



Enhancing Zimbabwe's Global Competitiveness

**DIGITAL NOMADS AS A NEW COMPETITIVENESS FRONTIER IN THE LABOUR AND
TOURISM MARKETS**

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National Competitiveness Commission
"Enhancing Zimbabwe's Global Competitiveness"

1.0 Introduction

- 1.1. Digital Nomads (DN)¹ describes people who no longer work in a conventional office but can make use of ICT tools and work virtually, whilst travelling around the country or the world for weeks or months before moving on to another area or country. The DN wave has taken the global labour and tourism markets by storm, as countries that are implementing DN policies are more competitive in terms of attracting talent, expert skills and remote workers.



- 1.2. The DNs leverage their remote jobs to allow them to live in tourist hotspots, combining periods of working and tourism, and this has been termed, “work-cations”. The DNs are highly-skilled, about 90% of hold university degrees, and typically work in the knowledge economy or creative industries, with jobs such as software development & programming, marketing, content creation, blockchain and e-commerce. The DNs often work from coffee shops, hotel rooms, planes, coworking spaces, and even travel trailers.

¹ The term was originally coined by Tsugio Makimoto and David Manners in their 1997 book titled DN, which accurately predicted the current nomadic lifestyle in the work environment.

- 1.3. Although DNs existed before the COVID-19 pandemic, in the post-pandemic, the decision to relocate is now driven by the employee, and not the employer. Resultantly, there has been remarkable increase in the number of DNs throughout the whole world.
- 1.4. It is estimated that before the pandemic there were 4 million DNs worldwide, while the number has skyrocketed in the last year due to coronavirus to about 35 million, of which about 16.9 million are in the US alone. It is estimated that the DNs may reach 1 billion people by 2035.
- 1.5. A research report from MBO Partners estimates that there were 7.3 million DNs worldwide in 2019. By 2020 and 2021, this number rose to 10.9 million and 15.5 million, respectively. According to the 2023 State of DNs Report, most DNs are young people aged between 23 and 44, with the highest percentage of DNs being 34 years old (8%).

Digital Nomad Hubs in the World

- 1.6. The rapid growth in DNs is leading to the sprouting of several DN Hubs², especially in countries such as Estonia, Portugal, Thailand, Georgia, Mexico, and Germany. Chiang Mai, in Northern Thailand, known as the DN Magnet City, is one of the oldest and largest hubs for DNs in the world. Table 1 below shows a summary of some of the DNs Hubs in the world.

² Hotspots where digital nomads tend to gather and work remotely.

Table 1: Selected Digital Nomads Hubs in the World

City	Cost of Living	Internet Speed	Best Coworking Spaces	Perks	Downsides
1. Chiang Mai, Thailand	\$950 per month	23 Mbps	<ul style="list-style-type: none"> • Pun Space • MANA 	<ul style="list-style-type: none"> • Easy to explore & walkable • Lots of shared workspaces • Delicious food • Great shopping • Low cost of living 	<ul style="list-style-type: none"> • Burning season results in bad air quality
2. Lisbon, Portugal	\$1,908 per month	33 Mbps	<ul style="list-style-type: none"> • Second Home • Rocket Hub • Cowork Central 	<ul style="list-style-type: none"> • Very walkable • Safe • Plenty of interesting things to do 	<ul style="list-style-type: none"> • Many cafés are not laptop-friendly and close early • Relative high cost of living
3. Ho Chi Minh City, Vietnam	\$950 per month	18 Mbps	<ul style="list-style-type: none"> • Dreamplex • Spiced 	<ul style="list-style-type: none"> • Delicious and cheap street food • Affordable cost of living with big-city amenities • Vibrant nightlife 	<ul style="list-style-type: none"> • The city can be noisy and busy • It can get extremely hot
4. Mexico City, Mexico	\$945 per month	22.87 Mbps	<ul style="list-style-type: none"> • IOS Offices • Toreo • WeWork Artz Pedregal 	<ul style="list-style-type: none"> • World-class food • Walkable • Amazing accommodation options 	<ul style="list-style-type: none"> • Be vigilant • Can experience power cuts • Low water pressure
5. Canggu, Bali	\$1,350 per month	18 Mbps	<ul style="list-style-type: none"> • Tropical Nomad • OutPost • Dojo 	<ul style="list-style-type: none"> • Lovely cafés • Great community • Incredible beaches and surfing 	<ul style="list-style-type: none"> • Traffic • Poor walkability • Pollution can be an issue

