledge of business and its training methodology will provide MSMED's officials with opportunities to interact with SMEs in a productive and proactive manner.

(a) Preparation of Training Materials

The Expert prepared a leaflet "Basic of Business – Think Strategically" ([Attachment 5](#)) and answer sheets ([Attachment 6](#)) to be used for the training of SMEs. The leaflet includes basic concepts for business, namely, SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis, four "P"s (product, price, place and promotion) of marketing, buying plan, costing plan and working capital, record-keeping, and the registration of a company. In the course of the training, participating SMEs are expected to respond to all the questions related to their own businesses to be raised by the trainer, by filling out the answer sheets. The intended duration of the training is a half-day, including discussions and questions & answers. In the end of the training, participating SMEs are requested to present their business strategies, assuming that they have to explain their business strategies to the bankers, whose role is to be played by other participants.

(b) Preparation of Teaching Materials

The Expert prepared teaching materials that are composed of explanatory sheets ([Attachment 7](#)) with the same contents of the above-mentioned leaflet, and sample answer sheets ([Attachment 8](#)). The materials are developed in a user-friendly manner; trainers simply have to follow the items described in the explanatory sheets. Each of the MSMED's provincial offices has received a complete set of the explanatory and sample answer sheets (A3 size, laminated). As part of the training, the Expert requested all participants of the Ministry to conduct an interview survey to a company with a questionnaire prior to the training ([Attachment 9](#)) so that they can learn how to collect critical information from SMEs.

(c) Implementation of Training of Trainers

The Expert conducted training of trainers four times, whereby a total of 43 officials of the MSMED and 8 representatives of SME associations were trained. The distribution of participants is shown below.

Date	Venue	Participants (number)
28 June	MSMED head office	Harare (4), Marondera (3) , Bindura (2) and Chinhoy (2), MSMED head office (2), SME associations (3)
29 June	MSMED head office	MSMED head office (14)
4 July	German Development Service (NGO) in Mutare	Mutare (6), SME associations (4), NGO (1)
12 July	Government Compound in Gweru	Gweru (2), Bulawayo (5), Masvingo (3), SME association (1), SEDCO (1)

Ministry's officials were requested to participate in the training on the supposition that each one of them is the managing director of a company to which they had conducted an interview. Representatives of SME associations were invited to the training with the intention of letting them know the usefulness of the training so that they will, in turn, organize training sessions inviting the Ministry's officials. It should be noted that the representatives of SME associations in Chipinge and Chimanimani, which are located at 200 to 300 km from Mutare, joined the training at their own costs, showing their strong commitment to provide good services to their members..

All participants were pleased to learn how to think strategically about a business and expressed their eagerness to disseminate the knowledge to business people in their respective provinces.

(3) Issuance of SME Newsletter

Background: Although the MSMED's roles in the promotion of SMEs are becoming more and more important under Zimbabwe's economic circumstances, its activities are not well publicized and thus, SMEs are not aware of the ministry's activities. Moreover, in order for Zimbabwean SMEs to flourish, lessons of successful SMEs should be shared among them while horizontal linkages of SMEs need to be consolidated. Having offices in eight provinces, the MSMED can easily channel key information to stakeholders in respective provinces. In this light, the MSMED decided to issue a newsletter on quarterly basis and requested the Expert to give advice to the editor of the Newsletter nominated by the Ministry.

Progress: The Expert proposed to the editor of the Newsletter the following items as the contents of the newsletter.

- Remarks by the Minister, Deputy Minister or Permanent Secretary
- Success stories of outstanding SMEs (An interview format was prepared by the Expert as part of Training of Trainers for basics of business, and articles have already been collected.)
- Introduction of activities of Provincial SME Associations (An interview format was prepared by the Expert to be distributed to MSMED's provincial offices: (Attachment 10.)
- Report on major activities conducted by the Ministry during the quarter (Information is to be collected by the editor.)
- Information about the forthcoming activities to be conducted by the Ministry during the next quarter

(Information is to be collected by the editor.)

The editor further elaborated the contents and requested relevant officials to submit articles. Most of the articles have already been collected and only editing remains to be done.

3. Further Actions to be Taken by the MSMED

As has been reported above, the Expert has laid the groundwork for the MSMED's two priority areas: (1) facilitation of registration of companies and (2) strengthening of MSMED's officials and SMEs through the provision of training. The following actions need to be taken by the Ministry to capitalize on the opportunities opened up by the Expert and to realize their intended outcomes.

(1) Facilitation of registration of companies

The exact causes of the problems related to the registration of companies have been identified and the framework to tackle these problems has been established. In order for these initiatives to bear actual fruit, it is imperative that the MSMED take the following actions.

- The Ministry should finalize the policy paper prepared by the Expert, bring it up for discussions at the cabinet and/or to the Minister of Justice, and continue lobbying activities toward commercialization of Registrar of Companies.
- The Department of Policy Development and Legislation of the Ministry should determine how the provincial offices collect PBC applications and fees from private businesses, which need to be submitted to the Registrar of Companies through the head office of the MSMED.
- The Ministry's provincial offices should request SME associations and informal traders' associations in their respective provinces to host a meeting in which information about PBC should be disseminated to their members.

(2) Strengthening of MSMED's officials and SMEs through the provision of training

Training of trainers has been completed and training materials distributed to the Ministry's each provincial office in soft and hard copies. The Ministry should take the following actions so that the trainers will, in turn, effectively conduct training to SMEs:

- The Business Development Department of the Ministry should prepare an annual implementation plan of the training, based on which each provincial office will conduct training in collaboration with SME associations and informal traders' associations.
- In order to provide quality services by improved skills of trainers, the Business Development Department should prepare a questionnaire to obtain feed-backs from participants of training. It is also encouraged that each trainer conducts training at least twice a year so that her/his training skills are properly maintained.

Attachment 1: Business Start-up Procedures for SMEs

**Business Start-up
Procedures for SMEs**

Why do you need to register your company?

The following are the advantages of officially registering your company:

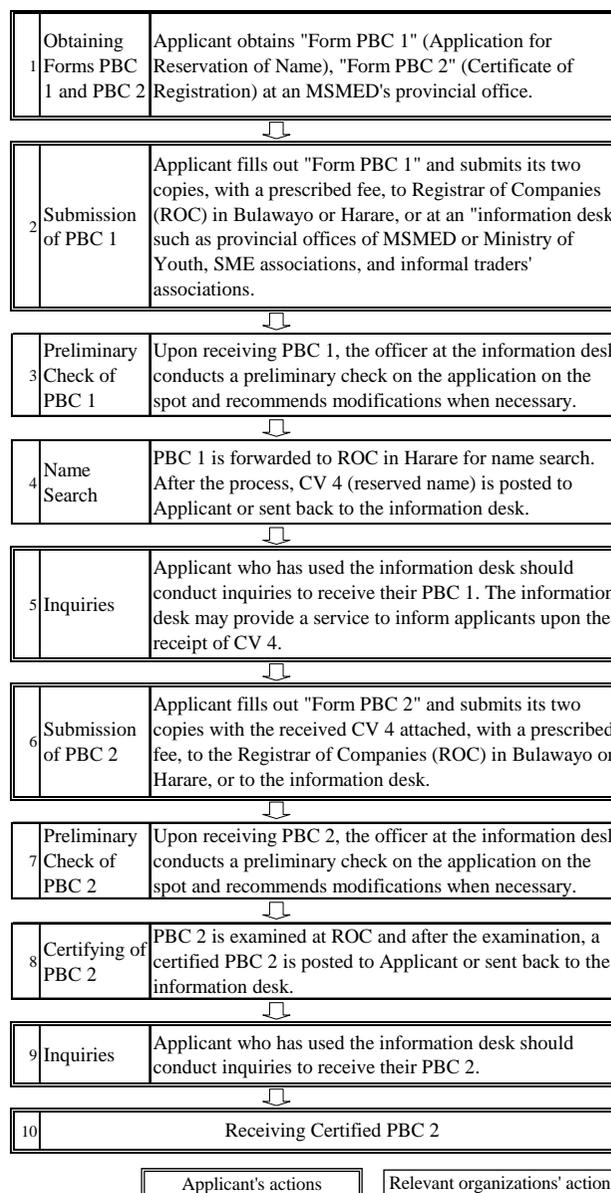
- To have transactions with other official businesses
- To join government tenders
- To officially export your products
- To apply for bank loans

What should you do to register your company?

