OCCASIONAL PAPER NO 52

institute for global dialogue

INFORMAL CROSS-BORDER TRADE:
The case of Zimbabwe

Daniel B Ndlela

May 2006

Occasional paper no 52

INFORMAL CROSS-BORDER TRADE: The case of Zimbabwe

Daniel B Ndlela[1]

Series editor:
Garth le Pere

Institute for Global Dialogue
Johannesburg South Africa

May 2006

Published in May 2006 by the:

Institute for Global Dialogue
IGD House, Thornhill Office Park
Bekker Street, Vorna Valley
Midrand, South Africa

P O Box 23571, Braamfontein 2017, South Africa

Tel +27 (0)11 315-1299
Fax +27 (0)11 315-2149
www.igd.org.za

ISBN 1-919697-88-X

Produced by Acumen Publishing Solutions, Johannesburg

Table of contents

Acronyms and abbreviations

ACP	Africa, Caribbean, and Pacific countries (members of the Cotonou Agreement with the European Union)
ACP–EU	Africa, Caribbean and Pacific–European Union
AGOA	African Growth and Opportunity Act
AU	African Union
BESA	Business Extension and Advisory Services
CBD	central business district
CBI	Cross-Border Initiative
CBTS	cross-border traders
COMESA	Common Market for Eastern and Southern Africa
CSO	Central Statistical Office
CZI	Confederation of Zimbabwe Industries
ESAP	economic structural adjustment programme
EU	European Union
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GMB	Grain Marketing Board
GYBI	Generate Your Business Idea
FS	formal sector
HAVAZ	Hawkers and Vendors Association of Zimbabwe
IBDC	Indigenous Business Development Council
IDASA	Institute for Democracy in South Africa
IGD	Institute for Global Dialogue
ILO/SAMAT	International Labour Organisation/Southern Africa multidisciplinary advisory team
ILO	International Labour Organisation
ILO/SATEP	International Labour Organisation/Southern Africa team for employment promotion
IS	informal sector
ISA	informal sector association
ITAZ	Informal Traders Association of Zimbabwe
IYB	Improve Your Business

LDC	least-developed country
MBDC	Micro-Business Development Corporation
MFN	most-favoured nation
NFS	non-formal sector
NISAZ	National Informal Sector Association of Zimbabwe
NGO	non-governmental organisation
NORAD	Norwegian Agency for Development
NTB	non-tariff barrier
NRZ	National Railways of Zimbabwe
OGIL	open general import licence
RBZ	Reserve Bank of Zimbabwe
RIA	regional integration agreement
RIFF	Regional Investment Facilitation Forum
SACU	Southern African Customs Union
SADC	Southern African Development Community
SEDCO	Small Enterprise Development Corporation
SGR	strategic grain reserves
SME	small and medium enterprises
SYB	Start Your Business
TFCBS	tradable foreign currency balances system
UNCTAD	UN Conference on Trade and Development
UNIDO	UN Industrial Development Organisation
UNDP	UN Development Programme
VCCZ	Venture Capital Company of Zimbabwe
WTO	World Trade Organisation
ZAISA	Zimbabwe Apex of Informal Sector Associations
ZCBTA	Zimbabwe Cross-Border Traders Association
ZCIEA	Zimbabwe Chamber of Informal Economy Associations
ZCTU	Zimbabwe Chamber of Trade Unions
ZIMPREST	Zimbabwe Programme for Economic and Social Transformation
ZIMRA	Zimbabwe Revenue Authority
ZIRA	Zimbabwe Industrial Relations Association
ZISA	Zimbabwe Informal Sector Association
ZNCC	Zimbabwe National Chamber of Commerce

1. Introduction

With most of its neighbours, Zimbabwe shares a common political, social, and economic history, characterised by independence struggles for liberation from colonialism. This was followed by a post-independence economic downturn.

The people of the Southern African region share common cultures, and have maintained relationships across borders, both before and after independence. This interrelationship of communities in the region partly forms the historical basis for the existence of informal cross-border trade. The forms and character of trading relationships were influenced and shaped by the social and political environments prevailing in each epoch.

During the pre-colonial period, people relied on barter trade based on goods and services offered by the trading communities, and premised on the principle of production patterns and comparative advantage. From the onset of colonialism, informal trade in Zimbabwe was heavily influenced by the migrant worker phenomenon. Men flocked to South Africa in search of employment, and returned home with bicycles, watches, clothing, and other goods. The post-independence scenario, which is the subject of this study, is influenced by a whole host of new factors. These may be summarised as follows:

- national political and macroeconomic frameworks;
- the regional political and economic environment; and
- international trade rules and globalisation.

The urban informal sector (IS) is defined to include all micro-enterprises, whether they operate from or around residential premises or elsewhere, provided that all their output is destined for sale in the market. Cross-border traders (CBTS) form part of the IS and are thus affected by its main characteristics and constraints. The units are operated by individuals who often lack adequate education, training, and capital. Consequently they remain small in scale, and operate from home or temporary structures and locations where costs are low. The other characteristics of this sector are the following:

- it is highly heterogeneous, with some units having very little investment and others substantial;
- unlike their counterparts in the formal sector (FS), units in this sector are denied equal access to resources and markets;
- it is a predominantly female-dominated sector, as the majority of the traders are women;
- it operates under an inappropriate policy and regulatory environment, the result of market imperfections biased against small-scale operations;
- various restrictive barriers have constrained the integration of these activities into the mainstream development of the FS;

- as land is costly and highly regulated, the IS traders are often physically marginalised with inadequate access to infrastructure and market facilities; and
- although this sector plays an important role in alleviating urban poverty, by generating employment and mobilising its own resources, its activities remain marginalised.

The IS producers of curios, crochety, doilies, cane furniture, batiks, jerseys, soft furnishing, and so forth have no capacity to export their goods. Hence, they rely heavily on informal CBTs to (a) identify market opportunities for their products in the region; and (b) develop, service, and supply those markets (interview with Zimbabwe Cross-Border Traders Association [ZCBTA] members).

Informal cross-border trade is defined as trade where the movement of goods and services across borders is, by and large, not officially recorded. It is characterised by under-invoicing and under-declaration of invoices. At times, it may even be outright illicit and of a contraband nature. It characteristically involves the frequent movement of people across borders with small consignments. Because of the small volumes per transaction, it is usually uneconomic to follow the official documentation formalities. As a result, most of this business goes unrecorded for official trade statistics and gross domestic product (GDP) purposes, despite the continuously increasing volumes, as evidenced by the rise in migration/immigration figures (see table 1).

This study investigates informal cross-border trade in Zimbabwe within the context of its neighbouring states in Southern Africa. It conducts a preliminary assessment of the linkages (that is, of actors, goods, and routes) among states in the region, particularly South Africa, Zambia, and Zimbabwe. It also examines the current state, dynamics, and contradictions of government policy on the IS and cross-border trading activities.

1.1 Categorisation of Zimbabwean small and medium enterprises (SMEs)

Three categories of small and medium enterprises (SMEs) have been identified in Zimbabwe. These are: (a) high-potential, formally registered SMEs; (b) high-potential, unregistered/informal SMEs; and (c) low-growth-potential, easy-entry/micro enterprises (UNIDO 1999).[2]

A: High-potential, formally registered SMEs

These SMEs normally employ 10 or more persons, with some even employing more than 50 persons. They are usually managed and operated by skilled personnel, in combination with semi-skilled and unskilled persons. A growing number of young exporters and aspiring exporters, and those entrepreneurs targeting the high-income market, are located in this category. The following are examples of these SMEs: agroprocessing ventures (for example, grain milling, edible oil milling, and the hitherto unexploited stock-feed processing activities); metal processing and light engineering; and woodworking, furniture, joinery, and fittings. Others include interior design and soft furnishings, and automotive engineering, including repair of vehicles and supply of vehicle spares.

B: High-potential, unregistered/informal SMEs

These normally employ five or more persons and include potential graduates of the non-formal sector (NFS)[3] – that is, those enterprises exhibiting great potential to grow out of the NFS and into the more demanding FS. Some of these enterprises are run by skilled or semi-skilled persons who have been retrenched. They ordinarily target the domestic market exclusively, most often the lower-level segments of middle- and lower-income earners. They include: small-scale metal processing and light engineering, including welding; basic woodworking and furniture; stone sculptors; food processing (for example, hammer millers, peanut butter making, and honey processing); and textile and garment production.

C: Low-growth-potential (easy entry/micro enterprises) SMEs

These SMEs are usually owner-operated and run by unskilled persons and employ between one and three workers. The latter are often underemployed, partly due to the high level of duplication of activities among this category of entrepreneurs. Enterprises in this category include informal traders and dealers in a range of products that cover foodstuffs and non-foodstuffs, in both urban and rural areas.

The significance of this categorisation is that more than 90 per cent of the SMEs are in categories B and C, while barely 10 per cent are in category A. For the purposes of this study, the CBTs are seen as part of categories B and C. There are many serious challenges and bottlenecks that retard enterprise development in each of the three categories, and it is only category A that has experienced high growth trends.

As listed in annexure 1, Zimbabwean CBTs export various goods to the countries of the Southern African Development Community (SADC), mainly South Africa, Zambia, Malawi, and Mozambique. The goods exported to South Africa include such crafts as wooden and soapstone artefacts, cane furniture, baskets, crotchety, clothing, tie-and-dye, bed and seat covers, reed mats, brooms, mops, agricultural goods, and round and ground nuts. Goods exported to the Zambian market before the demise of Zimbabwean agriculture included sugar, cooking oil, margarine, and milk. Currently, exports to Zambia include clothing, bed and seat covers, jerseys, crotchety, artefacts, and wooden curios (for example, hippos and giraffes).

In return, Zimbabwean CBTs import a wide variety of goods, particularly from South Africa. These are mainly electrical household items, televisions, radios, VCRs, DVDs, fridges, cookers, sewing and knitting machines, motor vehicles and motor vehicle spares, industrial equipment and machinery spares, industrial chemicals, cosmetics, pharmaceuticals, clothing, shoes, and kitchen utensils. Some of the goods imported from South Africa are of Asian origin, chiefly from Taiwan, Japan, and China. These include electrical household items, clothing items, televisions, VCRs, DVDs, knitting machines, and cosmetics. These goods are often purchased from wholesalers or from flea-markets in South Africa for resale in Zimbabwe.

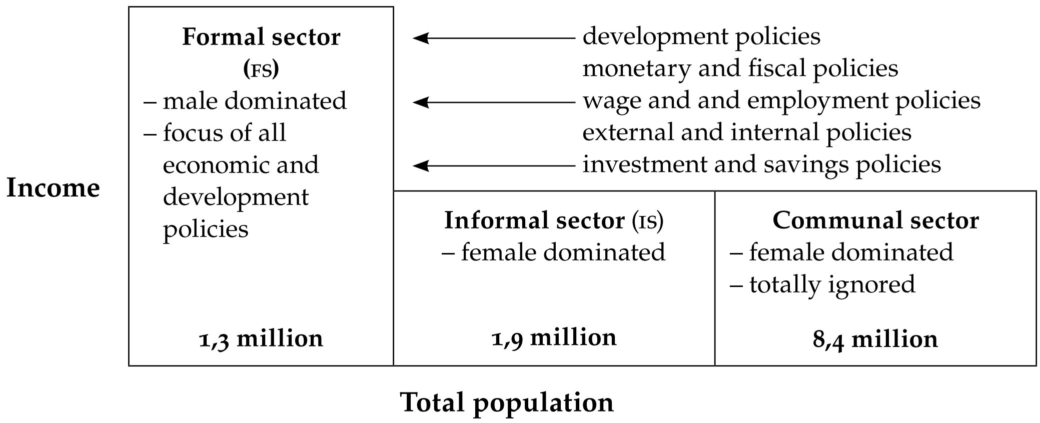
1.2 Framework for analysis: the dualistic structure of the economy

At independence, Zimbabwe inherited a dualistic economy that consisted of a modern FS and a sprawling and underdeveloped rural, communal, and urban IS. The FS encompassed the mining, manufacturing, commercial, modern agriculture, and services sectors. These formal sub-sectors were relatively advanced, diversified, and dynamic by African standards, and mainly owned by foreign capital and white settlers. The duality lay in the co-existence of a relatively backward informal and communal economy – the NFS, the sphere of 70 per cent of the black population (ILO/SAMAT 1995:5) – with a relatively well-developed and diversified modern formal economy. The FS exhibited its own growth momentum and was relatively isolated from the NFS. The communal sector[4] was developed as a reservoir of cheap labour for the modern FS and to meet some of its food requirements. In this sense, the communal sector was inherently linked to the FS through labour and commodity markets. The communal sector's enclave-like character led the majority of its households to rely primarily on subsistence production and on traditional methods for allocating resources, while the FS relied predominantly on the market for resource allocation.[5]

Figure 1 shows that the FS is directly linked to all the national development, fiscal and monetary policies; formal wage employment; and internal and external trade; as well as the savings and investment linkages of the formal economy. The FS generally has lower surplus labour and higher average incomes than the NFS. There is high surplus labour in both the informal and communal sectors, and these sectors act as a social buffer zone that absorbs surplus labour from the FS.[6] The informal and communal sectors are not directly or beneficially linked to the FS, although they both contribute significantly to the economic and social well-being of the majority of Zimbabweans.[7] This phenomenon is historically entrenched, and enhanced by policies implemented by the state. There are distortions in the way in which the FS and the NFS of the economy relate to each other. These largely internal disarticulations have generally been overlooked in research, as compared with the external disarticulations which have been studied extensively.