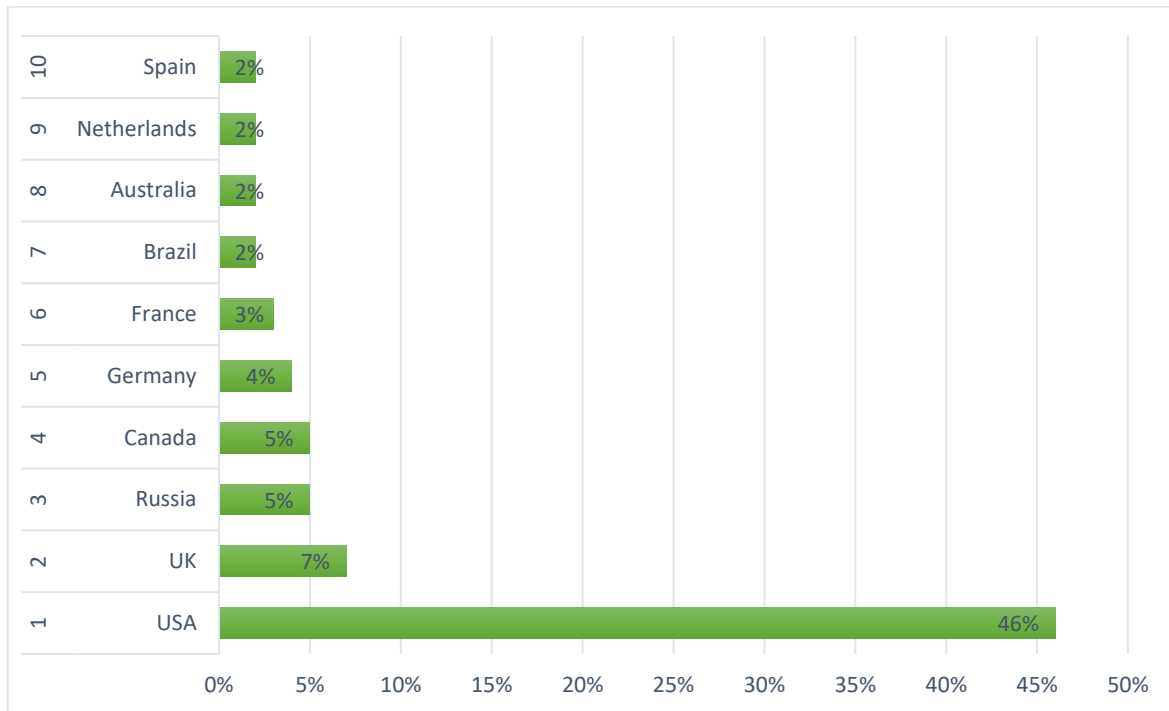
2.0. The Digital Nomad Index

- 2.1. The DN Index (DNI) measures how countries are suited to be new digital working homes. The index looks at a range of factors from broadband & mobile speed, the cost of internet, monthly rentals, existence of working holiday visa, and the Global Happiness Index to the monthly rent of a one-bedroom apartment and the number of searches for remote jobs, among others.
- 2.2. The DNI assists DNs make decisions on their next digital working adventure. Table 1 and 2 below shows the top ten ranked countries in attracting DNs and source of DNs, respectively.

Table 1: Top 10 Digital Nomads Ranking

Rank	Country
1	Spain
2	Argentina
3	Romania
4	UAE
5	Croatia
6	Portugal
7	Uruguay
8	Malta
9	Norway
10	Andorra

Figure 2: Top Ten Digital Nomads by Country



2.3. In Africa, the top ranked countries under the DNI are Mauritius (71), Morocco (72), Egypt (78), Algeria (79), Sri Lanka (81), Kenya (82), Ghana (83) and Nigeria (85). Zimbabwe is not ranked under the DNI as it is yet to implement DN policies that include the DN visa.

3.0. Incentives for Digital Nomads

- 3.1. The dawn of the technology-based jobs has seen competition heating up amongst countries to attract international remote workers, through issuance of DN Visas (DNVs)³. To date, over 50 states have issued DNVs or a Temporary Residency Permit, and these include most European Union countries, Brazil, Australia, Bahamas, Thailand, Barbados, Antigua & Barbuda, United Arab Emirates, Mexico and Malaysia, among others
- 3.2. Closer home, Cabo Verde, Mauritius, Namibia and Seychelles have not been left behind the DN bandwagon and also introduced DNVs, whilst South Africa and Egypt are working on modalities for introduction of the same.
- 3.3. Some countries have gone beyond the introduction of the DNV, as the ‘race to the bottom’ approach for attracting remote workers heat up. In Montenegro and Costa Rica, DNs are exempt from income tax, whilst in Georgia, only 1% of DNs business turnover, up to about US\$155,000 is liable to tax. In Costa Rica, there is also no import tax on personal items such as computers, cameras and phones, among others.