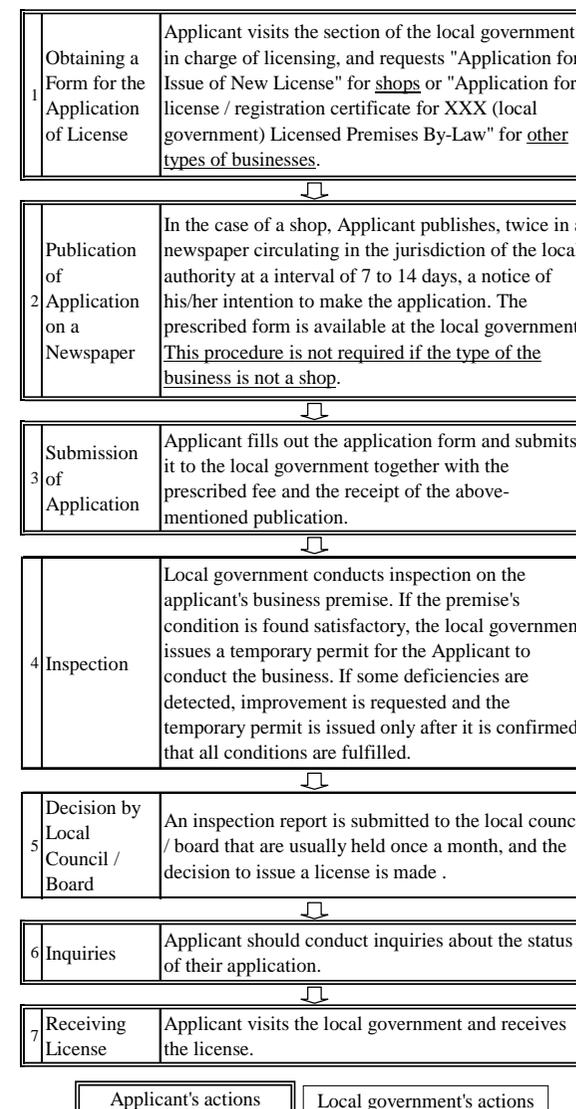
The following are the necessary procedures in officially starting your company:

- (1) Register your business as a Private Business Corporation (PBC).
- (2) PBC has the same advantages as “Private Limited Companies”, while its registration procedures and reporting requirements are much simpler than those of Private Limited Companies. Therefore, it is highly recommended that your company be started as a PBC. Please refer to the procedures presented in this leaflet.
- (2) Obtain a business license from the Local Government.
A license is required to all types of business activities. Please refer to the procedures presented in this leaflet.
- (3) Register your business at the Tax Authority.
Opening your business’s bank account requires a tax clearance. You have to bring your corporate certificate and register your business at ZIMRA, which will immediately issue you a tax clearance. Please note that when you join government tenders, you must submit “Tax Clearance Certificate for Tender”, which is a proof of tax payment to be issued by ZIMRA.

Procedures for Registration of Private Business Corporations (PBC)



Procedures for Obtaining Business Licenses (those that have physical locations)



* Those businesses that do not have physical locations should visit their respective local government and obtain a license required for their businesses.

Questions and Answers about PBC

(Please see “Private Business Corporation Act” and “Private Business Corporation Regulations” for detailed information)

(1) Registration

Q: How many persons can qualify for membership of PBC?

A: PBC should have a minimum of one member and a maximum of twenty members.

Q: Can one register PBC at the physical address other than the actual location of its business?

A: Yes. The physical address (in Zimbabwe) to be registered does not have to be the actual location of its business.

Q: Should business objects be specified in the incorporation statement?

A: The members of PBC may agree either to specify or not to specify business objects. Even if they are specified, PBC is able to conduct transactions that exceed any such objects. However, if PBC has entered into any transaction that exceeds its objects and has resulted in loss to the PBC, the court may, on application made by a member of PBC, order any other member responsible for the loss to compensate PBC. On the other hand, if objects are not specified, it may discourage commercial banks from extending loans to PBC due to ambiguity in the PBC’s activities.

Q: What names should be avoided in the application of PBC 1?

A: General nouns and initials (K.K. or M.M. etc.) should be avoided. "Niceheart PBC" and "Nice Heart PBC" are considered as the same. The name should not be diverted from the type of your business (e.g. a cosmetic manufacturer should not be "XXX construction company".)

(2) Accounting and Accounting Officer

Q: What are the basic requirements in the accounting of PBC?

A: All accounting transactions must be compiled as accounting records. PBC must maintain its accounting records for six years. PBC must prepare financial statements before the end of nine months after the closing of every financial year, which must be approved and signed by one or more members who have a total of more than 50% of all the members’ interests.

Q: What are the qualifications required of an accounting officer?

A: According to the current regulations, only people who are registered members of professional bodies are qualified to perform the duties of accounting officers. The list of professional bodies is shown in “Private Business Corporation Regulations”.

Q: Can a member or an employee of PBC become accounting officer?

A: Yes.

Q: What is the difference between a book-keeper and an accounting officer?

A: A book-keeper is the person who keeps day-to-day accounting records and prepares annual financial statements, while an accounting officer is the person who determines whether the annual financial statements are consistent with the PBC’s accounting records.

Q: Can the book-keeper become the accounting officer?

A: Yes, but it is advisable that neutrality of the accounting officer be ensured to protect the interest of members.

(3) Private Limited Company and PBC

Q: What are the differences between Private Limited Company (PLC) and PBC?

A: Requirements of PLC are much stricter than those of PBC, because “Companies Act” that regulates PLC is designed for large companies that have larger social responsibilities. For example, PBC is required to submit neither “Memorandum and Articles of Association” upon registration nor annual returns including annual financial statements to the Registrar.

Q: Is it possible to convert PLC to PBC and vice versa?

A: Yes, it is possible. Please see “Private Business Corporation Act” for the conversion from PLC to PBC, and “Companies Act” for the conversion from PBC to PLC.

(4) Amendment of Incorporation Statement

Q: Is it possible to amend incorporation statement?

A: Yes, it is possible. PBC should deliver to the Registrar an amended incorporation statement, and the Registrar will, upon payment of prescribed fee, register the amended incorporation statement. Please see “Private Business Corporation Act” for details.

Q: Is it possible to change the PBC’s name?

A: Yes, it is possible. However, it is not advisable to change the name since the procedures are rather time consuming; e.g. it requires announcement for the change of the name on the Gazette and name search.

(Version July 2007)



Ministry of Small and
Medium Enterprises Development



Japan International
Cooperation Agency

Certificate of Registration and Incorporation

I hereby Certify that the following named Private Business Corporation has been incorporated.

Registrar of Companies

Date

Registration Number

Private Business Corporation Act [Chapter 24:11], Incorporation Statement Part A

The Corporation

Full Name of PBC

Postal Address

Physical Address

Main Objects

Number of Members

Date of Financial Year End

Accounting Officer

Full Name

Qualification

Postal Address

Signature of Accounting Officer

PRIVATE BUSINESS CORPORATION ACT

[CHAPTER 24:11]

APPLICATION FOR RESERVATION OF NAME

Please read the notes overleaf before completing this form

Proposed Names <i>(note 1)</i>	1	, P.B.C.
	2	, P.B.C.
	3	, P.B.C.
	4	, P.B.C.

Type of Business

Physical Address

Postal Address

Submitted by:

Name

Address

Signature

For Office Use Only (Do not write here!)	
<i>Fees</i>	
<i>Receipt Number</i>	
<i>Date Received</i>	
<i>Process</i>	LD
	D1
	RD
	SO
<i>Official Stamp</i>	

NOTES

1. *Purpose of an application for reservation of name is to get the authority of the Registrar to use a particular name.*
2. *If the Registrar approves your application to reserve a name, he will reserve that name for you for a period of two months to enable you to register your PBC. He will not allow any other person to use that name during that period.*
3. *You are advised to give at least three names in your application so that if one name is not accepted, another one may be. You should list the names in order of preference.*
4. *The Registrar will not accept a name which is similar to that of another company or PBC, or is likely to mislead the public or is indecent.*
5. *The prescribed fees can be paid in cash or by postal order or a bank guaranteed cheque made payable to the Registrar of Companies.*

PRIVATE BUSINESS CORPORATION ACT
[CHAPTER 24:11]

INCORPORATION STATEMENT
PART A

Please read the notes overleaf before completing this form

For Office Use: Registered Number

The Corporation

**Full Name
of Private
Business
Corporation**

PRIVATE BUSINESS CORPORATION/ P.B.C.