Three levels of disarticulations are discernible, namely those within the different sectors of the economy (microeconomic distortions), between the sectors (structural and distributional distortions) and those caused by the external environment (macroeconomic distortions). Despite the prevalence of these distortions, as in most African countries, the Zimbabwean government has over the post-independence period focused on the FS, and almost completely neglected the informal economy. In other words, the government has almost exclusively implemented policies and expenditures that provide systems and infrastructure beneficial to the FS.

Figure 1: The dualistic structure of the Zimbabwean economy



By focusing on the male-dominated FS, past policies have neglected the NFS, which accommodates the majority of the Zimbabwean population, especially women. The economic activities of the IS are neither enumerated nor included in national census or budgetary income estimates. However, the significance of this sector cannot be underestimated, especially in its contribution to urban employment and urban development. While its share of GDP and wealth is much smaller than that of the FS, it occupies an important place in the economy. Although unemployment, underemployment, and poverty are more pronounced in the NFS, 75 per cent of Zimbabweans still work and earn their living here (Kanyenze & Sibanda 2005). In these conditions, the importance of developing and transforming the NFS should be underpinned by both economic and political considerations.[8]

1.3 Method for the study

In order to capture the history of the IS, this study relies partly on secondary data from surveys that outline the role and extent of the informal economy in Zimbabwe. While studies exist covering the 1980s and 1990s (see Mhone & Aryee 1985; Gemini 1991, 1993 and 1998; Moyo et al 1985; Mhone 1992 and 1993; Mkandawire 1985), there are fewer studies and less research covering the period after 1998 (an exception is Kanyenze 2004). The Central Statistical Office (CSO) acknowledges this dearth of up-to-date information on the informal economy, observing: 'There is a need to come up with a dedicated survey on the Informal Sector to answer a number of key policy issues on the existence of the informal sector in Zimbabwe. There is a perception in recent years that there has been a multiplication of informal sector activities (CSO 2005: 40).'[9]

Interviews were carried out with various stakeholders in the public sector, private-sector trade associations, civil society, and a randomly selected list of CBTs. The list of institutions interviewed included the following:

- government officials in the ministries of small and medium enterprises, industry and international trade;
- local-authority public-relations departments in Harare, Bulawayo, and Victoria Falls;
- officials in the CSO, and current and former customs officials;
- private-sector trade associations, namely the Zimbabwe National Chamber of Commerce (ZNCC) and the Confederation of Zimbabwe Industries (CZI);
- a sample of CBTs from Harare, Bulawayo, Gwanda, and Victoria Falls; and
- visits to three border posts (Beit Bridge – Zimbabwe, Musina – South Africa, Victoria Falls and Chirundu – on Zambian and Zimbabwe sides of the border) to observe the procedures, and interview CBTs and transport operators.

The interviews were personally conducted and guided by questionnaires specifically tailored for the three groups of respondents: (a) government and other public officials; (b) trade associations and trade unions; and (c) persons practising as CBTs. The information obtained through these questionnaires and interviews has been compiled in annexure 1, on general goods traded by Zimbabwean CBTs, and annexure 2, on the state of Zimbabwean informal cross-border trade from 1980 to the present.

The numbers provided by the CSO in tables 1 and 2 on the cross-border movement of persons are suspect. This is because the documentation to be completed by citizens leaving the country for less than 12 months is often out of stock at the borders. They do, however, provide an insight into the numbers of CBTs going through Beit Bridge to South Africa and through Chirundu Bridge to Zambia.

Table 1: Zimbabwe migration statistics 2001 – March 2005

Arriving residents at Botswana, South African, and Zambian border posts, 2001–5*

	2001	2002	2003	2004	2005 Jan–Mar
BY AIR					
Joshua Nkomo**	5 446	7 189	3 188	5 995	1 183
Harare	50 338	42 664	43 530	69 180	39 034
Victoria Falls	1 059	672	653	377	27
BY ROAD					
Beit Bridge	425 482	499 224	383 545	573 722	204 773
Chirundu	41 923	26 707	116 029	126 379	37 289
Kariba	8 654	11 144	11 418	13 152	3 136
Victoria Falls	59 958	11 424	46 917	65 771	10 183
Kazungula	6 739	19 591	23 802	16 197	5 680
Plumtree	561 516	1 626 029	699 856	296 875	86 534
Mphoengs***			10 078	13 087	2 298
TOTAL	1 104 272	2 194 119	1 291 645	1 105 183	349 893

Departing residents to South Africa, Zambia, and Botswana, 2001–5

	2001	2002	2003	2004	2005 Jan–Mar
BY AIR					
Joshua Nkomo**	7 159	7 334	6 231	7 238	1 665
Harare	48 808	32 087	43 326	103 468	26 650
Victoria Falls	61 192	42 725	83 956	54 912	86
BY ROAD					
Beit Bridge	22 127	198 141	36 632	42 262	18 147
Chirundu	25 457	18 820	48 235	57 097	12 763
Kariba	5 162	15 284	15 975	18 467	6 016
Victoria Falls	1 065	5 230	455	1 620	–
Kazungula	1 357	903	586	625	428
Plumtree	376 370	239 422	144 624	225 670	53 826
Mphoengs***				3 651	687
TOTAL	548 697	559 946	380 020	515 010	120 268

* Excluding visitors staying for less than one night
** Formerly Bulawayo Airport
*** New port, beginning April 2003
– Data not received.

Source: CSO database

Table 2: Departing visitors by mode of travel and port of exit 2001 – March 2005*

Mode of travel and port of exit	2001	2002	2003	2004	2005 Jan–Mar
AIR					
Joshua Nkomo**	7 159	7 334	6 231	7 238	2 085
Harare	48 808	32 087	43 326	103 468	27 988
Kariba	648	346	337	452	66
Victoria Falls	61 192	42 725	83 956	54 912	8 328
TOTAL	117 807	82 492	133 850	166 070	38 467
ROAD					
Beit Bridge	32 525	87 310	30 935	46 670	11 261
Chirundu	54 463	30 897	77 507	69 239	7 968
Kariba	67 869	65 273	36 364	13 091	2 005
Kazungula	12 164	16 692	13 397	36 560	2 893
Plumtree	165 199	144 878	72 064	79 042	24 859
Sango	435	1 152	481	818	8
Victoria Falls	14 276	17 329	11 615	11 265	0
Mphoengs***			0	3 186	558
TOTAL	346 931	363 531	242 363	259 871	49 552
GRAND TOTAL	464 738	446 023	376 213	425 941	88 019

* Excluding visitors staying for less than one night
** Formerly Bulawayo Airport
*** New port, beginning April 2003

*Source: **CSO database***

2. Assessment of informal cross-border trade in Zimbabwe

2.1 The period 1980–90

At independence in 1980, Zimbabwe inherited an inward-oriented economy that was excessively protected from international competition. At that time, Zimbabwe's informal economy was relatively small, accounting for less than 10 per cent of the labour force. This was partly attributed to the various laws and by-laws that prohibited the free movement of people, especially from the rural to urban areas. The new government at independence recognised the IS and permitted the free movement of people, but was ambivalent on how to deal with this sector's activities in urban areas.

During this decade, Zimbabwe's informal cross-border trade was characterised by part-time traders. These traders were mainly employed people who took advantage of their holiday allowances to import household items for their own consumption, plus luxury items for resale (interviews with ZCBTA and former customs officials). While SMEs started to mushroom, they did not grow as the economy was stagnant and failed to attract new foreign and domestic investment.

The government exercised a strict import-control regime and a system of granting people annual holiday allowances,[10] a condition that gave rise to cross-border trade. Import-driven trade was mainly generated by employed persons. Export-driven traders were hampered by strict enforcement of the CD1 limit.[11] Customs officials often impounded goods intended for export (for example, doilies) if they suspected that their value exceeded the limit set by the CD1.

From the government side, the informal economy faced the following constraints:

- existing by-laws that hindered the operations of the IS were not relaxed;
- foreign currency was not available through the official system for the informal CBTS;
- there was no legal registration of the participants in the IS; and
- the Companies Act and the Co-operatives Act could not realistically accommodate the IS.

Shortages of foreign currency deepened and unemployment grew as school leavers could not find jobs. Towards the end of the decade, these conditions led both the private sector and the government to clamour for a liberalised economy that would become more export-oriented and competitive. It was only after the Beijing Women's Conference that the then first lady, Sally Mugabe, lobbied through the Women's League for the relaxation of the CD1 rules.[12]

Local government authorities created a hostile environment for the informal traders, characterised by strict enforcement of the zoning regulations inherited from the colonial era. No vending and hawking were allowed in the central business districts (CBDS) of all cities and towns. The Country and Town Planning Act did not allow for businesses in residential areas. At the same time, the local authorities, in particular the city councils of the major urban areas, maintained by-laws that prohibited home industries, since these were considered to be counter-productive. They also failed to amend by-laws that prohibited cottage industries in residential areas.

It is estimated that out of every six persons selling wares at the Mbare Musika market in the 1980s, the ratio was 5:1 in favour of women (Mhlanga 1991:32). The majority of the informal traders, particularly women traders, faced a number of constraints, including the following (ibid:32):

- a lack of financial support – as most of the activities were not legally registered and the owners had no forms of security, they could not obtain support from the financial houses;
- an inability to purchase required raw materials and inputs;
- a lack of consistency in the quality of goods produced and sold by the traders;
- a lack of organised traders' groups, particularly before the emergence of Women in

Business programmes and the black empowerment lobby, the Indigenous Business Development Council (IBDC); and

- the placing of many imported goods under the open general import licence (OGIL) regime. In the early 1980s, the allowed holiday allowance was only Z$400 a year, against an OGIL allowance Z$15 000.

The environment facing the informal sector, its general operators, and the CBTs in particular, was not helped by the near-complete absence of assistance from non-governmental organisations (NGOs) and private-sector trade associations. There was, for example, no formal engagement by CZI and ZNCC[13] on cross-border trading activities. During the decade of the 1980s, virtually all NGOs were occupied with government-sponsored projects and programmes. Since cross-border trade was not a government priority, NGOs provided no real assistance or support. However, private businesses started to benefit by encouraging the commercialisation of holiday allowances, ordering luxury goods for which they could not get import permits.

2.2 The period 1991–2000

Policy support for SMEs was enunciated in the second five-year national development plan, 1991–5, and the 'framework for economic reform' that announced the structural adjustment programme. Support for SMEs stemmed from the persistently high levels of unemployment and a realisation that large industrial projects were unlikely to generate significant levels of employment, since the trend was towards capital-intensive technologies with high capital-labour ratios. The government had realised that SMEs were more responsive to market opportunities, requiring relatively less capital, and having the potential to generate a significant level of employment for both skilled and unskilled labour. Although this was a drastic change of policy from the 1980s, in practical terms it did not materialise into positive results, particularly for non-registered informal-sector operators.

The formal financial institutions, such as the Small Enterprise Development Corporation (SEDCO) and the Venture Capital Company of Zimbabwe (VCCZ), only dealt with registered SMEs. In 1992, the ministry of industry and commerce, in collaboration with the UN Industrial Development Organisation (UNIDO), commissioned a study on policy support for SMEs. But the recommendations of this study, as well as those of other related studies, were not implemented and their status is unknown to stakeholders outside of government.

With the adoption of the economic structural adjustment programme (ESAP) in the early 1990s, a number of measures were put in place to encourage SME participation in the economy and to forge SME networks. This initially saw the emergence of the Business Extension and Advisory Services (BESA), an organisation that was formed to work systematically with groups of SMEs on business advisory services. This was soon followed by a host of other support institutions in different sectors (for example, finance, technology support, and business advisory services). These formed the main types of networks and benefits to the SME sector.