³ Permits that allow DNs to work remotely in a foreign country, and typically have a duration of 12 months and can be extended for one or more years, depending on the country issuing the visa.

4.0. Correlation Between Digital Nomadism and Competitiveness

- 4.1. Digital Nomadism is a 21st Century innovative work model that is transforming the work environment and competitiveness in the labour and tourism markets. Digital Nomadism has both direct and indirect positive and negative impact on competitiveness.
- 4.2. DNs boost the economy through spending money in the country where they live, thus benefiting local tourism businesses. This spending has a knock-on effect, leading to job creation and overall growth of the local economy. On the contrary, DNs may have significant downside effects for host countries through the escalation of property prices and real wages, thereby negatively affecting competitiveness of the local tourism and labour markets. As DNs from higher-income countries flock to countries with lower living costs, they inadvertently drive-up property prices and wages. This phenomenon, known as “geo-arbitrage,” can price out locals, forcing them to move further away from their traditional communities. In cities like Chiang Mai, Thailand, and Lisbon, Portugal, Pablenou, Barcelona, Spain, and Greece, this has led to a housing crisis, with locals unable to afford skyrocketing rental prices in their own cities.
- 4.3. Tax revenues, mainly Value Added Tax, import duties and application fees from high-spending DNs can help the governments' budgets, which can be used to be build competitiveness pillars such as infrastructure. However, as this new concept flourish, most companies are yet to develop official policies to manage the DN lifestyle, which can expose them to regulatory compliance risks, labour audits and global tax liabilities due to the permanent establishment⁴, which can ultimately have a knock-on effect on competitiveness of the company.
- 4.4. DNs can foster collaboration, entrepreneurship innovation and the creation of technology clusters through cross-pollination of ideas, which is key for national

⁴ A permanent establishment (PE) is when a business has an ongoing and stable presence in a country or state outside of its home base and is, therefore, liable to taxes imposed by that jurisdiction

competitiveness. This has been the case with Start-Up Chile, a government-sponsored incubator program that has invited more than 280 start-ups to spend time in Chile, since its founding in 2012. The cross-pollination of ideas, and proliferation of data across various devices and clouds can, however, inevitably put the company's Intellectual Property⁵ at risk, thereby eroding their competitiveness edge.

- 4.5. Benefits of flexible working arrangements through DNs has been widely acknowledged. According to the Global Benefits Report, 57% of interviewed workers ranked work flexibility as even more important than their compensation and employers see this as critical for recruitment, retention, and engagement. In the global workplace survey done by IWG, 85% of respondents reported that productivity increased as a result of DNs, implying positive correlation with competitiveness.
- 4.6. DNVs, accompanied by some additional tax benefits are reversing the brain drain scourge, thereby maintaining competitiveness in the labour markets.
- 4.7. DNs create opportunities for unique cultural, traditions, and customs exchange, thus assisting in promoting sustainable tourism. Culture and heritage is a key pillar under the Travel and Tourism Development Index, hence improvement in this area is paramount in enhancing tourism competitiveness.
- 4.8. To attract and accommodate DNs, countries need to invest in infrastructure development, including high-speed internet, public transportation, and housing. These are key competitive pillars under the Global Competitiveness Index (GCI) that not only benefit the nomads, but also the local population.

⁵ These include ideas, patents, trademarks, trade secrets, franchises and copyrights.

5.0. Digital Nomadism and Competitiveness in Zimbabwe

- 5.1. The country has not yet embraced digital nomadism, hence is yet to implement the DNV and accompanying tax reliefs.
- 5.2. In 2019, Zimbabwe was ranked 114 out of 140 countries, and 14th in Africa, under the Travel & Tourism Competitiveness Index, published every two years, and measures economies on a range of tourism and travel related indicators and policies. Zimbabwe is ranked below other African countries that have already or are in the process of embracing DNs in their policies, such as Mauritius (17), South Africa (61), Seychelles (62), Namibia (81) and Carbo Vede (88), among others. The country was ranked badly under health & hygiene (125, ICT readiness (119) and price competitiveness (81), which are key pillars for DNs. In 2021, Zimbabwe was not ranked under the new and revised Travel & Tourism Development Index (TTDI), since there was no local partner to conduct Executive Opinion Surveys.
- 5.3. DNs ride on low cost and high-speed internet to undertake their work whilst on holiday. Currently, Zimbabwe is ranked number 162 out of 220 countries globally and 18th in SSA in terms of internet speed. On internet cost, the country is not doing good either, where the average price of 1GB is US\$2, which compares unfavourably to US\$0.71 for Tanzania, DRC (US\$1.03), Rwanda (US\$1.1) and Zambia US\$1.36 in 2021. In addition, players in the ICT sector face high licensing fees and over-regulation which inhibit investment, increases cost of doing business and promote monopolistic tendencies. In light of this, it is high time that massive investment in ICT infrastructure be undertaken, including licensing other players in the sector, such as Starlink, which provides efficient network. Starlink is already authorised in countries that include Mauritius, Kenya, Nigeria, Rwanda and Mozambique.
- 5.4. Whereas the Government has been implementing several policies to promote the tourism sector, such as rebate of duty on capital goods for the upgrade, refurbishment and modernisation of lodges and hotels, as well as designation of some areas as Tourism

Development Zones, these fiscal measures should be complimented with the development of new products, like the DNV.