Postal Address

Pysical Address

**Main Objects
(optional)**

**Number of
Members**

**Date of end of
financial year of P.B.C.**

Accounting officer

Full Name

Qualification

Postal Address

**Signature of
Accounting
Officer**

**CERTIFICATE OF REGISTRATION AND
INCORPORATION**

The above named Private Business Corporation has been incorporated.

Registrar

Date

NOTES

1. *You must provide all the information required on this form.*
2. *You must submit the Incorporation Statement to the Registrar in duplicate if you are going to register your PBC in Harare. If you are going to register the PBC in Bulawayo, you must submit the Incorporation Statement to the Registrar in triplicate. Carbon copies are not acceptable.*
3. *A PBC can have a minimum of one member and a maximum of 20 members.*
4. *Only individuals are allowed to be members of a PBC.*
5. *If the members of the PBC wish to include the objects of the PBC in the Incorporation Statement, they may do so.*
6. *The total of the percentage of the members interests must add up to 100%.*
7. *With regard to services, you may only include services rendered towards the formation or registration of the PBC. You may not include services rendered to the PBC after it is registered.*
8. *The qualifications for an accounting officer are specified in the Regulations.*

PRIVATE BUSINESS CORPORATION ACT
[CHAPTER 24:11]

INCORPORATION STATEMENT
PART A

Please read the notes overleaf before completing this form

The Corporation

Full Name of Private Business Corporation	SME PROMOTION	For Office Use: Registered Number Either "XXX Private Business Corporation" or "XXX, P.B.C.". The name should be reserved with the form P.B.C. 1 before the application of P.B.C. 2
Postal Address	P.O. BOX 123, HARARE	

Physical Address	PRIVATE BAG 7740, CAUSEWAY, HARARE
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Physical Address does not need to be the actual location of the business.

Main Objects (optional)	PROMOTION OF SMALL AND MEDIUM ENTERPRISES
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Main Objects can be left blank if it is the consensus of all members.

The number needs to be consistent with Part

Number of Members	THREE (3)	Date of end of financial year of P.B.C.	31 DECEMBER
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Accounting officer	The person can be either a member or a non-member of PBC. The person needs to be a member of either one of the following professional bodies:		
Full Name	MOYO, JAMES JOHN	1. The Institute of Chartered Accountants of Zimbabwe. 2. The Institute of Chartered secretaries and Administrators in Zimbabwe. 3. The Chartered Institute of Management Accountants 4. The Zimbabwe Association of Accounting Technicians. 5. The Chartered Association of Certified Accountants 6. The Zimbabwe Institute of Public Finance and Accountancy.	
Qualification	SAAA DIPLOMA		
Postal Address	P.O. BOX 456, HARARE		
Signature of Accounting Officer	Signature is required.		

CERTIFICATE OF REGISTRATION AND INCORPORATION

The above named Private Business Corporation has been incorporated.

Office use only

Registrar

Date

Policy Recommendations on the Facilitation of Registration of Companies

Background

In Zimbabwe, the development of Small, Micro and Medium Enterprises (SMMEs) is regarded as crucial for achievement of broad development objectives such as poverty alleviation, spreading employment to rural areas, improving the situation of women and increasing indigenous ownership of investment in the economy.

Although Zimbabwe already has a relatively solid base of domestic industries and high level of education compared to neighbouring countries, SMMEs are not growing as fast as expected in spite of their high potentiality. One of the major hindrances rests with the complexity and lengthiness of registration procedures of companies.

In order to tackle this issue, the Government of Zimbabwe requested Japan International Cooperation Agency (JICA) to support the Ministry of Small and Medium Enterprises Development (MSMED) by sending an SME expert who is tasked to assist the Ministry to promote start-ups of new businesses in the country through the simplification of registration procedures.

Based on the JICA expert's findings and a series of discussions among organizations related to the promotion of SMMEs, MSMED prepared this policy paper, which aims at addressing necessary actions to be taken by the Government of Zimbabwe.

Problems Identification

The major hindrance for the start-ups of businesses in Zimbabwe is that the registration process of the most common type of companies, "Private Limited Company", usually takes six months to a couple of years, if individual entrepreneurs try to register their companies on their own. As a result, people are obliged to pay extra fees to consulting companies in registration services or to buy shelf companies.

The following obstacles were identified:

- Name search of companies is currently taking several months and accumulating a backlog everyday. The reason is that the "assessors" who are responsible for the name search at the Registrar of Companies do not process beyond their norms (60-70 names per day), although they are capable of considerably accelerating the process if proper incentives are given.
- Offices of the Registrar of Companies are located only in Harare and Bulawayo. Applicants residing in cities other than these two are obliged to travel to these cities to submit their applications.
- Stakeholders are not aware of the existence of a simplified type of companies, "Private Business Corporations" (PBC). Although the registration procedures and other requirements of

PBC are simpler and fit for SMEs, most SMEs still apply for Private Limited Companies due to lack of information.

- Since applicants for the registration of companies do not have access to the information on the already registered or reserved names, they are obliged to apply for names arbitrarily. This is resulting in both the high rejection rate of name search applications and the excessive load on the Registrar of Companies.
- Applications of registration are currently going back and forth between supervisors and examiners in the memorandum section of the Registrar of Companies, and the examiners are also obliged to perform some rudimentary duties (stamping and separation of documents), which is slowing down their substantive work.

Action Taken

The MSMED and the Ministry of Justice, Legal and Parliamentary Affairs jointly held a workshop for the explanation and dissemination of PBC on 14 June, 2007, inviting relevant stakeholders (SME Associations, Informal Traders' Associations, Universities and banks). All of these stakeholders, who had not been aware of the existence of PBC, showed their strong willingness to encourage their constituents to apply for PBC.

Recommendations

The MSMED and the SME Associations will open information desks in provinces to promote the registration of PBC. It is expected that the number of PBC's applications will dramatically increase; however, there is a serious concern that the applications will not be duly processed and simply form a huge backlog unless drastic measures are taken to considerably increase the processing capacity of the Registrar of Companies.

The following recommendations need to be considered to speed up the registration procedures to encourage setting up of new formal businesses.

- The Ministry of Justice, Legal and Parliamentary Affairs should consider Commercialisation of the Registrar of Companies Department. Commercialization of the registrar would enable the acceleration of name search through the introduction of proper incentives to assessors and supervisors. Commercialisation would also enable the decentralisation of the registrar's functions along with the allocation of officers in each province, who will be tasked to receive applications and deliver the results. The accrued cost can easily be covered by the application fees once they are raised to reasonable levels.
- Registrar of Companies should compile all the registered and reserved names on a quarterly basis and make its electronic file accessible to the public. The file should be distributed to MSMED provincial offices and other organisations that support SMEs, including SME Associations.
- The Registrar of Companies should examine and streamline the internal flow of information and documents, and establish a proper information tracking system. This can be done even without information technology or computerisation of Registrar of Companies.

Basics of Business

– Think Strategically –

1. SWOT Analysis – “Analyse yourself objectively and have a clear vision of your business”

<Internal Factors>

1.1 Your Strengths:

- What are your personal advantages in doing your business? (skills, ideas, education/qualifications, capital, equipment, connections/human relations, staff)

1.2 Your Weaknesses:

- What are your personal disadvantages in doing your business? (skills,.....same as above)

<External Factors>

1.3 Your Opportunities:

- How favourable to your business is the environment around you? (market size, number of similar products/services, competitor’s products/services’ features, prices and quality, preference of consumers...)

1.4 Your Threats:

- What difficulties do you find in the environment surrounding you? (market size,.....same as above)

For advanced levels of training, please contact “EMPRETEC” or “SEDCO”.

2. Marketing Plan – “Figure out how to market your products/services with the four “P”s”

2.1 Product – What products or services do you sell to your customers?

- How are the quality, colour, size and packaging of your products?
- What features of your products/services are (or aren’t) appealing to your customers and why?
- What follow-up services do you provide to your customers?

2.2 Price – How much are your customers willing to pay for your products/services?

- How much are your competitors’ prices? What do you think are their price policies (why are their prices as such)?
- How much are customers willing to pay for your products/services and why?
- Do you give discount or not? To whom and how much? How is it effective?
- Do you sell your products/services on credit? Why, to whom and how?

2.3 Place – How do you reach your customers?

- If you have goods or services to sell, where is the appropriate location for your business? What are the major factors to consider?
- If you are a manufacturer, what channels do you use to access your customers (where to display, whether you use wholesalers / retailers, have your own shop or deliver directly)?