The 1990s also saw the brisk emergence of day-trippers and full-time traders at border posts. Part-time employed traders took advantage of the family customs-duty-free rebates of the time to import cars "mainly from South Africa" for own use or resale.[14] Export-driven trade boomed, particularly with South Africa, where curios from Zimbabwe began to play a significant role in supporting that country's tourist industry. The 'emergency taxi' regulation[15] "coupled with the family duty-free rebate" enabled families to bring in goods of a capital nature, such as cars. This resulted in French-made cars, such as the Peugeot 504, being re-exported from South Africa to Zimbabwe for use as 'emergency taxis' (interview with members of the ZCBTA).

Campaigns for indigenous empowerment led the central government to relax by-laws, thereby facilitating the operation of home industries. Local authorities followed suit, opening flea-markets, mainly for CBTs. This gave rise to the importation of cheap Asian goods such as sandals, footwear, and kitchen utensils. At flea-markets, Asian goods appeared to outnumber South African-made goods, although a large proportion of these were being bought from South African wholesalers and/or flea-markets.

In the interviews conducted for this study, most traders failed to answer the question on the proportion of Chinese goods that are traded. However, when probed further on the types of goods traded, it became clear that most of the clothing, kitchenware, watches, and shoes purchased by traders are of Asian origin, and mostly manufactured in China. These goods are purchased from wholesalers or flea-markets in South Africa. The estimate of Chinese goods sourced from South Africa by informal traders is around 70 per cent.[16] Traders were of the opinion that Chinese goods are cheaper than South African-made goods.

Zambia is the source of traditional African clothing materials, but these are now originating from China. Zimbabweans often buy Chinese-made clothing materials and other goods from the famous Kamwala Market in Lusaka. But because of the high prices of Zambian goods, Zimbabwean traders now prefer to sell their wares in Zambia and bring home the money instead of goods. At the time of the interviews at the Chirundu Border, both Zambian and Zimbabwean traders were smuggling mobile phones from Zimbabwe to Zambia where they currently fetch higher prices. In return, the traders are importing cosmetics and clothing items, mostly of Chinese origin.

Following the spate of retrenchments in the 1990s, many people set up small-scale industries and trading outlets in the townships (such as Mabvuku, Kuwadzana, and Mufakose in Harare) (ILO/SAMAT 1995:108). By 1995, the Harare city authority had a waiting list of 10 000 applicants for land allocation. There was also an influx of CBTs from Zambia and Mozambique, who were accommodated in selected locations (for example, Mupedzanhamo market in Mbare, Harare) (ILO/SAMAT 1995:108).[17] The city of Harare made efforts to create clusters of home industries for the informal sector in Mbare, Glenview, Dzivaresekwa, Kuwadzana, and Warren Park. The Bulawayo city council also sought the assistance of the private sector to develop sites for informal sector activities that included appliance repairs, mechanical workshops, woodworking, hair dressing, tailoring, and metal working.

Owing to the failure of the formal economy to grow at sufficiently high levels and create adequate jobs, the share of IS employment grew from less than 10 per cent of the labour force in 1982, to 20 per cent by 1986/7, 27 per cent by 1991, and close to 40 per cent by 1998 (Kanyenze 2004:18). Manufacturing accounted for 70 per cent of all IS activities in 1991, with trading representing 23 per cent and services only 3 per cent.[18] Women accounted for 67 per cent of all micro-enterprises: 77 per cent of the urban-based and 62 per cent of the rural-based ones. But the gender-orientation of SMEs underwent a dramatic change between 1991 and 1998. From ownership of 73,3 per cent of all SMEs by at least one woman in 1991, the level dropped to 70,7 per cent in 1993 and 58,1 per cent by 1998. This represented an annual decline of 3,1 per cent between 1991 and 1998. This was the beginning of a process of a marked shift by female proprietors from manufacturing to trading and, to a lesser extent, services (ibid:10).

A CZI report estimated that the number of people employed in the IS had grown by 22 per cent, from 1,3 million in 1991 to 1,6 million in 1998 (CZI 2002:19). Of all the jobs created in the IS, up to 85 per cent were start-ups, but it would appear that most enterprises start and end up as one-person enterprises. The report continued: 'Only 20% of the SMEs contributed to employment creation through expansion and only a further 1% had managed to graduate into intermediate sized organisations with 10 or more employees (ibid).'

Specifically with regard to the lack of marketing assistance, it has been emphasised that '… the cross border trips by Zimbabweans selling crotchet products and other goods in demand in neighbouring countries and bringing back goods which hitherto have been in short supply in Zimbabwe, are a testimony of the lack of marketing assistance for SMEs in spite of demonstrated potential' (ILO/SAMAT 1995:141).[19] Mead and Kunjeku (1992) concluded that while there were some linkages joining large white-owned firms with small black-owned businesses, in large measure these were the exception rather than the rule; commercial dealings between these two segments of the economy remained limited.

In the 1990s, ZNCC and CZI members began to use CBTs as runners to import those goods that they could not because of foreign exchange shortages. Asian-owned shops topped the list.[20] As pricing of informally imported goods was governed by supply-and-demand dynamics, traders competed for import orders from the formal sector. With regard to exports, traders began playing the role of market explorers on behalf of manufacturers, especially in countries such as Mozambique, Malawi, and Zambia, which were viewed by big businesses as corrupt and risky environments.

2.2.1 Links with the rural community

From the early 1990s, the ZNCC strongly promoted a number of important programmes for the rural trader (for example, the question of the right to title deeds in growth points and other rural centres). Title deeds were considered important not only for creating a sense of security, but also as collateral when applying for loans from financial institutions. The ZNCC has also been active in providing training and extension services for small rural enterprises. With the support of the Friedrich Neuman Foundation, training and extension activities were expanded and improved. Small-business support units were established in Harare and Bulawayo. After a survey to determine training needs, the training programme was targeted at the rural areas and growth points.

During the same decade, the Zimbabwe Chamber of Trade Unions (ZCTU) began to conduct research and workshops on the informal economy in general, focusing on conditions of service for IS employees. Following the 'Beyond ESAP' study (ZCTU 1996), trade unions took an active interest in the welfare of retrenched former members now working in the IS.[21] This resulted in the formation of strategies around the recent work agenda. For their part, some NGOs became active in research on cross-border trade and attempted to form associations, such as the Zimbabwe Apex of Informal Sector Associations (ZAISA).

Other initiatives included Start Your Business (SYB), a training programme that helped potential entrepreneurs ascertain their potential, analyse their business ideas, and develop a practical plan to operate a viable small business. This programme was developed by the International Labour Organisation (ILO) to promote SMEs worldwide. In the case of Zimbabwe, SYB was developed in co-operation with both the government and the trade union movement. By early 1999, the SYB programme had trained a total of 453 people in Zimbabwe, 15 per cent of whom were youths aged between 16 and 25 years.[22] Informal sector associations (ISAs) concerned with informal trade included the Zimbabwe Informal Sector Association (ZISA), the National Informal Sector Association of Zimbabwe (NISAZ), the Informal Traders Association of Zimbabwe (ITAZ), the Hawkers and Vendors Association of Zimbabwe (HAVAZ), and the Tuck Shop Owners Association of Zimbabwe. According to a survey conducted by the ministry of youth development, gender, and employment creation, most of these initiatives were not 'well visioned and executed' and their membership was concentrated in the major cities, especially Harare and Bulawayo (Kanyenze & Sibanda 2005:40). Many of these initiatives appeared to have no meaningful organisational pattern among informal economy operators at many levels. Most of them were found to operate individually on an ad hoc basis, with no interlinkages between them.

A major weakness of these initiatives was their lack of co-ordination, to the extent of duplication, fragmentation, dependence on donor funding, and lack of a strategic vision. Virtually all of these initiatives have folded since the withdrawal of their donors from 1999.

2.3 The post-2000 period

The CSO 2001 income consumption and expenditure survey, and its 2004 indicator monitoring labour force survey, are said to have information on the informal economy, covering economic activities, numbers employed, socio-demographic indicators, area of location, and incomes (CSO 2005:40). Although the CSO had originally promised to have new data in the form of documents and information available for the public in November 2005, by the beginning of March 2006, the institution had yet to organise seminars to disseminate this much-awaited information and data on the informal economy.

It is currently estimated that no less than 80 per cent of households in Zimbabwe are below the poverty datum line, effectively rendering the IS the economy (Kanyenze & Sibanda 2005:10). By the end of the second quarter of 2005, FS employment accounted for only 16 per cent of the labour force, the informal economy for about 40 per cent, and the communal sector for at least 44 per cent (ibid:10). According to the Reserve Bank of Zimbabwe (RBZ), the SMEs and the informal and micro-enterprises sector account for an estimated 15–20 per cent of total output or GDP (RBZ 2005:40). Most local authorities derive substantial revenues from informal activities. For instance, the Bulawayo city council was receiving Z$63 million a month (Z$756 million a year)[23] from vendors, which it has now lost, following the recent clampdown on the informal economy under Operation Murambatsvina (*Zimbabwe Independent*, 10 June 2005:4). Thus, the disguised unemployment in the informal economy has now manifested itself more openly after Operation Restore Order.

As a consequence of the increased incidence of poverty and economic decline, there was a sharp increase in cross-border trade activities, an intensity that would trigger intolerant reactions from people within the region (as in South Africa and Botswana). This real or perceived general harassment gave rise to the formation of the ZCBTA. Zimbabwe's chaotic land reform, poor governance, and polarised political climate also began to take its toll on the economy as foreign currency reserves dried up, exports declined, and foreign direct investment dwindled to zero. The IS economy had begun to flourish as local authorities allowed all manner of economic activity to mushroom in the urban areas. Flea-markets, tuck shops, and street vending mushroomed in every open space available, resulting in a significant shift of economic activity from formal to IS activities.

In the post-2000 period, the CZI/ZNCC continued to engage CBTs, although on a contradictory basis. On the one hand, they appreciated the forward and backward business linkages with the IS, which helped them to survive the harsh economic conditions. On the other hand, some of their members felt threatened by the growth of the informal economy. The latter view influenced government to tighten the operating environment for informal CBTs in the name of plugging foreign exchange leakages and tax evasion. This period has been characterised by the peddling of misconceptions that CBTs cause shortages of bank notes through enhanced parallel market activities.

On the contrary, these distortions were caused by the misaligned and overly appreciated exchange-rate and money-supply levels in relation to the hyper-inflationary environment. This led to a heavy toll on foreign currency reserves and inflows through lower exports, lack of foreign direct investment, and capital flight, along with donor flight. The authorities began to view informal traders and workers in the diaspora as a source of foreign currency inflows. Tensions arose as government became obsessed with sharpening its tools to get the foreign currency in the hands of individuals into the official system. However, these piecemeal solutions have failed to address the underlying economic fundamentals[24] driving the differentials between official exchange and parallel rates.

This has further driven foreign currency dealings into the parallel market. It is important to underline that all official forms of exchange-rate management, ranging from the official allocation of the 1990s and the auction system introduced in January 2004, to the current tradable foreign currency balances system (TFCBS), have as a rule left out the informal CBTs. For example, in the current allocation system, the TFCBS, where in theory the available foreign exchange price is determined by an inter-bank market-based system, the informal sector and the CBTs have been left out and are totally untouched by it.[25] Even in these circumstances, the voice of the lobby of the IS trade associations advocating for trade justice, and urging the government to recognise the role of informal CBTs in combating poverty, appears to fall on deaf ears.

2.3.1 The gender dimension of cross-border trade

An analysis of travellers using bus transport indicates a gender ratio of not less than 85 per cent female (interview with Anderson Tawanda, secretary-general of ZCBTA).[26] Conversely, due to the risk for women of sexual harassment, men heavily dominate the number of CBTs who use long-haul trucks. Cross-border trading is dominated by women, a condition mainly attributed to their lower levels of literacy. Since hawking only requires the most basic skills, it has opened opportunities for historically disadvantaged women. As formal employment was dominated by men, the incidence of poverty and deprivation was much higher among women than among men. This prompted women to seek survivalist strategies in IS activities and cross-border trading well ahead of men (interview the members of ZCBTA).

The other reason why women are particularly active as informal traders is their historically disadvantaged status in terms of access to education and FS job opportunities. During the 1990s, married women or women living with men as couples started trading activities to supplement the incomes earned by their husbands or partners in the FS. For others, it was simply the lack of FS employment opportunities that became the driving force to take up trading activities. However, by the late 1990s many people had realised that there was more money to be made from trading than from taking up formal employment. Specifically, women stated that the incomes earned by their husbands in average-paying jobs such as being security guards was simply not enough to sustain families, send children to school, or buy ordinary clothes and school uniforms. Respondents at the Beit Bridge township of Dabuladzimu mentioned in September 2005 that the average income of men working as security guards was Z$1 million (then R142 at the exchange rate of Z$7 000; by November the exchange rate of Z$15 000 to the rand had reduced this to R66 a month). One trip to buy wares from across the border in South Africa could earn a woman between Z$3 and Z$4 million net income.