6.0. Digital Nomadism Opportunities for Zimbabwe

- 6.1. The future of Digital Nomadism is poised for robust growth, and the WB estimates that the digital economy contributes more than 15% of GDP and about 60% of global GDP rely on digital communication technologies in 2022. The WB further estimates that in the past decade, the digital economy has been growing at two and a half times faster than physical world GDP. In 2021, the Digital Economy was valued at US\$14.5 trillion, and by 2025, the WB calculated that the Digital Economy will be worth US\$20.8 trillion, paving the way for a more globally dispersed, flexible workforce, as remote work continues to gain traction.
- 6.2. According to the Havard International Review 2023, Digital nomads “contribute a global economic value of US\$787 billion per year,” playing a role in transnational money transactions across the developing world. . Zimbabwean companies and Government should leverage on this, and the opportunities abound in the digital economy to create a competitive environment that attract these DNs.

Government

- 6.3. The Government should facilitate DNVs for these remote workers and tax incentives that attract huge traffic. Working on improving image and reduce negative country perception by the international community is paramount in enhancing competitiveness.
- 6.4. It is worth noting that in 2023, the African Continental Free Trade Area (AfCFTA) Guided Trade focus on Trade in Services five priority areas, including Tourism and Travel-related Services. Against this background, Zimbabwe as a member of the AfCFTA, should seriously consider DNs, if the services sector is to be competitive under the new trade pact.

Private Sector

- 6.5. Internet Service Providers, assisted by the Ministry of Information Communication Technology have an opportunity to innovate, upgrade and invest in high-speed internet

and position the country as an attractive DN destination. The tourism sector can aggressively market their destinations to the countries with high digital nomads through creation of decent and affordable tourism products including accommodation. This can be complemented by the current efforts being undertaken by the Government, through the Ministry of Foreign Affairs and International Trade to advance image building, engagement and reengagement through introduction and marketing of new products such as DNVs to such countries.

7.0. Recommendations and Conclusion

- 7.1. DN requires more than just the ability to work remotely while travelling. It calls for discipline, adaptability, effective time management skills and a considerable degree of resilience, as there is need to balance professional responsibilities, with the challenges of continuous travel, such as adjusting to new cultures, managing variable time zones, securing accommodations and confronting the occasional bouts of loneliness that come with being far from home.
- 7.2. The impact of DNs on host countries is not a strait jacket, as it is multi-faceted, bringing both benefits and challenges, which impact on competitiveness in the labour and tourism markets. It is, therefore, imperative for host countries to undertake wider consultations, before implementing DNs policies, as well as establish clear rules and regulations to protect locals, while still benefiting from the economic opportunities concomitant with DNs.
- 7.3. Both local companies and countries need to adapt policies to accommodate and attract this new breed of workers. Once adopted, new regulatory measures and statutory frameworks to address how DNs should be treated need to be developed. In Chile, Norway and many other countries, provisions concerning remote work were recently integrated into the labor codes of conduct, whilst companies adopted a framework for engaging DNs to keep track of where their workforce is and protect their Intellectual Property accordingly.
- 7.4. The world has gone digital, and as a country we should not be lagging, and it is time for tapping into DN talent pools and in the process boost our local tourism.
- 7.5. Place-based innovation is the new frontier in competitiveness. And with Zimbabwe richly endowed with unique natural resources, it is time that country leverage on this and introduce DN Hubs in towns like the Victoria Falls.

- 7.6. The 2023 Future of Jobs Report, which the National Competitiveness Commission also facilitated local data collection that culminated in the report, asserts that globally, the outlook for DN trend is poised to be in technology related jobs such as web developers, SEO specialist, freelance writers and creative jobs.
- 7.7. Technological advancement through increased adoption of new and frontier technologies and increased digital access are expected to drive job growth in more than half of surveyed companies. It is no longer the time for the country to rely on traditional jobs, of which some are becoming dormant, but invest in ICT and leverage on the ever-increasing DNs.
- 7.8. The shape of tourism is changing, it is no longer just about holidaying, but work whilst on vacation. If the country does not move with speed to reform tourism policies, it may spell doom for the sector in the foreseeable future.