2.4 Promotion – How do you attract customers to buy?

- How do you let your customers know your products in the first place? (advertisements on newspapers, signs, fliers, personal letters/visits, participation in fairs/exhibitions, demonstrations/tasting...)
- How do you display your goods in your shop? (make your goods easy to see, show the front of packages, show the prices clearly, package related products....)
- How do you treat your customers? (be polite, friendly and patient, build trust and create repeaters, have sufficient knowledge about the goods and be capable to explain to customers.....)

3. Buying Plan– “What equipment, machines and materials do you buy?”

3.1 Equipment and machines

- What equipment do you need? What technological level suits you? Is the equipment easy to operate?
- How much does the equipment cost? Which is more economical, old or new equipment? Buying or renting? How long does the equipment last?
- How often does the equipment break down? How do you repair? How available are spare parts and how much are the prices?

3.2 Raw Materials / Finished goods

- If you are a manufacturer, what raw materials do you use? Are their quality and prices fit with your products? How often do you buy and how much do you stock?

- If you are a retailer/wholesaler, what goods do you deal with? Are your goods what your targeted customers want? How often do you buy and how much do you stock?

- From whom do you buy: a manufacturer, wholesaler, or retailer?

4. Costing Plan and Working Capital – “How much are the costs of your products? Are you making profit or loss? How much cash do you need to start your business?”

4.1 Costing Plan

Your product’s cost must be lower than its price.

Costs = Direct Costs (Material Costs + Direct Labour Costs) + Indirect Costs

Example: Working sutis

20

<Direct Costs>

(1) Material cost

Raw material	Quantity	Buying costs	Total costs	Number of products	Material cost per unit of product
Cloth	20 m2	\$200	\$4,000		
Button	5 sets	\$40	\$200		
total			\$4,200	10	\$420

(2) Direct labour cost

Employee	Total working hour per unit of product	Hourly wage	Labour cost per unit of product
Designer	5 hours	\$40	\$200
Trailer	10 hours	\$30	\$300
total			\$500

<Indirect Costs>

(3) Indirect labour cost

Employee	Number of Employees	Monthly salary	Indirect labour cost per month
Saleperson	2	\$5,000	\$10,000
Book-keeper	1	\$4,000	\$4,000
total			\$14,000

(4) Depreciation cost

Item	Price	Life	Cost per month
Sawing machine	\$240,000	5 years	\$4,000
Overlocking machine	\$180,000	5 years	\$3,000
total			\$7,000

(5) Total indirect cost

Item	Cost per month	
Rent	\$7,000	
Electricity and water cost	\$8,000	
Indirect labour cost	\$14,000	
Depreciation cost	\$7,000	
Repair, maintenance, and rental cost	\$6,000	
Other costs	\$13,000	
total		\$55,000



(6) Indirect cost allocated to a unit of product

Total direct labour hours per month	1,500 hours
Direct labour hours for a set of working clothes	15 hours
Indirect cost of a set of working clothes	$\$55,000 \times 15/1,500 = \550



(7) Total unit cost

Direct cost per unit of		Indirect cost allocated	Total cost of a set of working clothes
Material cost	Direct labour cost		
\$420	\$500	\$550	\$1,470

4.2 Working capital

How much cash do you have to pay upfront before any money comes in from sales?

5. Record-Keeping

< Record Book >

Date	Details	Voucher No.	Cash		
			In	Out	Balance
14/4	Beginning balance in cash box				\$5,000
	Cloth from ABC mart	215		\$1,500	\$3,500
	Electricity	216		\$600	\$2,900
	From bank account to cash box	217	\$1,000		\$3,900
	Wage (Mr. K)	218		\$800	\$3,100
	Wage (Ms. J)	219		\$500	\$2,600
	Sales (work suit # 1523)	220	\$800		\$3,400
	Buttons from XY trade	221		\$600	\$2,800
	Ending balance in cash box				\$2,800
15/4	Beginning balance in cash box				\$2,800
	Sales (work suit # 853)	223	\$950		\$3,750
	Stationary (5 notebooks)	224		\$50	\$3,700
	Rental fee	225		\$800	\$2,950

6. Register Your Company

“What are the advantages of registering your company?”

- To have transactions with other official businesses
- To join government tenders
- To officially export your products

Please look at “Business Start-up Procedures for SMEs” for further information on how to register your company and obtain necessary licenses.



Ministry of Small and Medium Enterprises Development



Japan International Cooperation Agency

Attachment 6: Answer Sheets

SWOT ANALYSIS

Your product/service:

-Internal Factors-

STRENGTHS

WEAKNESSES

-External Factors-

OPPORTUNITIES

THREATS

MARKETING PLAN - PRODUCT

Product or Service		
Your Target Customers		
Type of Production		
	Your product / service	Your competitors' products / services
a. Quality		
b. Color		
c. Size		
d. Packaging		
e. Other Specific Features		
f. Follow-up Services		

MARKETING PLAN - PRICE

Product or Service	
a. Your competitors' prices / price policy	
b. How much customers are willing to pay for your products / services, and its reasons	
c. Your cost	
d. Your discount policy (to whom, how much and how effective)	
e. Down payment policy	
f. Your credit policy (why, to whom and how)	

MARKETING PLAN - PLACE

Your product/service:

1. What are the factors you should consider for the location of your business (factory / shop) ?

a.
b.
c.
d.
f.

2. Describe the location of your business and the reasons.

Location of your factory / shop:

--

Reasons:

3. If you are a manufacturer, describe what channels you use to access your customers, and why. (where to display your product, whether you use wholesalers / retailers, have your own shop, or deliver directly)

MARKETING PLAN - PROMOTION

Your product/service:

1. Actions to let your customers know your product / service

a.
b.
c.
d.

2. Actions to encourage your customers to buy your product / service

a.
b.
c.
d.

BUYING PLAN

a. Equipment / machines

Your product/service:

Name of equipment / machine	Reasons for the selection of the equipment / machine	How to obtain the equipment / machines (new or second-hand, buying or renting)	Maintenance and repair costs per month or rental fee	Total machine cost (depreciation + maintenance) per month
a.				
b.				
c.				

b. Raw materials / finished goods

Where and how you get your raw materials or finished goods	Reasons for the selection of the supplier(s), including appropriateness of the quality and size of raw materials / finished goods	Cost of the raw materials / finished goods
a.		
b.		
c.		

Attachment 7: Explanatory Sheets

1. SWOT Analysis

***“Analyse yourself objectively and
Have a clear vision of your business”***

<Internal Factors>

1.1 Your Strengths:

“What are your personal advantages in doing your business? “

- Skills
- Ideas
- Education/qualifications
- Capital
- Equipment
- Connections/human relations
- Staff etc.

1.2 Your Weaknesses:

“What are your personal disadvantages in doing your business? “

- Skills
- Ideas....

Please see Sheet # 1

<External Factors>

1.3 Your Opportunities:

“How favourable to your business is the environment around you? “

- Market size
- Number of similar products/services
- Competitor’s products/services’ features, prices, quality
- Preference of consumers etc.

1.4 Your Threats:

“What difficulties do you find in the environment surrounding you? “

- Market size
- Number of

Please see Sheet # 1

2. Marketing Plan

“Figure out how to market your products/services with the four “P”s”

2.1 Product

“What products or services do you sell to your customers?”

- How are the quality, colour, size and packaging of your products?
- What features of your products/services are (or aren’t) appealing to your customers and why?
- What follow-up services do you provide to your customers?

Please see Sheet # 2

2.2 Price

“How much are your customers willing to pay for your products/services? ”

- How much are your competitors’ prices? What do you think are their price policies (why are their prices as such)?
- How much are customers willing to pay for your products/services and why? Do you give discount or not? To whom and how much? How is it effective?
- Do you sell your products/services on credit? Why, to whom and how?

Please see Sheet # 3

2.3 Place

“How do you reach your customers? ”

- If you have goods or services to sell, where is the appropriate location for your business? What are the major factors to consider?
- If you are a manufacturer, what channels do you use to access your customers (where to display, whether you use wholesalers / retailers, have your own shop or deliver directly)?

Please see Sheet # 4

2.4 Promotion

“How do you attract customers to buy?”

- How do you let your customers know your products in the first place? (advertisements on newspapers, signs, fliers, personal letters/visits, participation in fairs/exhibitions, demonstrations/tasting....)
- How do you display your goods in your shop? (make your goods easy to see, show the front of packages, show the prices clearly, package related products....)
- How do you treat your customers? (be polite, friendly and patient, build trust and create repeaters, have sufficient knowledge about the goods and be capable to explain to customers.....)