The nature of this work is very taxing because it is characterised by long hours of work and the use of overnight travel to cut down on boarding costs. Those traders that operate from serviced market stalls, such as in flea-markets, work for 10 hours, usually from 8 am to 6 pm. But the traders that operate from busy bus ranks work for 12 hours or more. Long-distance buses and taxis start as early as 5 am, but the hive of activity begins around 6am and by this time some traders are already at work.

In the early 1980s, women began to make monthly trips to take advantage of the OGIL. However, this trend was briefly interrupted in 1985, when Zimbabwean buses were no longer allowed to cross the border into South Africa as a result of a stand-off between the Zimbabwean and South African authorities. During the 1990s, it is estimated that 90 per cent of the CBTs were women, who supplemented the incomes of their men-folk who normally worked in the FS.[27] Since then, further economic dislocations have seen more young men also become CBTs.

2.3.2 The role of trade unions in the IS

Zimbabwe's trade union movement has been involved in the development of SMEs, especially those involving retrenched trade union members. The ZCTU preferred to have a comprehensive approach that would place the policy framework under the aegis of a social contract, wherein SME development falls under a specific protocol or agreed policy instrument. In 2003 the ZCTU set up an informal economy department to research the status of the IS economy in Zimbabwe. This culminated in the formation of the Zimbabwe Chamber of Informal Economy Associations (ZCIEA), of which ZCBTA is an affiliate. A memorandum of understanding was signed between the ZCIEA and ZCTU, which has since opened the doors for social dialogue.

Realising the poverty-reduction potential of cross-border trading, a number of NGOs started to earmark funds for both research and advocacy work on cross-border trade in the region. NGOs also assisted with the formation of the ZCBTA, which is a trade representative organisation. The ZCBTA is responsible for hosting a number of national and regional workshops on cross-border trading, and involved in the formation of a regional task force mandated to form national cross-border association chapters. These would then affiliate to form one strong regional body. According to the ZCBTA, the Malawi Cross-Border Movement has already been formed and Mozambique is next in line.

Formed in 2000, the ZCBTA had the specific aim of representing traders, and carrying out policy advocacy and work for a more trade-friendly environment in the region. The ZCBTA has more than 30 chapters throughout the country and has a membership base in excess of 3 000. It also formed networks with national social movements, informal economy associations, and trade unions, as well as regional cross-border trader movements. The ZBCTA has co-hosted a number of national and regional advocacy workshops. It was invited by the government to participate in the Zimbabwe/Malawi bilateral protocol review in 2004. The organisation's secretary-general has vigorously campaigned against trader harassment. This resulted in the formation of the so-called SADC Cross-Border Initiative in Cape Town in 1997. It has been active in engaging policymakers and stakeholders at both national and regional levels. It is also a member of the regional task force set up in December 2004 to strengthen the regional network.

In its submission to cabinet on the proposal to launch the ZAISA National Taskforce, the ministry of youth development, gender, and employment creation expressed 'grave concern at the government's apparent casual approach to the appropriate recognition and meaningful support to the informal sector'. In the previous national economic recovery programmes, including the recent Millennium Recovery Programme, the focus has been on export-led growth. However, given the structure of the Zimbabwean agricultural and industrial base, this tends to benefit bigger producers, manufacturers, and retailers far more than the SMEs.

3. Obstacles faced by the CBTS

3.1 The political climate

This section explores how the political climate affects the size and growth dynamics of the SMEs in general, and the CBTS in particular. As shown above, the political climate has been characterised by some ambivalence on the part of both the central and local government authorities. Although there is a plethora of attempts by the government at intervening in the informal economy, the record to date is one of inconsistency and hopping from one form of policy pronouncement to the other. When convenient, the government has included plans for the expansion of the IS in its national plans.

These include the second five-year national development plan, 1991–5, the ESAP 'Framework for economic reform', the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST), and several other government-sponsored studies. In the ESAP blueprint, the IS was specifically allocated the role of creating jobs. ESAP proposed the 'liberalisation of regulations governing the licensing of small businesses, zoning and factory specifications'.

In 1991 the government set up an inter-ministerial deregulation committee under the ministry of local government, public works, and national housing to identify laws and by-laws that hindered the growth of SMEs. Of the 28 laws identified by this committee as having a direct impact upon the establishment of SMEs, 13 were cited for priority attention. Some of these obstacles related to trading restrictions on hawking and street vending. The committee found that licensing of these activities acted as a barrier, since vendors and hawkers were required to deal only in goods specified in the licence and their activities were restricted to the area specified by the vendor or hawker. The local authorities had wide discretionary powers to renew or refuse these licences. On this ground, the committee recommended that the wide discretionary powers of the local authorities be removed and that instead of issuing licences, councils should simply register these informal traders. In this way, informal trading was removed from being a privilege to being a right. Cabinet, the highest organ of government, endorsed this recommendation.

Since by-laws restricted informal traders from operating in the streets, at road sides or around the CBD, the deregulation committee saw fit that this prohibition or restriction should only be applied on the grounds of public-health threats or where trading becomes a nuisance to the public. Government identified a number of factors the lack of which hindered the development of SMEs and their transition to medium and large-scale businesses, namely (Government of Zimbabwe 1996):

- development of enterprise culture programmes;
- legal guarantee schemes and other forms of credit facilities;
- provision of guaranteed markets for goods and services;
- training in applied and business management skills;
- business advisory centres;
- business linkage programmes and mentorship programmes; and
- sub-contracting and provision of business incubators.

Other government ministries involved in the promotion of SMEs were the ministries of industry and international trade; youth development, gender, and employment creation; public service, labour, and social welfare; higher education and technology; and small and medium enterprises. Support agencies dealing with this sector include local authorities and public and private institutions such as SEDCO, complemented by a handful of NGOs and donor agencies. However, notwithstanding the proliferation of agencies involved in the business of enterprise promotion and the actual initiation of programmes, a number of critical observations and main areas of concern remain unresolved. These include the following:

- the lack of synergy among the many support initiatives, which seem unco-ordinated and somewhat scattered. There is a failure to build on the successes of each programme, resulting in poor sharing of lessons and experiences on good-practice models;
- poor monitoring of activities – the issue of how effective the support programmes have been has not been well addressed and the exact impact of all these SME interventions remains to a great extent unknown; and
- the limited coverage by many SME support programmes – most of the programmes are localised and cover only limited areas, due to a largely limited funding base.

3.1.1 Operation Murambatsvina (or Restore Order)

The Zimbabwean government's ambivalence on how to deal with the informal economy could have stemmed from a realisation that, while the informal economy is underground or 'hidden', it is resilient as it has grown to become the largest employing sector in the economy. This ambivalence has also characterised the government's approach to the IS, officially acknowledging and sanctioning it at times (for example, under ESAP and ZIMPREST as shown above), while sporadically attacking it at other junctures. However, past attacks were never as extensive or indiscriminate as the recent Operation Murambatsvina or 'Restore Order'.

It can be argued that the Zimbabwean government, through its chaotic land reform, poor governance, and polarised political climate in the post-2000 period, has greatly aggravated the plight of ordinary Zimbabweans. As if in compliance with the general lawlessness triggered by the fast-track land reform prevailing in the country, local authorities allowed all manner of economic activity to mushroom in city centres and residential areas. Where some local authorities tried to prevent this uncontrolled growth of informal markets, they were prevented from doing so by the central government. Flea-markets, tuck shops, and street vending mushroomed in every open space available. This resulted in a significant shift of economic activity from formal to informal sector activities.

Operation Murambatsvina was justified by the government on the grounds that the informal economy was the hiding place for criminals, people who engaged in illegal activities, and those who failed to practise proper hygiene, thereby spoiling the image of the towns and country. The government-controlled daily *The Herald* reported that there were 25 000 registered informal traders in Harare, and 50 000 operating illegally (*The Herald*, 2 June 2005). The other government-controlled daily, *The Chronicle*, argued that '[w]hile flea markets had over the years become popular because of cheaper and unique goods they sell, they had also become a haven for criminals involved in illegal deals' (*The Chronicle*, 7 June 2005).

The Zimbabwean authorities have in recent years nursed a largely hostile attitude towards the IS. At the ZCTU's general council workshop held in March 2005, the governor of the RBZ intimated that the government was contemplating a massive clampdown on the informal economy, especially to deal with the foreign exchange parallel market.[28] The governor indicated that if it were not for the parliamentary elections scheduled for 31 March, the clampdown would have been undertaken immediately. Members of the general council of the ZCTU vehemently opposed such draconian measures, to which the governor responded sternly that this was the appropriate way of dealing with the underground economy. The governor stated clearly that after the elections, when nothing else distracted the attention of the police, the purge of the informal economy would be launched. The matter was not resolved, with the governor issuing his parting words: 'on this, let's agree to disagree' (see Kanyenze & Sibanda 2005).

Operation Murambatsvina, which began on 26 May 2005, obliterated the livelihood of the import-driven traders by destroying their flea-markets. From independence, Zimbabwe's policy support for SMEs and informal cross-border activities had at best been ambivalent and indifferent, but had now suddenly turned to be outright hostile. This was demonstrated by the sudden demolition of IS business structures, including all previously unregistered but tolerated dwellings. All IS trading points – in some cases, licensed stands such as in flea-markets – were destroyed, and they continue to come under the state's ruthless hammer.

The rationale for this exercise was partly to eliminate foreign currency black-market activities, given the prevailing critical situation of foreign currency shortages. Secondly, it may be assumed that, by removing the informal traders from the face of Zimbabwe's markets, the government hoped to harness and channel the remaining businesses to come under the tax man. But with the estimates of 1,9 million people employed by the IS, compared with 1,3 million employed by the FS, this may well be throwing out the baby with the bath water (see Kanyenze 2003).

This destruction of IS activities has eliminated the livelihoods of 2 – 3 million small-scale business enterprises, including many CBTs (some of which take orders from urban businesses, find the foreign exchange, and cross into South Africa and elsewhere to source the products required). The government's actions are even more disastrous when one considers that both the IS and rural communal sector are female-dominated, compared to the FS.

However, since Operation Murambatsvina did not affect the export-driven traders that much, this has precipitated a shift by CBTs to more export activities. The few remaining importing CBTs have shifted from imports destined for flea-markets to products demanded by the FS commerce and industry. In other words, trading shops and industries are now increasingly determining the application of foreign currency in the hands of CBTS (interviews with ZCBTA).

Due to increased poverty and economic decline in the post-2000 period, there has been a sharp increase in informal cross-border trade activities by Zimbabweans. The fact that all of these CBTS are now plying their trade routes and crossing the borders without official recognition as traders, is – as should be expected – frowned upon by the populations of Zimbabwe's neighbours. This has in recent years triggered xenophobic reactions within the region, especially in South Africa and Botswana.[29]

After the massive and concerted destruction of the informal economy's trading and residential structures, the government announced that the 'clean up' operation was winding down and would be replaced by a new programme named 'Operation Garikai/Hlalani Kuhle'. This literally translates into 'operation improve your livelihoods'. But the scale of Operation Murambatsvina and its levels of destruction cannot simply be undone by an off-the-cuff piecemeal building of a few houses.[30]

In July 2005, the UN envoy report on Operation Murambatsvina found that it was mainly the Planning Act of 1976 that was used by the state to justify its crackdown on IS structures and activities. It is ironic that despite the plethora of post-independence government attempts and statements to revoke past colonial acts and regulations, when it now sought to rein in the country's informal economy, it used an enforcement order to invoke the colonial Planning Act as the basis for the demolitions of the IS structures.

3.2 The national regulatory environment

This section explores how the national regulatory environment has hindered informal cross-border trade and perversely created the space for corruption. This regulatory environment has tended consciously to render the IS output less competitive than that of the FS. This way of keeping the cost structure of the IS high also acts as a barrier to its integration with the mainstream FS. This is probably the main reason why Zimbabwe's informal economy is somewhat less visible and less diversified than those of other developing countries. The explanations given for these atypical circumstances are Zimbabwe's colonial legacy and the post-independence government's continuous adherence to this legacy. Unlike in other SADC countries, such as Zambia or Tanzania, the government in Zimbabwe has played a very active role in trying to regulate and control the spread of IS activities, especially in urban areas (see Kajubi 1990; O'Donoghue 1990; Mupedziswa 1991).