Please see Sheet # 5

3. Buying Plan

“How much money do you need to start your business and how do you buy equipment, machines and materials?”

3.1 Equipment and machines

- What equipment do you need? What technological level suits you? Is the equipment easy to operate?”
- How much does the equipment cost? Which is more economical, old or new equipment? Buying or renting? How long does the equipment last?
- How often does the equipment break down? How do you repair? How available are spare parts and how much are the prices?

Please see Sheet # 6

3.2 Raw Materials / Finished goods

- If you are a manufacturer, what raw materials do you use? Are their quality and prices fit with your products? How often do you buy and how much do you stock?
- If you are a retailer/wholesaler, what goods do you deal with? Are your goods what your targeted customers want? How often do you buy and how much do you stock?
- From whom do you buy: a manufacturer, wholesaler, or retailer?

4. Costing Plan and Working Capital

**"How much are the costs of your products?
Are you making profit or loss? How much cash
do you need to start your business?"**

4.1 Costing Plan

Costs = Direct Costs (Material Costs + Direct Labour Costs)
+ Indirect Costs

<Example: Working Suits>

Please see Sheet # 7

1. Material cost

This is an exercise to determine the actual cost of a unit of the product.

Raw material	Quantity	Buying costs	Total costs	Number of products	Material cost per unit of product
Cloth	20m	Z\$ 200	Z\$ 4000		
Buttons	5 sets	Z\$ 40	Z\$ 200		
total			Z\$ 4200	10	Z\$ 420

Identify in the first place the minimum number of products in the manufacturing cycle.

Package costs should also be included.

No direct labour cost in the cases of retailers and wholesalers.

This could be "minute" in the case of mass production.

2. Direct labour cost

Employee	Total working hours per unit of product	Hourly wage	Labour cost per unit of product
Designer	5 hours	Z\$ 40	Z\$ 200
Tailor	10 hours	Z\$ 30	Z\$ 300
total			Z\$ 500

Please see Sheet # 8

3. Indirect labour cost

Category of Employee	Number of Employee	Monthly salary	Indirect labour cost per month
Sales person	2	Z\$ 5,000	Z\$ 10,000
Book-keeper	1	Z\$ 4,000	Z\$ 4,000
total			Z\$ 14,000

4. Depreciation cost

Item	Price	Life	Cost per month
Sawing machine	Z\$ 240,000	5 years	Z\$ 4,000
Overlocking machine	Z\$ 180,000	5 years	Z\$ 3,000
total			Z\$ 7,000

This is the money you set aside for future replacement of your machinery. Therefore, you have to frequently update the prices.

5. Total indirect cost

Item	Cost per month
Rent	Z\$ 7,000
Electricity and water cost	Z\$ 8,000
Indirect labour cost	Z\$ 14,000
Depreciation cost	Z\$ 7,000
Repair, maintenance and rental costs	Z\$ 6,000
Other costs	Z\$ 13,000
total	Z\$ 55,000

(a)

Please see Sheet # 9

There are several indicators to allocate indirect cost (labor hours, number of products, etc.)

6. Indirect cost allocated to a unit of product

Total direct labor hours per month (b)	1,500 hours
Direct labor hours per unit of finished goods (c)	15 hours
Indirect cost per unit of finished goods (d) = (c) / (b) x (a)	15/1,500 x Z\$ 55,000 = Z\$ 550

7. Total cost per unit of product

Direct cost per unit of product		Indirect cost allocated for a unit of product	Total cost per unit of product
Material cost	Direct labour cost		
Z\$ 420	Z\$ 500	Z\$ 550	Z\$ 1,470

4.2 Working capital

➤ How much cash do you have to pay upfront before any money comes in from sales ?

5. Record-Keeping

"Why do you need record-keeping?"

- To control your cash so that money should not disappear
- To have a clear idea how your business is doing and what to do next
- To show others how your business is doing (banks, tax office, etc.)

Please see Sheet # 10

<Daily Cash Record>

Date	Details	Voucher No.	Cash		
			In	Out	Balance
14/4	Beginning Balance				\$5,000
	Material A	215		\$1,500	\$3,500
	Electricity	216		\$600	\$2,900
	Bank to cash box	217	\$1,000		\$3,900
	Wage	218		\$800	\$3,100
	Wage	219		\$500	\$2,600
	Sales	220	\$800		\$3,400
	Material B	221		\$600	\$2,800
15/4	Material C	222		\$600	\$2,200
	Sales	223	\$950		\$3,150
	Wage	224		\$400	\$2,750
	Sales	225	\$1,200		\$3,950

6. Register Your Company

“What are the advantages of registering your company?”

- To have transactions with other official businesses
- To join government tenders
- To officially export your products
- To receive bank loans

Obtain application forms for “Private Business Corporation” (PBC 1 & PBC 2) and “Instructions of Application” at MSMED branch offices.

Attachment 8: Sample Answer Sheets

SWOT ANALYSIS

Your product/service: *Work Suits*

-Internal Factors-

STRENGTHS

- Education and knowledge (higher national diploma in clothing manufacturing)
- Skills (Once worked for a big firm and learned how to manage a company)
- Human relations (well connected to some former colleagues and suppliers of raw materials)
- Minimum capital (retirement package is enough to start the business)
- Equipment (a heavy duty sewing machine was given as a retirement package)

WEAKNESSES

- Old equipment
- Cannot compete with already existing firms in terms of volume and cheap prices.
- Capital not enough to purchase state-of-art machinery
- Cannot offer high wages and salaries.

-External Factors-

OPPORTUNITIES

- The demand is growing as a result of increased health and safety policies.
- Prices of work suits are relatively high.
- Production is simpler (a small variety and a large volume) than ordinary clothes.
- Most work suits on the market are dull and not attractive.
- Repeated orders can be expected if the product is attractive.

THREATS

- Rival companies are producing very cheap products and attracting customers.
- Increasing prices of raw materials
- Demand for higher wages and difficulty in recruiting good workers

MARKETING PLAN - PRODUCT

Product or Service	Work Suits Need to have a clear image of your target customers, and focus your marketing efforts towards them.	
Your Target Customers	Medium sized factories that repeatedly order work suits.	
Type of Production	Made-to-order production Highlight the differences with your competitors.	
	Your product / service	Your competitors' products / services
a. Quality	- My work suits are produced from raw materials from "David Whitehead", the leading manufacturer of quality cloth in the country. - My work suits are more durable than the competitors'. - My work suits are softer and more comfortable to wear.	- Quality is not good, and easy to be worn out. - Using raw materials from local retailers. - Not comfortable to wear and less durable.
b. Color	- Most clients favour blue color. - They associate blue color with neatness / cleanliness.	- Most competitors produce brown and black coloured work suits. - Clients do not like dull colors.
c. Size	- Small, medium, large and extra large.	- Small, medium, large and extra large.
d. Packaging	na.	na.
e. Other Specific Features	- Some of my products have a major retailer's brand name in the back when they are sold under an OEM (Original Equipment Manufacturer, meaning subcontract) contract.	
f. Follow-up Services	- Work suits are replaced for free of charge if worn out in the first week of purchase. - Work suits are repaired for free of charge within an year after the purchase.	- No follow-up services

MARKETING PLAN - PRODUCT

Product or Service	Peanut Butter Need to have a clear image of your target customers, and focus your marketing efforts towards them.	
Your Target Customers	Those customers who are buying imported peanut butter	
Type of Production	Mass production Highlight the differences with your competitors.	
	Your product / service	Your competitors' products / services
a. Quality	- My product is of high quality since I roast nuts with specialized machines. - My product has a good flavor. - Texture is smooth.	- Low quality due to the poor roasting method. - Texture is rather coarse.
b. Color	- Golden brown	- Brown and pale
c. Size	- 375 ml bottles - 1 litre bottle for business customers	- 375 ml bottles
d. Packaging	- Light plastic bottles - Light plastic containers	- Heavy glass bottles
e. Other Specific Features	- Labels with the name of the company and the picture of nut to make it appetizing. - Expiration date and manufacture date are indicated.	- Only company's name on the label - Expiration date is not always indicated.
f. Follow-up Services	na.	na.

MARKETING PLAN - PRICE

Product or Service	Work Suits
a. Your competitors' prices / price policy	- Z\$ 1,600 to Z\$ 1,800 per work suit - It seems that a certain discount and credit are applied to repeated customers. Look at your product from the customers' perspectives.
b. How much customers are willing to pay for your products / services, and its reasons	- Customers will pay Z\$ 2,200 for my work suit because my product is of high quality and is not easily worn out. Besides, blue color is more appealing than my competitors' products.
c. Your cost	Z\$ 1,470 per work suit
d. Your discount policy (to whom, how much and how effective)	- Give discount to OEM (Original Equipment Manufacturer) customers. - 10% discount for the orders of 10 suits and above to encourage customers to order a large volume.
e. Down payment policy	- Request a 50% down payment to large orders in order to finance the procurement of raw materials. You have to consider the inflation and default risks in giving credit.
f. Your credit policy (why, to whom and how)	- If customers make a 50% down payment, I allow them to pay the balance two weeks after the delivery.

MARKETING PLAN - PRICE

Product or Service	Peanut Butter
a. Your competitors' prices / price policy	- Z\$ 150 per 375 ml bottle.
b. How much customers are willing to pay for your products / services, and its reasons	- Z\$ 250 per 375 ml bottle. The price is set between locally-made low quality products and foreign-made high quality products.
c. Your cost	- Z\$ 150 per 375 ml bottle.
d. Your discount policy (to whom, how much and how effective)	- Give a 20% discount to corporate customers, such as supermarkets, who buy in bulk. - Give a 10% discount to small customers who buy more than 10 bottles.
e. Down payment policy	- Request a 30% down payment to customers who make an order of a large volume.
f. Your credit policy (why, to whom and how)	NA

Look at your product from the customers' perspectives.

You have to consider the inflation and default risks in giving credit

MARKETING PLAN - PLACE

Locations ideal for factories and shops are usually different.

Your product/service: Work Suits

1. What are the factors you should consider for the location of your business (factory / shop) ?

a. Rent
b. Availability of qualified workers
c. Reliability of electricity
d. Transport cost to the market
f.

2. Describe the location of your business and the reasons.

Location of your (factory / shop):

Industrial complex in the suburb of Harare

Reasons:

- Rent is much cheaper than in the city center.
- Proximity to Harare makes recruitment of qualified workers and delivery of products to the customers easy.
- Frequent power failures, but at the manageable level
- Many corporate customers visit the area since many factories are concentrating.

3. If you are a manufacturer, describe what channels you use to access your customers, and why. (where to display your product, whether you use wholesalers / retailers, have your own shop, or deliver directly)

- Sign contracts with a couple of retailers in the city center and give them sample products so that they receive orders on a commission basis.
- Visit and direct sale to corporate customers.
- Sign an OEM contract with a large retailer.

MARKETING PLAN - PROMOTION

Your product/service: Work Suits

1. Actions to let your customers <u>know</u> your product / service	Take cost-effectiveness into consideration when choosing medias.
a.	Advertisement on newspapers and radio (talk about the features of my work suits)
b.	Personal visits to companies' offices to meet with managing directors
c.	Participation in local / international trade fairs, local SME expositions, etc.
d.	Prepare a display of work suits at the entrance of my factory, targeting corporate customers who visit the industrial complex.

2. Actions to encourage your customers to <u>buy</u> your product / service	Keep in mind that ensuring repeaters is far less costly than finding new customers.
a.	Familiarize all my staff and contracted retailers on the good features of my products and request them to explain to potential customers.
b.	Take good care of customers so that they will buy my products repeatedly.
c.	Greet customers with utmost friendliness and politeness and say farewell after they visit the shop or factory.
d.	

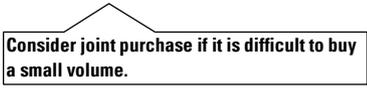
BUYING PLAN

a. Equipment / machines

Your product/service: *Work Suits*

Name of equipment / machine	Reasons for the selection of the equipment / machine	How to obtain the equipment / machines (new or second-hand, buying or renting)	Maintenance and repair costs per month or rental fee	Total machine cost (depreciation + maintenance) per month
a. <i>Heavy duty sawing machine</i>	<i>To be able to perform when given big orders</i>	<i>A second-hand machine which I once used.</i>	<i>Z\$ 2,000</i>	<i>Z\$ 6,000</i>
b. <i>Overlocking machine</i>	<i>To be able to produce quality work suits</i>	<i>ditto</i>	<i>Z\$ 1,000</i>	<i>Z\$ 4,000</i>
c. <i>Embroidery machine</i>	<i>To be able to indicate either my company's name or OEM brand name</i>	<i>Rented machine</i>	<i>Z\$ 3,000</i>	<i>Z\$ 3,000</i>

b. Raw materials / finished goods

Where and how you get your raw materials or finished goods	Reasons for the selection of the supplier(s), including appropriateness of the quality and size of raw materials / finished goods	Cost of the raw materials / finished goods
a. <i>DAVID WHITEHEAD</i> <i>- buy in bulk with a 10% discount</i>	<i>- Enjoy reliable supply of high quality raw materials</i> <i>- Enjoy discount</i> <i>- Use brand name of "DAVID WHITEHEAD"</i>	<i>Z\$ 200 per meter</i>
b.		
c.		

Costing Plan - Direct Cost

This is an exercise to determine the actual cost of a unit of the product.

1. Material cost

Raw material	Quantity	Buying costs	Total costs	Number of products	Material cost per unit of product
Cloth	20m	Z\$ 200	Z\$ 4000	1	Identify in the first place the minimum number of products in the manufacturing cycle.
Buttons	5 sets	Z\$ 40	Z\$ 200		
total			Z\$ 4200	10	Z\$ 420

Package costs should also be included.

No direct labour cost in the cases of retailers and wholesalers.

This could be "minute" in the case of mass production.

2. Direct labour cost

Employee	Total working hours per unit of product	Hourly wage	Labour cost per unit of product
Designer	5 hours	Z\$ 40	Z\$ 200
Tailor	10 hours	Z\$ 30	Z\$ 300
total			Z\$ 500

Costing Plan - Indirect Cost

3. Indirect labour cost

Category of Employee	Number of Employee	Monthly salary	Indirect labour cost per month
Sales person	2	Z\$ 5,000	Z\$ 10,000
Book-keeper	1	Z\$ 4,000	Z\$ 4,000
total			Z\$ 14,000

4. Depreciation cost

Item	Price	Life	Cost per month
Sawing machine	Z\$ 240,000	5 years	Z\$ 4,000
Overlocking machine	Z\$ 180,000	5 years	Z\$ 3,000
total			Z\$ 7,000

This is the money you set aside for future replacement of your machinery. Therefore, you have to frequently update the prices.

5. Total indirect cost

Item	Cost per month
Rent	Z\$ 7,000
Electricity and water cost	Z\$ 8,000
Indirect labour cost	Z\$ 14,000
Depreciation cost	Z\$ 7,000
Repair, maintenance and rental costs	Z\$ 6,000
Other costs	Z\$ 13,000
total	Z\$ 55,000 (a)

Costing Plan - Total Unit Cost

There are several indicators to allocate indirect cost (labor hours, number of products, etc.)

6. Indirect cost allocated to a unit of product

Total direct labor hours per month (b)	1,500 hours
Direct labor hours per unit of finished goods (c)	15 hours
Indirect cost per unit of finished goods (d) = (c) / (b) x (a)	15/1500 x Z\$ 55,000 = Z\$ 550

7. Total cost per unit of product

Direct cost per unit of product		Indirect cost allocated for a unit of product	Total cost per unit of product
Material cost	Direct labour cost		
Z\$ 420	Z\$ 500	Z\$ 550	Z\$ 1,470

Book-Keeping

1. Record Book

Date	Details	Voucher No.	Cash		
			In	Out	Balance
14/4	Beginning balance in cash box				\$5,000
	Cloth from ABC mart	215		\$1,500	\$3,500
	Electricity	216		\$600	\$2,900
	From bank account to cash box	217	\$1,000		\$3,900
	Wage (Mr. K)	218		\$800	\$3,100
	Wage (Ms. J)	219		\$500	\$2,600
	Sales (work suit # 1523)	220	\$800		\$3,400
	Buttons from XY trade	221		\$600	\$2,800
	Ending balance in cash box				\$2,800
15/4	Beginning balance in cash box				\$2,800
	Sales (work suit # 853)	223	\$950		\$3,750
	Stationary (5 notebooks)	224		\$50	\$3,700
	Rental fee	225		\$800	\$2,950