In Zimbabwe, all enterprises must be registered by a statutory authority or licensed by a government authority. It is these legal provisions that severely curtail the development of IS activities and constrain their income-generating potential (Brand 1986, Mupedziswa 1990). Up until Operation Murambatsvina, local traders used to access these licenses without much difficulty. The situation has since changed drastically, with traders now being asked to submit their fingerprints for police clearance before they can get hawkers' licenses from local authorities. The situation is made worse by the unpredictability of police actions in the aftermath of Operation Murambatsvina.

Historically, the regulations that inhibited the emergence of the IS included the following: the Town and Country Planning Act (1946); Vagrants Act (1960); Vendors and Hawkers Bylaws (1973); Regional Town and Country Planning Act (1976) (chapter 29:12) or the Planning Act; the Housing Standards Control Act (1972) (chapter 29:08); the Urban Councils Act (1995)[31] [chapter 29:15]; and several other municipal by-laws.

Information gathered from informal traders and the ZCBTA[32] shows that in their day-to-day interactions with the authorities, IS operators are subjected to a host of regulations that include the following:

- administrative procedures to be complied with in the establishment and operation of a business;
- zoning regulations that restrict locations within the cities where commercial activities may be carried out;
- general regulations related to health and environment;
- hawking and vending regulations that require traders to have a licence and/or registration from the local governments; and
- labour regulations that require compliance with paying legal minimum wages, which is often beyond the capacity of most informal sector operators.

Compliance with the above is not only costly, but is also time consuming and involves complicated bureaucratic procedures – which are often beyond the means of those in the IS. Firstly, many traders are unaware of the existence of the regulations. Secondly, many cannot afford the cost of compliance. Even more importantly, many do not see the benefits of compliance. Some traders enter this sector precisely to escape strict regulations. It is therefore not surprising that the IS sector units tend to concentrate in locations that are not ideally suited for doing business; in other words, in areas that restrict their access to credit, raw materials, and inputs as well as markets for their products. In the absence of security of tenure they have no incentive to invest either in premises or in equipment. There is also a general problem of communication: most of those engaged in this sector are not aware of these regulations or their consequences. Because of these regulations and other constraints, they prefer to remain 'invisible' or in unrecognised locations.

Table 3, on page 31, on the problems and challenges confronting the informal CBTs, was derived from the opinions and experiences of the people interviewed, ranging from the public-sector officials, trade union officials, private-sector trade associations, and individual traders, to their representative association, the ZCBTA.

The circumstances and problems confronting the CBTs can be addressed by a series of policy interventions, namely:

- recognition of CBTs as playing a vital role in trade and poverty reduction;
- national and regional registration of CBTs as normal and legitimate business persons;
- awareness programmes for CBTs and their associations on the marketing, handling, and shipping of their products;

Table 3: Problems and challenges confronting informal CBTs[33]

CBTs/informal sector traders	Problems	Policy intervention instruments
While on the road: • Travelling by bus/taxis with no security of any kind, including travel or medical insurance • Usually overnight travel so that they can sleep on the bus or at the bus terminus **Urban:** Before Operation Murambatsvina, located by the road side or in established flea-markets and other visible areas to attract buyers; or specially designated places (for example, in front of Bulawayo Civic Centre, in the craft village in Victoria Falls, etc) **Mobile:** • Hawking or delivering prior arranged orders to clients **Rural setting:** • Usually located by the road side along the main roads for visibility of tourist visitors, and at growth points and service centres	• Exposure to corrupt border officials because of lack of knowledge about their rights • Lack of knowledge of customs clearance and handling regulations • Lack of recognition as bona fide traders, hence their treatment as visitors and/or tourists • Inability to carry bulky products, some of which require specialised handling and shipping (for example, soap stone artefacts) • Poor or inadequate infrastructure (for example, lack of water and telephones)	• Recognition of CBTs as playing a vital role in trade and poverty reduction • National and regional registration of CBTs as normal and legitimate business persons • Awareness programmes on the marketing, handling, and shipping of products by CBTs • Enhancement of capacity of financial institutions, and especially micro-finance institutions, to support SMEs in general, and CBTs in particular

- training and capacity-building programmes for CBTs; and
- enhancing the capacity of financial institutions, and especially micro-finance institutions, to support SMEs in general and CBTs in particular.

The insights from this research demonstrate that most of these ideas remain on paper, for a variety of reasons. First, instead of implementing these recommendations and ideas, the government often changed the roles of ministries and subsequently abandoned the previously set goals. During the 1990s, programmes to support SMEs were well co-ordinated by the ministries of youth development, gender, and employment; industry; and international trade; and the department of indigenisation in the president's office. But after the 2000 elections, these key government departments were either abolished or had their roles changed as the government began to concentrate on political mobilisation of the youth under its land reform programme.

The second reason is that, as most of these programmes were dependent on donors, the exit of the latter after 2000 also meant abandoning most of these lofty ideas and programmes. Thus an investigation of how successful these initiatives have been, as addressed in this study, shows that most programmes were simply abandoned or left hanging in the air when sponsorship was withdrawn. For example, training in applied and business management skills, business advisory centres, business linkage and mentorship programmes, and the sub-contracting and provision of business incubators suddenly came to a halt when their main promoter, BESA, closed down.[34]

In early 2000, the Zimbabwean government formally adopted a strategy, at least on paper, for integrating the IS into the mainstream economy, resulting in a detailed programme of action following consultations with stakeholders (see Ndlela 2000, Kanyenze & Sibanda 2005). This programme was co-ordinated by the then ministry of youth, gender and employment creation. But as the government changed its priorities, all of these plans were either shelved or abandoned. The current ministry of SME development appears to be starting from scratch in formulating its policy and programmes, which mainly concentrate on capacity-building in order to facilitate appropriate training, business associations and clusters, and co-operation with the national apex associations (interview with the director of capacity-building, ministry of small and medium enterprise development).

3.3 Other obstacles faced by traders

In addition to the roles of the central government and local authorities in influencing the informal economy, state monopolies have also affected the pace and structure of

SMEs and the informal sector in Zimbabwe. Such monopolies include the Grain Marketing Board (GMB), which enjoys a monopoly over maize and other dry cereals and sorghums, the National Railways of Zimbabwe (NRZ), and the foreign currency management system.

3.3.1 The Grain Marketing Board

At the inception of ESAP in 1991, the status of the GMB as the sole buyer and supplier of maize and other cereals, including wheat and sorghums, was abolished. This allowed other commercial buyers and the public to participate in the buying and selling of maize and other dry cereals. However, the GMB retained a lead position as the custodian of the strategic grain reserves (SGR), which effectively meant that as the buyer of last resort, it kept this function even when the activity was no longer cost effective. The GMB was supposed to combine the rather contradictory goals of managing the SGR function and profit-making under free-market conditions. There was an expectation under section 52 of the Audit and Exchequer Act that it would not make losses on its commercial activities, while at the same time it incurred social costs in discharging activities without being compensated by the government. In doing so, it created supply constraints in the production of maize, and market failure caused by relative price stability of food commodities (Ndlela, Kanyenze & Munemo 1999). However, the price differentials created by this institutional problem and market failure became a window of opportunity for CBTs. They stepped in and traded in scarce commodities, mainly maize, in the outlying areas and across national borders.

Before the re-introduction of the GMB monopoly after the 2000 parliamentary elections, the ministry of agriculture would issue import and export licenses on the basis of food requirements for the country. This allowed CBTs to play a significant role in enhancing food security within Zimbabwe and the region by moving food products from surplus zones to zones with deficits. To the CBTs, the re-introduction of the monopoly has impacted negatively on their trading outlook and opportunities.

A number of exporters of handcrafts stated that before the re-introduction of the GMB monopoly, barter trade thrived in which traders exchanged maize and other food products for hand-woven baskets and other handcrafts.[35] Other goods traded on barter include soaps, clothes, radios, and solar panels – which are exchanged for craft wares. This is particularly the case when trading with craftsmen of the drought-prone Binga district in the Zambezi valley. However, after the re-introduction of the GMB monopoly, traders carrying maize to the outlying parts of the country had their maize impounded by the GMB and police. This destroyed a vital link of barter trade that also served as distribution channel for vital foodstuffs into some of Zimbabwe's remote and poorest rural areas.

3.3.2 Transport routes

During the 1990s, Zimbabwean CBTs used the train as their main means of transport to both South Africa and Botswana.[36] It is thus understandable that when cross-border passenger train services to these countries were discontinued, the CBTs were heavily affected. In addition, the extra-high tariff rate charged on curios by the NRZ meant that traders shifted to other forms of transport, such as taxis and buses.

An estimated eight buses leave Harare's Mbare Musika bus terminus for Beit Bridge daily. This is in addition to about four inter-country or inter-city buses leaving Harare's Road Port for Johannesburg. The Harare-Lusaka route is serviced by two daily buses from Mbare Musika in Harare and another two from Lusaka to Harare. Four to six mini-buses/commuter taxis with an average carrying capacity of 14 – 16 passengers leave Harare's Monomotapa taxi rank for Johannesburg daily. This makes Beit Bridge the busiest border post in the region. In addition to Zimbabwean traffic, both Malawian and most of Zambia's traffic goes through the same border post.[37]

A simple count of the number of buses and mini-buses on a Saturday morning at the Beit Bridge border post between 6.30 am and 8 am demonstrated that there were 12 large buses at the border coming from South Africa and 45 mini-buses, excluding those people who were using private vehicles.[38] This means that simply counting traffic from Harare and Bulawayo would be an underestimate, since it excludes traffic from smaller towns, such as Mutare, Gweru, and Kwekwe. This level of human traffic could not be found at Chirundu border post on a Saturday morning. At about 10 am, buses had not yet arrived from either Lusaka or Harare. People crossing the border were a few Zambians and Zimbabwe traders.

Because of its historical links with South Africa, the cross-border human traffic between the cities of Bulawayo and Johannesburg is quite significant. The most popular means of transport between Bulawayo and Beit Bridge and between Bulawayo and Johannesburg are the combi-taxis or mini-buses with a carrying capacity of 14–16 passengers. In addition, this route is serviced by medium-size buses with a carrying capacity of 24–30 passengers.[39]

3.3.3 Foreign currency

On the surface, it would appear that CBTs are generally not affected by formal bank shortages of foreign currency, since they rely on the parallel market for their business. But obtaining foreign currency on the parallel market is a very risky business. Traders are open to abuse by currency dealers; they may receive counterfeit money, either in foreign currency notes or local bank notes; or money may be stolen at gun or knife point by people suspected to be working in cohoots with currency dealers. During police raids, CBTs are either arrested and their money confiscated, or they offer bribes

Table 4: Movement of buses and mini-buses to South Africa and Zambia

Traffic origination	To Beit Bridge	To Johannesburg	To Lusaka via Chirundu Bridge	To Botswana
Harare: Mbare Msika	8 large buses	—	2 large buses	2 large buses
Harare: Road Port	—	4 large buses	2 large buses	—
Harare: Monomotapa taxi rank	—	4–5 mini-buses	—	—
Bulawayo: Bus Renkini	8 medium-size buses	—	—	2 medium-size buses
Bulawayo: Town House taxi rank	8–10 mini-buses	8 mini-buses	—	8 mini-buses

Source: Interviews with transport operators and security guards at Beit Bridge and Chirundu border posts and the bus terminus.

to the police. Many CBTs confirmed that the latter has become the norm. A sustained structural problem is the fact that they pay higher premiums on purchasing currency on the parallel market than formal businesses, who at least have a chance of obtaining currency at official rates when it is available.

However, exchange rate distortions have tended to encourage traders to rely on some kind of regional barter trade: an exporter would rather buy goods for resale back home than bring cash to exchange at the official rate. Through the control of foreign currency and price controls, the monetary authorities have tended to criminalise informal trading activities in general, irrespective of whether goods originated internally or externally.

4. National and regional effects of cross-border trade

4.1 The Zimbabwean factor

4.1.1 Customs

Since the November 2005 budget statement, CBTs are now allowed to export goods up to the value of US$1 000 without completing the very complicated RBZ and customs forms. This is a big relief to the CBTs: up to this announcement, the limit was Z$2 million (equivalent to only US$33 at the then inter-bank exchange rate of Z$60 000 per US$1). This limit was too low given the hyper-inflationary environment, a situation that forced traders to under-declare the value of their goods. This made them vulnerable to corrupt customs officials. Faced with this situation, traders are defenceless from a legal standpoint.

Since the Zimbabwe Revenue Authority (ZIMRA) does not capture the goods imported by CBTs for resale in Zimbabwe, there are no estimated trade statistics on goods imported by CBTs. On the other hand, beneficiaries of this trade are both the public consumers and business who are supplied by the traders.

4.1.2 Bribery

Many CBTs, especially women, were not perturbed about paying bribes, as this is part of the business. More than five respondents claimed that they stood to gain by paying bribes, which in many cases was much cheaper than paying the calculated custom duties (interviews with female CBTs).

The CBTs are in agreement that they pay bribes for various reasons, including:

- inappropriate travel documents, for example when they cross the borders without visas (in this case, the bribe is paid by the transporters on behalf of their passengers); and
- CBTs are blackmailed to pay bribes even when they are on the right side of the law. For example, at the Beit Bridge border post, customs officials demand that persons travelling to South Africa are allowed to export only US$100, or R620, in cash. A trader with more money than this then pays a bribe in order to travel further. The correct position is that Zimbabwean residents leaving the country can have any amount in travellers' cheques, plus US$1 000 or its equivalent in cash. Most traders interviewed before the writer travelled to Beit Bridge did not pose this as a problem at all, as they thought it was a normal situation. After completing the required forms, including the currency declaration form, which is stamped by the customs officials inside the building, some customs officials outside select a few people for further questioning. They proceed to falsify the correct position on how much currency a Zimbabwean resident may export. This is where the uninformed and less fortunate trader is compelled to pay the bribe.[40]

Some CBTs expressed anxiety over the current vigilance of ZIMRA officers, who now pursue the traders after they have passed the border posts and conduct sporadic searches. Traders who are found with undeclared goods risk their goods being confiscated by the officials and subsequently sold on a customs rampage sale.

In order for Zimbabwean products to benefit from bilateral or regional trade protocols, a Zimbabwean exporter has to complete a certificate of origin called the DA59. This is only possible if one completes all the clearing formalities, which start with the RBZ form called CD1, followed by a bill of entry.[41] The latter document is a very complex form. Zimbabwe customs authorities charge exorbitant penalties for making errors on this form if one tries to circumvent engaging qualified clearing agents. This then means that the CBTs cannot benefit from these concessions, while big business takes full advantage of all the agreements.

When importing, traders usually take advantage of the holiday-makers' duty-free rebate, meant for goods for own consumption. Zimbabwean customs normally classify goods of the same type in excess of six as goods for trade, and charge punitive duties based on estimated rates, which are not linked to current tariff rates.

4.1.3 Trading by-laws

In the majority of cases, Zimbabwe's local authorities do not give foreign traders vending licenses, although a few Zambians and Mozambicans were given trading stalls in the early 1990s. Before the recent clampdown under Operation Murambatsvina, local traders used to access these licenses without much difficulty. The situation has since changed drastically. Traders are now being asked to submit their fingerprints for police clearance before they can get hawkers' licenses from local authorities (interview with ZCBTA).

4.2 The South African factor

4.2.1 Travel restrictions on CBTs

Notwithstanding the strict import licence regime of the mid-1980s, Zimbabwean CBTs, particularly women, travelled once a month to South Africa in order to qualify under the once-a-month duty-free allowance granted by OGIL. As the OGIL limits grew, CBTs were able to import goods of higher value: TV sets, video recorders, and sewing and knitting machines.

For the Zimbabwean CBTs, travel restrictions to South Africa kept on tightening. By 2004, the South African visa regime had become both complicated and costly. By definition, the CBT is a holiday-maker and not a bona fide trader. In order to access a South African visa, the CBT has to apply for a holiday visa. For this purpose, the 'trader' is required to purchase R1 000 worth of travellers' cheques. When one rand was selling at Z$1 000 on the parallel market, this cost the trader Z$1 million. The travellers' cheques must be exhibited in order to obtain a visa. By the end of October 2005, the rand was worth Z$15 000 on the black market, compelling the trader to spend Z$15 million, and this figure continues rising. By the end of February 2006, the rand was worth Z$35 000, thus costing the trader Z$35 million. This system is both complicated and costly, since traders need these travellers' cheques for each visa.

In order to access a business visa, the trader must be a registered entity or an employee of a registered business, and must be invited by a registered company in South Africa. Because of this set-up, most CBTs go to South Africa on holiday visas, although everyone knows that their sole reason for going there is to carry out trading activities. Once they cross the borders, whether on the Zimbabwean or South African side, CBTs immediately engage in informal trading activities.

Thus, it is obvious that the traders will have broken the law, even though they will have passed through the customs points and paid duties for their wares, which are officially for personal use and not for resale.[42] An argument advanced by the ZCBTA for the recognition of informal sector CBTs is that their products are found throughout the region, although they may not have been captured in official trade statistics. It is common wisdom that virtually all of the wood carvings and curio artefacts that support the South African tourism industry originate from across its northern borders, and are brought into the country by the informal CBTs. Whenever it does become possible to capture these goods, in practice South African customs base their duty calculations on the weight of the products, such as curios, basketry, and wooden and soft-stone artefacts.

4.2.2 Trading by-laws

South Africa's by-laws, enforced by provincial and local authorities, do not have provisions for foreigners to access vending licenses. The tendency is to encourage foreigners to wholesale their wares to locals who have market stalls or vending sites. In the case of South Africa, registered or unregistered locals are generally not harassed, while foreigners risk deportation, even when dealing with registered informal and formal business counterparts. This also provides fertile ground for corruption by police and immigration officials: foreigners conducting trading activities have officially entered the country on holiday visas and as such have no leg to stand on in terms of the law.

4.3 The Zambian factor

4.3.1 Customs and travel restrictions on CBTs

There are no visa requirements between Zambia and Zimbabwe. But, at the same time, there do not appear to be any clear-cut procedures for determining duties payable by informal traders from either of the two countries. Since the general customs duty levels are extremely high relative to the final selling price of the goods, it is not possible to conduct viable cross-border trade without cutting corners. This results in the heavy under-declaration of goods, bribery, and smuggling. In November 2005, the foreign currency limit allowed for Zimbabwean residents leaving the country was capped at z$300 000 (then equivalent to only us$5). However, Zambian authorities could not allow Zimbabweans to enter Zambia unless they had more than z$3 million or its equivalent in other currencies. Thus, as a rule, Zimbabweans under-declared on their side of the border, and then displayed the correct amount of money they had only after crossing into Zambia. This position has changed since the most recent statement by the governor of the RBZ, which raised the limit on local residents leaving the country to z$5 million (albeit equivalent to only us$25 at the black market rate of z$200 000 to us$1, or R166,60 at the rate of z$30 000 to the rand at the end of February 2006).

4.3.2 Trading by-laws

The Zambian government does not grant permits to foreigners to trade in Zambia, including persons from fellow SADC countries. As a rule, foreigners are not able to access hawkers' licenses. However, given the uncompetitive prices of Zambian goods, very few Zimbabweans import goods from that country. The only exception has been second-hand clothes. The Zimbabwean CBTs export goods that are under-priced due to price controls, particularly agricultural products and refined sugar. CBTs are very sensitive to the price differentials of any product. For instance, of late Zimbabwean CBTs are smuggling mobile phones, which fetch higher prices in Zambia.

4.4 The role of the SADC Trade Protocol

The trade policy orientations of many SADC countries have been characterised by shifts between protectionism and liberalisation. During the 1970s and 1980s, trade policy in the SADC states was protectionist, with frequent reversal of reforms. Trade regimes in most countries were characterised by the control of imports through licensing, import quotas, high tariffs, administrative exchange-rate allocation systems, and various non-tariff barriers (NTBs). In the case of Zimbabwe, the government often intervened with 'targeted' protection for 'sensitive' industries, thereby increasing the variance and dispersion in the tariff regime. The proliferation of duty drawback schemes in several countries in the region was an attempt (albeit ineffectual) to offset the high levels of protection. However, to some extent the members of the Southern African Customs Union (SACU)[43] had liberal trade regimes.

Like most other SADC countries, Zimbabwe embarked on autonomous structural adjustment, market-oriented programmes, in which trade liberalisation was a key component. Subsequently, a number of countries made commitments to reduce tariffs further under the multilateral umbrella of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). Existing and potential regional integration arrangements such as the Common Market for Eastern and Southern Africa (COMESA), the Cross-Border Initiative (CBI) (now the Regional Investment Facilitation Forum),[44] and the SADC Trade Protocol have among their objectives the further liberalisation of trade. Trade liberalisation through tariff reductions and the removal of NTBS has seen the formal lifting of restrictions on intra-regional trade flows.

Most SADC countries share the following common denominators in their trade policy orientations:

- a commitment to autonomous trade liberalisation, with many countries embarking on this trajectory long before the launch of the SADC Trade Protocol or the COMESA free-trade area;
- a commitment to regionalism (that is, regional trade liberalisation) as the building-blocks towards multilateralism;
- seeking increased market access for their exports in world markets;
- utilising preferential market access currently available under the African Growth and Opportunity Act (AGOA), the Africa, Caribbean and Pacific (ACP)–EU Agreement and the World Trade Organisation (WTO), especially for least-developed countries (LDCS);
- a focus on the promotion of exports and the maintenance of open markets abroad; and
- the use of trade defence instruments in place of NTBS.

There is thus some degree of trade policy compatibility among the SADC states. They all follow the same direction of trade liberalisation, a commitment to the WTO obligations, pursuance of export-led growth strategies, seeking increased market access for their products in regional and world markets, and the use of tariff-based protection in place of NTBS, while rationalising and lowering the tariff structure.

For various reasons – including economic failure, politics, and the power of industrial lobbyists – there have been some inconsistencies between official trade policy and its practice in Zimbabwe. For example, since 2000 the government has on several occasions imposed controls on some imports and exports, increased tariffs on selected products, and introduced price controls, including exchange rate controls. These all directly affect its trade performance. On the other hand, South Africa has maintained some quota restrictions on imports from non-SACU SADC member states.

SADC trade policy reforms and trade liberalisation were in many cases followed by tariff restructuring and rationalisation. This has resulted in fewer tariff bands and the lowering of tariff levels. The average most-favoured nation (MFN) tariff in SADC countries collectively is 15 per cent, but it varies across countries. Most of the tariffs range between 0 and 25 per cent, with some tariff peaks. Zimbabwe has a tariff range of 0 to 100 per cent.[45]

The SADC Trade Protocol is, however, silent on the development and facilitation of SMEs in general, and the IS and cross-border trade in particular. Virtually all Zimbabwean informal CBTs interviewed were not aware of the SADC Trade Protocol or its effects on their business. The only exception was the ZCBTA representatives, who lamented the protocol's lack of support for their members. Only those traders who cross into Zambia are vaguely aware of trading conditions under COMESA.[46]

There is, therefore, a yawning gap between the empirical reality of regional cross-border trade and the silence at the level of SADC and its member states on this form of unrecognised informal trade. The SADC Trade Protocol should go further than its stipulation in article 31 sections 5 (d) and (e), to identify all the elements and priorities of the private sector that will be the engine of trade growth and facilitation in the region. A common SADC facilitation and registration mechanism for CBTs would eliminate the informal aspect of the current unrecorded cross-border trading practices.

4.5 Regional and neighbouring country networks

This section examines how traders make the connections in foreign countries and how they know from where to source their required products. As foreigners in neighbouring countries, CBTs cannot negotiate for trading spaces in their own right. In this case, the traders hire local people, who then find market stalls in order to sell their imported wares. Alternatively, foreign traders simply sell their wares to local informal traders. At present, by-laws in South Africa, Zambia, and Zimbabwe do not allow visiting informal traders to have trading permits or any rights to carry out trading activities. Consequently, foreign traders are constrained, through municipal by-laws and complex licensing procedures, from reaching the consumer market directly.

In order to circumvent the host country laws and by-laws, IS exporters of traditional craft wares have developed connections with domestic buyers of their products who hold a trading licence to sell their wares at street corners, officially designated flea-markets, or informal curio shops. They either collaborate with local informal networks in the host country, which act as bulk buyers and retailers of their products, or resort to selling their wares illegally as street hawkers, thus risking arrest and deportation. The most organised traders deal with old contacts who buy their wares with cash or on credit. For many informal traders, this is the only way of doing business in neighbouring countries. As foreigners with no chance of being granted permits to trade legally, they are purportedly either tourists or visiting friends and relatives.

In countries where CBTs do business or sell their wares, they create networks and add value in various ways (interview with ZCBTA):

- they are usually housed in cheap lodges or private-home networks in order to cut accommodation costs;
- as many prefer self-catering accommodation arrangements, traders support the catering industry and grocery shops in their areas of operation; and
- in order to feel safe and for company, Zimbabwean women travel in groups of about four to six.

The purchasing of goods from neighbouring countries is the easier part, because wholesalers often give the traders favourable terms, such as low prices (interviews). This acts as a reward to traders who may be frequent or bulk buyers of certain types of goods.

There is also the question of how traders negotiate the difficulty of finding space to sell their wares. Within Zimbabwe, traders can register with the local authorities for market stalls, and then pay monthly fees. Prior to Operation Murambatsvina, both the cities of Harare and Bulawayo and other local authorities received revenues from informal traders for servicing market stalls.