2. Receipts

XYZ Business P.B.C.		Date	08-Jul-07	
Receipt		Serial No.	223	
Name & Address	Tappara Trading Limited 36 PJ Street, Harare			
Items	Work Suits 4 sets (order # 853)	\$	950	00
total			950	00

Attachment 9: Questionnaire for SMEs

To the Participants of the “Training of Trainers for the Basics of Business”

Subject: Instructions for the preparation of the training

- (1) In the upcoming one-day training course “Training of Trainers for the Basics of Business”, which is scheduled on 28th and 29th of June, you yourself will be requested to participate in the course as the manager of an SME. Prior to the training, you are requested to pick up an SME in your province, interview its managing director and understand their challenges and opportunities. Please use the attached questionnaire (2 pages) for this purpose. (Remark: do not simply give away the QN to the SME. You are expected to interview the SME by using the QN). A sample answer to the QN is attached to this letter.
- (2) The training will be conducted in line with the attached training manual “Basics of Business - think strategically”. Since you will be requested to provide your ideas on the business strategy of the SME you will be interviewing in (1), please read the manual carefully and prepare for the answers.
- (3) Since the Ministry is in the process of publishing a newsletter on SME Development on a quarterly basis, you are also requested to complete an article on the success story of the SME that you will be interviewing. A sample of the article is attached to this letter. Upon the training, please submit Mr. Hove, editor of the newsletter, both a copy of the answer of QN and the article.

Questionnaire to SME

1. Name and contact address of the company
Name of the company: Address: Tel: Interviewees' name and position:
2. What business are you in? What are your major products / services?
3. When was your company started and registered?
4. How many people (full time, part time) are working in your company including yourself?
5. Please briefly tell us about yourself and how you came up with the idea to start the business.
6. How successful is your business? Who are your major customers? What are the advantages of your products / services vis-à-vis competing products/services?
7. What were major challenges to your company and how did you overcome them?
8. What do you wish to achieve and how?
9. What message do you have for upcoming SMEs?

Questionnaire to SME (Sample Answer)

1. Name and contact address of the company
Name of the company: <i>Garfield Industries (Pvt) LTD</i> Address: <i>18 Harrow Road, Msasa, Harare</i> Tel: <i>04-487282, 04-486449</i> Interviewees' name and position: <i>Yulitha Mugwira – Director</i>
2. What business are you in? What are your major products / services?
<i>Manufacturing of household products</i> <i>Products : Mukwa Oil, Floor polish, Camoles, Toilet guard, Scouring powder, Petroleum Jelly</i>
3. When was your company started and registered?
<i>Started and Registered in November 1989</i>
4. How many people (full time, part time) are working in your company including yourself?
<i>Ten permanent employees, six casuals</i>
5. Please briefly tell us about yourself and how you came up with the idea to start the business.
<i>Garfield Industries is a family business. After a successful start with a leading manufacturing company then called "Reckit and Coleman", the director's late husband convinced her that they as a family could start their own business and be successful. They then sold their house in Belvedere to raise capital.</i>
6. How successful is your business? Who are your major customers? What are the advantages of your products / services vis-à-vis competing products/services?
<i>It has been successful since there are few domestic producers for the same type of products while their products are cheaper than foreign products. They have managed to penetrate a wider market and compete very well with multinational companies. Their customers include OK Zimbabwe, Jagger wholesalers, TM Supermarket, Redstar, Focaworld, Food Chain Group, Saar DC, Gutsai Convenience stores, Makro and other small shops and institutions.</i>
7. What were major challenges to your company and how did you overcome them?
<i>Market acceptance of their products during the initial stages was the biggest problem. This was overcome by vigorous market campaigns, demonstrations, promotions and advertising.</i>
8. What do you wish to achieve and how?
<i>They want to penetrate the external market, regularly and internationally. They want to be a leading manufacturer of household chemicals and detergents in every home in the region and beyond. It can be achieved by continuous marketing efforts.</i>
9. What message do you have for upcoming SMEs?
<i>Need commitment, sacrifice and financial discipline, and practice corporate governance.</i>

Sample Article

GARFIELD INDUSTRIES (Pvt) Ltd

The above named company is located at No 18 Harrow Rd, Msasa, Harare. It was established in 1989 and became fully operational in 1992.

The Managing Director of the company is Mrs Y. Mugwira. Her company is into the manufacturing of household products namely mukwa oil, floor polish, candles, toilet guard, scouring powder and petroleum jelly.

Garfield Industries (Pvt) Ltd has a very humble beginning. Mr and Mrs Mugwira initially worked for Reckit and Coleman Manufacturing Company before they decided to start their own company. They sold their house in Belvedere to raise capital to start operating. Now they have grown into an established company employing 10 permanent employees and 6 casual workers.

The major challenge they encountered as they started operating was the problem of market acceptance of their products. However, through vigorous marketing campaigns, demonstrations, promotions and advertising they managed to penetrate the market.

Now Garfield Industries (Pvt) Ltd is competing well with local and multinational companies. Their product advantage vis-a- vis competing ones is mainly in the pricing. They price their products lowly yet of high quality.

Garfield's major local customers are: - OK Zimbabwe, Jagers Wholesalers, TM Supermarkets, Redstar, Foodworld, Foodchain Groups, Gutsai Stores, Makro and other small shops.

The vision of Garfield according to Mrs Mugwira, is to penetrate the external market with a bigger percentage and to be a leading manufacturer of household chemicals and detergents for the local market. This is said to be possible if quality is maintained and prices remain at competitive level.

For upcoming SMEs, Garfield's managing director's message is for the SMEs to have total commitment, spirit of sacrifice, financial discipline and to practice corporate governance.

Attachment 10: Questionnaire for SME Associations

To Heads of MSMED's provincial offices:

Subject: Interview to Provincial SME Association

MSMED is in the process of publishing a newsletter on SME Development on a quarterly basis. Introduction of activities of one of the Provincial SME associations will be included on every issue. You are kindly requested to meet and interview the head(s) of the SME association(s) in your province(s) using the questionnaire below, produce an article, and send it to Mr. Hove, editor of the newsletter by 13th July.

Questionnaire to Provincial SME Association

1. Name of the association and its contact address/person
2. What is the current legal status (or its process) of the association? When was it established?
3. How many member companies and individuals are currently under the umbrella of the association all in all? Please provide a rough figure.
4. If there are any groups under the association that are performing particularly interesting activities, please describe them.
5. If the association has already provided some effective services to the members, please describe them.
6. What further services is the association going to provide to the members?

Attachment 11: Record of Interviews to SMEs

Record of Interviews to SMEs (at the Zimbabwe International Trade Fair, 24/July to 27/July, 2007)

	Name of Companies	Company Profile	Registering/licensing procedures
1	Trans Esse (Stainless bakery and catering equipment, Bulawayo)	Registered in 1998 and operating from 2000. 6 permanent employees and other contractual workers. The company has advantages over imported products because most of their products are custom-made. Due to lack of working capital, the company cannot have sufficient stock of materials.	Used a consultant in Dec 2006 at 2 million ZD. It took one month to complete all the procedures.
2	FATHERBRAND TRADING (furniture manufacturing with glasses, Bulawayo)	Registered and is operating since 2006.	Bought a shelf company. Procedures to acquire the certificate for tax clearance were time-consuming and required a lot of energy.
3	Garfield Industries (oil to polish furniture, Harare)	Parents started the company in 1989 and became fully operational in 1992. The son joined the company in 1996 and launched new products - oil to polish furniture. The products have price competitiveness over imported products, attaining a large market share. Due to lack of capital, the company can satisfy only 20 – 30% of the potential demand.	No information
4	Prince Gold Investment (Leather shoes and sandals, Bulawayo)	Spun out from a shoe maker and registered in 2004 (small number of workers). Since tanneries have difficulty in procuring chemicals from abroad, the raw material (leather) is not always available. As a result, the company sometimes fails to respond to customers' needs.	The registration procedures (register of companies, business license from city council, tax clearance) took 6 months. The register office gets back to the applicants in 2 to 3 months after the receipt of applications.
5	Awadra Manufacturing (Tropical beverages, Harare)	Started business in 2004 and registered in 2005. 17 permanent workers and 8 admin staff. Successful branding of soft drinks.	Used a consultant for registration. The fee was reasonable and the procedures took one month. Hygienic clearance was more lengthy: need

			approval by City's Health Dept (inspection every year), and all new products must be approved by Gov lab. Accredited by SAZ.
6	Sunrise Pottery (Vases, Marondera)	Registered in 2004 and acquired financing by SEDCO. 7 employees. Currently holding a stock of 10,000 vases, but unable to sell since the company does not have a truck. Large transporters are not interested in the small lot, while small transporters are not reliable.	Used a consultant to register. It took 2 – 3 months and cost 500,000 ZD plus registration fees. The consultant was helpful in making a business proposal etc.
7	Aqua Pristine (Bottled mineral water, Masvingo)	Registered in 2007 with 3 shareholders. 10 employees. Due to the water's high quality and the factory's advantageous location in Southern Zimbabwe, market penetration is expected to be easy. Small factory (6m x 11m). Wishes to establish another production line.	Bought a shelf company. Used a consultant for the search of a brand name (registering the brand name took only one week and consultant fee was 90,000 ZD).
8	Marondera Solar and Electronics (Manufacture of Power Bank back-up system, Marondera)	Registered in 2003. 4 employees. Invented an all-in-one system for battery charger, converter and transmitter. Identified market (already sold 11 sets) but is not able to have a stock due to lack of cash.	Bought a shelf company and the registration of the brand name took 2 weeks.
9	Zvematanda Crafts (Handicrafts, Chegutu)	Started handicrafts in the 1950s. Currently 3 permanents, 3 contractual workers and 2 seasonal workers. Formed "Chegutu Wood Turners Association" (40 woodcraft artisans), which is under that process of registration at the City Council. By registering as an association, the association will be qualified to borrow land from the City and construct a premise to sell their products.	Registration process of association takes time, but the SME association is currently facilitating the procedures. Each member of the association has a license of business, paying 41,000 ZD per annum to the City. The GM of Zvematanda Crafts intends to be registered as an independent company in the future, since it will give the company opportunities to export.
10	Lumuzi Enterprise (teak furniture maker)	Started business in 1996. 5 employees. The company was registered in 2005 in order to gain opportunities for export. Another advantage of becoming an official company is to benefit from pension fund, including labor security.	No information

		Disadvantage of not being registered is that the company always has to run away from tax officers.	
11	Ritage Wood Engineering (outdoor table and chairs, Gweru)	Started business in 1991, and was registered in 1998. 6 employees. It would be more advantageous if the company can sell from its stock: order –made with an advance payment is causing a loss of bargaining power.	Bought a shelf company, because registering a new company costs a lot for a cottage industry.
12	Elch Furniture (furniture maker - luxurious sofas, Chitungwiza)	Started and registered the company in 2000. 8 employees. The company takes deposits from customers, with which the company purchases materials.	Registered the company on its own, taking one to two months. If not registered, the company could be caught by the police anytime. The company can build trust with customers by being formal.
13	Telesa Furnishers (furniture maker - transportable beds, Chimanimani)	Spun out from a furniture maker and established and registered a company in 2000, with the special machinery designed by the current GM.	Since buying a shelf company is also cumbersome, the owner registered the company on its own. Approval by the Ministry of Health took 3 weeks and register of the company took 1.5 months. City Council's license needed only one day. Registering process cannot be completed at the district level: it should be decentralized.
14	Honey maker		By using a personal connection, the company managed to be registered in a month: otherwise, it would have taken forever.
15	KEGA Engineering (manufacturer of trailers and parts of heavy trucks, Harare)	Established and registered the company in 1996, and started manufacturing a new product in 1999. 50 employees. The GM has another trading company for trucks, from which he made sufficient revenues to invest in the manufacturing.	Bought a shelf company.
16	Woodland Oak Trading (manufacturer of cosmetics,	This is a holding company, having 4 subsidiaries. 22 employees in total (3 staff in holding company). Borrowed 10 million ZD initially from a	Bought a shelf company.

	stationeries, traditional dyed cloth)	commercial bank. Cosmetic products are most profitable; it has comparative advantages (prices and availability) over imported goods. Since domestic supermarkets are searching alternative sources due to limited FOREX, domestic manufacturers have good opportunities. Intends to export since the product is cheaper, using only local materials. Machines are also locally made.	
17	Mucal Enterprise (peanut butter, Bulawayo)	Started a company to make honey in 1998 and created a new one for peanut butter in 2006 in order to focus on a new business area. The difficulty is the seasonality of the raw material; the company needs a lot of cash to purchase the peanut in one shot for the whole year. The quality of peanut butter made in Zimbabwe is mostly bad; texture is not uniform. The company's product can compete with imported goods, and is attracting supermarkets that are looking for domestic products.	Registration needed only a week by using a registration service company. It cost only 10,000 ZD.
18	Infocom Engineering (value addition machinery for micro enterprises, Bulawayo)	Established in 1996. 3 engineers and 3 sales workers. Recently established another workshop. Although there is no much competition and the demand exceeds the supply, the company is not able to expand its business quickly due to unavailability of electrical parts and motors (the suppliers do not have much stock).	No information

Record of Interviews to SMEs (at the Kelvin North SME Incubation Center, 28 July, 2007)

	Name of Companies	Company Profile	Registering/licensing procedures
1	Kainos Furniture (Sofa)	Graduated from a school and immediately started business in August 2006 at KN. Employing 4 workers. Not registered. Paying 120,000 ZD per month as a rent to the City Council plus electricity fees 200,000 ZD per month. All furniture is made by orders from customers who visit the premises.	The company does not so far intend to be registered because the owner does not want to pay taxes. The company is not paying the tax for the “Standard Development Fund” levied by the Ministry of Industry and International Trade, either.
2	Tune-up Engineering (repairing of parts of vehicles and buses)	Registered in 1999. 4 workers. Initially rented machinery at the railway company, from which the company purchased old machinery at cheap prices and moved to KN in 2001. Orders are growing and the company has a chance of exporting, but it does not have money for investment.	The company was registered since it expected to join government tendering and get orders from official companies, which are taking place once a year. Registration process was supported by the engineering school, but it was slow.
3	TEEMA Industries (Repairing of refrigerators)	Registered in 1985 and started to be housed in KN in 1998. 5 workers. The customers are increasing through word of mouth and newspaper advertisement. The company has price competitiveness over large companies. The problem is the prices of spare parts and their availability in small volume.	The registration process was fast in 1985.
4	Dees’ Fashion (workers’ clothing)	Started business in 2004 at KN after graduating from a school. 3 workers. The company is in the process of registration. The owner wants to register the company since she wants to join government tender, deal with official companies, and access financial sources. The difficulty is to purchase materials in small volume.	Bought a shelf company, but the process is still too slow.
5	Muzhanduki Shoe Manufacturing & Repair (repair of shoes and	The owner used to work in a big company, but due to its downsizing, the owner started his own business in 1998 and moved to KN in 2005. 2	The company has not been registered since the process is too slow and the use of a consultant

	manufacturing of shoes by elephant and cattle hides)	workers. Not yet registered but the owner wishes to be registered since it will enable the company to borrow from SEDCO. If not registered, the company cannot even connect a telephone line.	costs too much.
6	LUMUZI Enterprise (Teak Furniture maker)	Registered in 2005 and being operational from 2006. 8 employees. The reason why registered is to be qualified for tendering. The difficulty is to get a loan to finance machinery, since the company does not have collateral. The company is still growing since it is able to deliver the product on time, which is the way to build trust with customers.	Bought a shelf company since searching names takes too much time.
7	TILLIES Engineering (Fabrication of vehicles' parts)	Registered in 1995 when the owner was still working in an engineering company. The owner gradually purchased machinery and started actual operation in 2003. 3 workers. The company gets 70% advance payment from customers and then purchases materials. Some materials are not always available.	Bought a shelf company. There are companies that systematically register new companies (only names) and sell them as shelf companies.

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Record of Interviews to SME Association

	Name of Association	Association's Profile
1	Bulawayo National SME Association	<p>Established in July 2004. 500 members, including member associations. Since Bulawayo NSMEA is in charge of the Treasury of the NSMEA, it is in the process of building a data base for the entire NSMEA. It is being done manually with a certain format. The current member fee is 50,000 ZD per year.</p> <p>A group of 5 companies, including board members of BNSMEA, has invested 2 billion ZD to build a shopping complex / showcases for SMEs. The premise is called "SME Centre". 59 SMEs have been selected by the Group and will be settled in the Centre. Not only the BNSMEA but also several companies (accounting, printing, etc.) that will support SMEs already have their offices in the Centre. SEDCO has already financed 100 million ZD and conducted some training courses.</p>