4.6 Impact of CBTs on the economy

Cross-border trading patterns are shaped by the existence of some natural comparative advantage, as in the production of and trade in hand-crafts as well as administratively determined price differentials that trigger specific supply and demand patterns.

4.6.1 Policy formulation

To policy-makers, cross-border trade provides market signals on the existence of price distortions among adjacent countries in the region. Price controls in Zimbabwe have often resulted in low and uneconomic prices for essential commodities, making it more attractive to smuggle such goods to neighbouring countries where they fetch higher prices. For example, when Zimbabwe's prices of sugar, fuel, and foodstuffs are subsidised and thus lower than those prevailing in the neighbouring countries, these products are smuggled across the borders where they fetch higher and more market-related prices. Such price differentials are also a major source of corruption when the well-connected and highly placed individuals in the political system join the bandwagon of contraband cross-border activities (interviews with chief executives of ZNCC and CZI).

The other catalysts for enhanced illicit cross-border trade are significant differences in tariffs and tariff liberalisation policies in neighbouring countries. Zero-tariff importation of second-hand clothes from neighbouring Zambia became the main impetus for cross-border trade between Zambia and Zimbabwe. Contrary to popular misconceptions that informal cross-border trading robs locals of business opportunities and drains the fiscus, it can be argued that it in fact supports substantial sectors of the region's economies, and adds value too.

Although cross-border trading is said to be invisible, its contribution to regional GDP can be quite significant when measured by the numbers of people crossing the borders. At present there is no precise way of putting a figure to the size of this trade, since the customs authorities do not capture its monetary value and physical quantities, as the goods go through the borders either as personal effects or goods for own use.[47] In addition, a reasonably large quantum of this trade is simply ignored by border customs in exchange for underhand payments. With a connection at the borders, even large articles such as photocopiers, personal computers, printers, and motor vehicle tyres are known to filter through.

4.6.2 Market reconnaissance/scouting

Informal CBTs also perform the function of market reconnoitring for local manufactured goods, as well as acting as distributing agents for goods produced by this sector (interviews with chief executive of ZNCC and corroborated by ZCBTA). Where foreign currency is in short supply, they also serve as suppliers of imported inputs and spares for the domestic industries. By being fast and flexible in responding to market signals, informal CBTs improve the availability of products, both quantitatively and qualitatively. They also facilitate competition in the market place, and can be a price-stabilising force if used in conjunction with a targeted tariff regime. In this regard, cross-border trading has at different times played an important role in enhancing food security in the region by moving food items from surplus areas to deficient ones.

4.6.3 The genesis of entrepreneurship development?

During the past two decades, most CBTs have originated from South Africa's northern neighbours, namely Malawi, Zambia, and Zimbabwe. During the 1980s, the majority of CBTs entering Zimbabwe came from Zambia, mainly because of shortages of common consumer goods in that country. By the mid-1980s, Zimbabwean CBTs started flocking to Botswana and South Africa in search of markets for their wares, and to source imports. From the mid-1990s to date, Zimbabwean CBTs have been visiting virtually all the neighbouring SADC countries, with Botswana and South Africa as their principal destinations.

Although one cannot make a blanket assertion about informal trading being the genesis of entrepreneurship development, we can safely make a distinction between informal trade as a continuum of survivalist livelihoods, and entrepreneurial development strategies. As shown in section 1.2, dealing with the dualistic structure of the economy as the framework for analysis, the majority of CBTs fall within the categories of high-potential unregistered/informal SMEs, and of low-growth potential, easy entry/micro enterprises. The assumption is that the more educated and skilled among them make it into the category of entrepreneurs, while the majority remain locked in survivalist strategies. This appears to be the case, despite a rather strong and passionate argument by the ZCBTA representatives that their members should be recognised as up-and-coming entrepreneurs.[48]

The growth and development of cross-border entrepreneurship is evident from the link between arts and craft products from Central Africa, and their attraction to the tourism industry in South Africa. This link was discovered and developed by foreigners from the region, mainly Zambian, Zimbabwean, and Malawian CBTs. It may also be the case that lack of environmental control in these countries allowed their citizens to exploit indigenous wood products to the detriment of the local environment. From around 1985 to the mid-1990s, marginalised South African citizens woke up to the vast opportunities in the informal economy. However, they found that many of these opportunities were now in the hands of foreigners. This precipitated various clashes: there were reported cases of harassing and dispossessing the intruding non-citizens, who were trading without legal rights to do so.

Citizens of countries such as South Africa and Botswana that have reasonably well-developed social safety nets have been slower in taking up the survivalist and entrepreneurship risks associated with cross-border trade. Although South Africans do practice cross-border trading, it is on a much smaller scale compared to their northern neighbours. The South African CBTs are usually a few up-market entrepreneurs who visit Zimbabwe and Zambia to buy hand-crafts and take them back on vehicle-drawn trailers for vending or resale in South Africa. Botswana CBTs normally cross into Zimbabwe to buy perishable vegetables and other agricultural products for resale in Botswana. Although these individuals may be registered traders with a hawker's licence in their respective countries, they are effectively informal CBTs in the sense that they do not go through the formal payment systems, and usually obtain local currency through black-market channels. In practice, trading networks established by CBTs in the host countries help to build an enterprise culture among the marginalised.

By the mid-1990s, the ZNCC formed the Micro-Business Development Corporation (MBDC) to develop secure incubator worksites for IS workers. The MBDC was established to nurture an enterprise spirit and culture, and to co-ordinate efforts by both private and public groups in order to avoid duplication. The aim of this programme was to develop each entrepreneur to the point where they could, within a period of two years, run a small business on their own. The MBDC involved a number of other organisations in the initiative, including the Harare city council, the CZI, commercial banks, and some international organisations. However, in the end this project failed because of a lack of funding.

5. Conclusions and recommendations

In concluding, it is important to point out that the main issue facing the Zimbabwean informal sector, and the CBTs in particular, is the lack of consistency in government policy. This has in turn led to an erosion of consensus among the main stakeholders – government, civil society groups, and the representatives of the informal traders – on how best to approach and develop this sector.

Over the period since independence in 1980, the government has at times taken positive steps to address the challenges and constraints confronting the IS, only to then retract and become ambivalent on the way forward. The ministry of gender, youth, and employment creation, responsible for the informal economy up to 2000, developed a stakeholder-driven approach to mainstreaming this sector. However, in the post-2000 period, the government changed its priorities, ultimately portending the clampdown on the informal economy under Operation Murambatsvina. Instead of identifying the main problem – that is, the failure of public policy to meet basic needs (food, health, education, shelter, water and sanitation, and decent work) and to create a truly inclusive national economy, the government attacked the informal economy.

Although cross-border trading is a significant activity, as is highlighted by the quantity of goods filling up in the country's flea-markets and other forms of informal trade, it remains invisible and insignificant when judged by official trade statistics. In the Zimbabwean case, trade flows by informal CBTs do not appear in the trade statistics published by the CSO. Taking a leaf from the government's ambivalent stance on cross-border trade, senior government officials have no basis upon which they can make firm estimates on the extent of this trade. In fact, the section dealing with trade statistics in the CSO has not even defined the category of informal sector trade flows to enable them to assist the customs authorities to monitor and collect this data.

Notwithstanding this lack of concrete data, the governor of the RBZ has vouched that the SME, informal, and micro-enterprises sectors account for an estimated 15 – 20 per cent of total output. To some extent, the volumes of goods exhibited and traded in the country's informal markets are testimony that goods exported and imported by CBTs do approximate to this magnitude of economic activity. This estimate may also be supported by the large numbers of people who cross the borders with the sole purpose of carrying out trading activities. The reality at border posts is that huge crowds cross into South Africa and return with small consignments of personal effect though at times the CBTs pay customs duties, if the value of their goods exceeds the allowance. As was earlier discussed, some local authorities also derive revenues from these IS trading activities.

There is no precise way of enumerating the size of this trade, since the relevant authorities do not capture its monetary value and physical quantities. The reason for this is that these goods cross the border into Zimbabwe as personal effects or goods for own use. In addition, a reasonably large quantum of this trade is simply ignored by customs officials in exchange for underhand payments. When CBTs have established connections at the border posts – as is often the case – even large articles such as photocopiers, personal computers, printers and motor vehicle tyres are known to filter through.

In terms of gender, there is convincing evidence that cross-border trade is a female-dominated economic activity, with some estimates placing the gender ratio at over 80 per cent for women. The main reason why women are particularly active as CBTs is that they have been historically disadvantaged in terms of access to education and FS job opportunities. Women have also taken up cross-border trading in order to supplement the low incomes earned by their husbands in menial FS jobs. But cross-border trading is not easy: traders work long hours, usually averaging 10 hours a day, and utilise overnight travel to cut on boarding costs.

There is, therefore, a yawning gap between the reality of cross-border trade on the ground and a lack of in-depth research and informed opinion at the levels of both SADC and its member states on this form of unrecognised regional trade. The SADC Trade Protocol should ideally go further than its stipulation in article 31 sections 5 (d) and (e) to identify all the elements and priorities of the private sector that will be the engine of trade growth and facilitation in the region. A common SADC facilitation and registration mechanism for CBTs would eliminate the current intolerably underestimated and precarious nature of the informal cross-border trading regimes.

Endnotes

1 Dr Daniel B Nedlela is an economist with Zimconsult in Harare, Zimbabwe.

2 This categorisation is based on an analysis of the characteristics of Zimbabwean SMEs, taking into account their differentiation by sub-sector, location, and status. It is, however, not an official classification. Category (c) may also be classified as micro, small and medium enterprises, but for purposes of this study, we shall stick to the term 'small, and medium enterprises' (SMEs).

3 Conceptually the NFS category encompasses the total sum of the urban-based IS and the communal or traditional sector. This is typical of former settler colonies in Southern Africa, where the communal sector was demarcated as African or 'native reserves' (see Mhone 1992, 1993).

4 The communal sector is the official designation for the former African reserves, where black people were compulsorily settled by the colonial government from 1930 onwards, under the Land Apportionment Act and subsequent Land Apportionment Act of 1969. It was only after independence in 1980 that the name of these homelands for the majority of people was changed to the 'communal' sector. This simply means that the land they live on is communal property, which is distributed and redistributed by the traditional leaders – the chiefs. The concept is different from the urban non-structured IS, which means unofficially settled business stands allocated on an ad-hoc basis by the informal traders or producers of informal goods and services.

5 See Mhone (1992, 1993, 1999) for a full discussion of the dual and enclave structure of the Zimbabwean economy.

6 The urban IS and communal sector were intended to be a buffer for surplus labour as well as the old and sickly, whether or not there is viable economic space in those areas. Those ejected from the FS would be accommodated by relatives. Nowadays those on the verge of death from HIV/AIDS in urban areas are driven to the communal areas to be cared for by relatives. On the basis of this time-tested logic from colonialism, the architects of Operation Murambatsvina ordered those crowded in the urban shacks, and surviving through IS activities, to return to the communal areas, whether or not they had relatives there, or there were viable economic space or economic opportunities. For lack of another term, the communal areas have, over time, been used as a 'dumping ground' for anyone who can no longer survive or be accommodated in the urban FS or dwelling space.

7 In many African economies, IS business may generate as much as half of GDP, handle as much as 40 per cent of all foreign exchange and more than 40 per cent of exports and imports, and support between 60 and 70 per cent of the population. It is the main provider of transport for the people, and meets the basic housing requirements of the poor. But the NFS remains a secondary economy, reproducing disarticulated and subservient relations with both the domestic FS and the external economy (see Kanyenze 2003).

8 Zimbabwe has maintained and even intensified the model of those countries that have managed to create a developed FS co-existing with a very underdeveloped NFS. In this category are countries such as South Africa, Brazil, and Mexico, which are good examples of lopsided development and where poverty is widespread in the NFS (ILO/SAMAT 1995:21).

9 The cso indicates that the 2001 income consumption and expenditure survey and the 2004 indicator monitoring labour force survey have information on the informal economy covering economic activities, numbers employed, socio-demographic indicators, area of location, and incomes. However, neither document is yet available.

10 The concept of a holiday allowance, first established under the ogil, is a system where the government sets a maximum limit for a returning resident to bring in goods without having to pay duty. This limit or allowance is based on the concept that the returning resident will have utilised 'free funds', that is, money received from or earned abroad. The current limit is set at us$250 or R1 550. This is far less than the amount a local resident may take when travelling abroad (any amount in travellers' cheques, and us$1 000 or equivalent in cash, the assumption being that the rest of the permitted amount is for the traveller's subsistence and other expenses while outside the country).

11 The cd1 is a declaration form from the rbz. It indicates the amount of goods being exported, and the pro forma invoice specifying the amount that the goods will be sold for abroad and the date of repatriation of export proceeds. This is a very complicated form and, as such, cbts normally avoid completing it. In any case, their exported goods normally fall below the minimum limit required for the cd1 form.

12 The relaxation took the form of pushing up the cd1 limit, so that informal traders fell below the threshold.

13 The czi is an established lobby organisation for big business and concentrates on manufacturers, while the zncc represents both manufacturers and commerce and has in recent years opened up its membership to smes.

14 Since each member of the family was allowed a duty-free rebate as a returning resident, families took advantage of this and travelled together so that their combined maximum duty-free allowance would enable them to import larger amounts of goods without paying duty.

15 Government promulgated a new regulation for the registration of private vehicles, often second-hand Peugeot 504 station wagons for use as city taxis. These taxis were officially called 'emergency taxis'.

16 This estimate is based on the count of types of goods normally purchased by traders. While virtually all clothing, shoes, and kitchenware are of Chinese origin, food products and drinks are of South African origin.

17 During the 1990s, the Harare local authorities did at least accommodate the concerns of traders from the region.

18 All references here pertain to changing proportions within the is. The changing gender orientation of smes and shifts from manufacturing to trading activities all refer to the is (see Kanyenze and Sibanda 2005:8).

19 If smes were trained in marketing skills, they would organise their orders and trips in a business-like fashion and add more value, as compared to the haphazard manner used and lack of skills, as well as acquire the ability to bargain with the authorities in the process of carrying out their trading activities.

20 Ironically, cbts have never obtained forex from the official sources. They earn their forex by going to South Africa or Botswana with their wares to sell, and use the proceeds from these sales to purchase scarce goods for the Zimbabwean market.

21 This was also in line with the letter and spirit of ILO recommendation 189 of 1998.

22 The SYB was linked to other ILO training initiatives, such as Generate Your Business Idea (GYBI) and Improve Your Business (IYB), which focus on improving the managing skills of existing entrepreneurs.

23 Using the June 2005 official exchange rate of Z$10 000 to US$1, this equated to US$6 300 and US$75 600 respectively. By the end of November 2005 (at an exchange rate of Z$60 000), the respective figures were US$1 050 and US$12 600, and by the end of February 2006 (at an exchange rate of Z$99 201,58), they were a pittance of US$635 and US$7 620.

24 At the heart of these fundamentals is the restoration of sound macroeconomic management as part of a process to regain the country's lost international and regional markets, restore property rights, stop further land invasions, and restore order in the agricultural sector as a prelude to restoring order in the entire economy.

25 It is widely believed that in practice, the RBZ continues to interfere in the TFCBS, a condition that feeds into the continued presence and thriving of parallel market activities.

26 In the interview, he confirmed that this figure derives from their surveys of informal traders using buses from the country's main cities of Harare and Bulawayo.

27 This estimate was given by the ZCBTA.

28 The governor of the RBZ delivered a speech at the ZCTU workshop on 2 March 2005 to discuss the monetary policy review and roadmap for 2005.

29 As part of addressing the ensuing general harassment of CBTs, the ZCBTA was formed.

30 There is growing evidence, which the authorities cannot dispute, that the very few houses that have been built and completed under this scheme are being given to ZANU-PF members and the politically connected. The victims of Operation Murambatsvina are not benefiting (see *The Standard*, 12 February 2006).

31 Re-enacted from the Urban Councils Act (1960).

32 The members of the ZCBTA enumerated these regulations as affecting their members.

33 Partly derived from *Annex 1* in Ndlela (2000), volume 1, and from discussions with traders and the ZCBTA.

34 This is not to imply that these programmes failed; there were various success stories. For example, BESA can be credited with mentoring entrepreneurship among those that were able to access these services, but the programmes were not widespread enough to have an impact on all SMEs, including the informal CBTs.

35 Repeatedly stated by buyers of wooden curios, woven baskets, and artefacts.

36 Only recently, in January 2006, did the NRZ and the Botswana Railways sign an agreement to reintroduce the passenger rail route between Bulawayo and Francistown.

37 This is an informed opinion of cargo transporters who have an intimate knowledge of the SADC transport routes and border posts.

38 When I expressed great surprise that there are so many people crossing the border into Zimbabwe from South Africa, customs officers and security people, as well as one immigration official, expressed the view that the crowd on that morning was much smaller than the crowds experienced towards end of November and towards the Christmas shopping period (date of the count: 10 September 2005).

39 For example, a dedicated transport company such as Madlala Motors, which plies the Bulawayo–Beit Bridge route, uses medium-sized buses.

40 On 9 September 2005, I observed more than three women being questioned by customs officials outside the building. Since I had been there for over an hour, the customs officials suspected I had something to hide. As I went to my car to drive to the border, I was approached by a young officer (name withheld) and asked to show my declaration papers. I had declared US$186 in cash, but was told that I was only allowed to export US$100 in cash. When I enquired when this had changed from US$1 000, the officer indicated that the change was recent. I then told her that I would drive back to the bank to redeposit the extra cash, to which she agreed. I then telephoned a contact at the RBZ to seek the correct position and was informed that I was allowed US$1 000. When I confronted the young officer, she went into the building to verify, but returned within seconds. I was sure she had not talked to any senior person at all. On her return, she apologised profusely for the mistake. It is then that I asked for her name and noted it down. She followed me to the car to apologise again. Her defence was that she had not known the correct position. I then also observed the two other officers giving the women the same false information.

41 Not even the campaign led by the first lady, Sally Mugabe, yielded results, besides the relaxation of rules of registration and issuing of licences to informal traders.

42 Duty payable is for the value of goods in excess of the traveller's allowed limit, called duty-rebate.

43 The SACU members are South Africa, Botswana, Lesotho, Namibia, and Swaziland.

44 Of the 14 countries participating in the CBI programme, seven are SADC states, namely Malawi, Mauritius, Namibia, Swaziland, Tanzania, Zambia, and Zimbabwe. The CBI programme and agenda are supposed to complement and not compete with Southern Africa's regional integration agreements (RIAS), such as SADC and COMESA. The CBI was transformed into the Regional Investment Facilitation Forum (RIFF) in May 2000 in Mauritius. Unlike the CBI, the RIFF has placed ownership in the hands of the participating states. South Africa is currently an 'observer', most probably as a prelude to joining the RIFF.

45 Mauritius is the only other SADC member country with this level of tariffs.

46 Article 62 (h) of the COMESA treaty states that the member states shall 'improve the performance of small and medium-scale enterprises for export development such as marketing, business management and the provision of credit'.

47 For example, Zimbabwean customs allow a returning resident to bring in six items of a similar article. This number is defined as the maximum a person can import for own use.

48 The secretary-general of the ZCBTA and members of his team argue for the recognition of CBTS as entrepreneurs playing a significant role in the region's trade. They hold that the majority of the CBTS remain locked in survivalist strategies because of their unfair treatment as informal traders.

References

Bhalla A, Davies R, Chitiga-Mabugu M, Mabugu R, and Kaliyati J. 1999. *Zimbabwe: Globalization, Liberalization and Sustainable Human Development*. UN Development Programme/UN Conference on Trade and Development UNDP/UNCTAD Country Assessment Report (first draft).

Brand V. 1986. One dollar work places: a study of informal sector activities in Magaba, Harare. *Journal of Social Development in Africa* 1(2).

Chiripanhura B (assisted by Nyamukapa D M). 2001. *Labour Relations in the Informal Sector in Zimbabwe*. Harare: Zimbabwe Industrial Relations Association (ZIRA).

Confederation of Zimbabwe Industries (CZI). 2001. The current state of the local manufacturing sector. Harare: CZI.

– 2002. The Zimbabwe manufacturing study for 2001. Harare: CZI. August.

– 2003. The state of Zimbabwe's manufacturing sector in 2002. Harare: CZI. August.

CSO. 1998. *Poverty in Zimbabwe*. Harare: CSO.

– 2005. *Report on the Proceedings of the User-Producer of Statistics Symposium*. Kadoma Hotel and Conference Centre. 8-12 November 2004.

Davies R. 1978. *The Informal Sector: a solution to unemployment?* From Rhodesia to Zimbabwe Series 5. Mambo Press.

Gemini. 1991. *Micro and Small-Scale Enterprises in Zimbabwe: results of a country-wide survey.* Gemini/USAID Technical Report 25.

– 1993. *Changes in the Small-Scale Enterprise Sector from 1991 to 1993: results of a second nationwide survey in Zimbabwe.*

– 1998. *Zimbabwe: a third nationwide survey of micro and small enterprises*. USAID and PriceWaterhouseCoopers.

Government of Zimbabwe (GOZ). 1996. *Deregulation Project Team: final status report*. Harare: GOZ.

– 2000. Presentation to cabinet on the proposed launch of the Zimbabwe Apex of Informal Sector Associations (ZAISA) national taskforce. Ministry of youth development, gender and employment creation. September.

ILO Southern Africa Multi-disciplinary Team (ILO/SAMAT).1994. The urban informal sector in Zimbabwe: prospects for employment. TSSI Mission Report. Harare. September.

– 1995. Design of policies and programmes for growth and employment promotion in the non-formal sectors in Zimbabwe. Harare. December.

ILO Southern African Team for Employment Promotion (ILO/SATEP) & ministry of youth development, gender and employment creation. 2000. *Policy Framework for the Micro and Small Enterprises Sector in Zimbabwe*. Vols I & II. October.

Kajubi G. 1990. Expanding employment opportunities for women in the informal sector in sub-Saharan Africa. Washington DC: World Bank.

Kanyenze G. 2003. Giving voice to the unprotected workers in the informal economy in Africa: the case of Zimbabwe. Prepared for the ILO/SRO. November.

– 2004. Giving voice to the unprotected workers in the informal economy in Africa: the case of Zimbabwe. ILO discussion paper. Harare: ILO/SRO.

Kanyenze G and Sibanda M. 2005. The economic impact of the clampdown on the informal economy, code named Operation Restore Order/Murambatsvina. Harare: Ledriz.

Mead D C and Kunjeku P. 1992. Business linkages and enterprise development in Zimbabwe. University of Zimbabwe. September.

Mhlanga K. 1991. Women in the informal sector: their role in economic development. UNDP AFRICA 2000 Network.

Mhone G C Z. 1992. The informal sector in Southern Africa: structural status and constraints. SAPES Trust.

– 1993: The impact of structural adjustment on the urban informal sector in Zimbabwe. Geneva: ILO.

– 1999. Towards a national employment policy for Zimbabwe: a proposed policy framework. Discussion paper prepared for ILO/SAMAT. September.

– 2000. Enclavity and constrained labour absorptive capacity in Southern African economies. Discussion paper 12. ILO/SAMAT.

Mhone G and Aryee G. 1985. The informal sector in the labour reserve economies of Southern Africa. ZIDS and ILO working paper. Harare.

Mkandawire T. 1985. State, policy response to economic crisis in Africa. *East African Social Science Research Review* 1(2). June.

Moyo N, Davies R G, Mhone G, and Pakkiri L 1985. *The Informal Sector in Zimbabwe*. Harare: ILO/SATEP.

Mupedziswa R. 1990. Small scale production enterprises in the greater Harare area: livelihood or lifestyle?. Paper presented at sociology department seminar, University of Zimbabwe. September.

1991. Promote informal sector to starve off effects of change. *Sunday Mail*. May 5.

Ndlela D B. 2000. *Policy Framework for the Micro and Small Enterprises Sector in Zimbabwe.* Vol 1: *The Policy Framework*. Prepared for the ministry of national affairs, employment creation and co-operatives with the assistance of the ILO/SAMAT. Harare: October.

Ndlela D B. 2000. *Policy Framework for the Micro and Small Enterprises Sector in Zimbabwe.* Vol 2: *An Analysis of the Micro and Small Enterprises in Zimbabwe.* Prepared for the ministry of national affairs, employment creation and co-operatives with the assistance of the ILO/SAMAT. Harare: October.

Ndlela D B, Kanyenze G, and Munemo J. 1999. A review of pricing policy in a liberalised environment in Zimbabwe: the case of basic commodities. Prepared for the national economic consultative forum taskforce on prices and incomes. January.

Ndoro H. 1989. Zimbabwe: the informal sector in a decontrolling formerly 'socialist' economy. In Sachikonye L. *The Informal Sector in Zimbabwe*. Harare: Zimbabwe Institute of Development Studies (ZIDS).

O'Donoghue M. 1990. Employment and informal sector. Paper presented at an EDI/HEDCO Workshop. Dublin, Ireland. 4–7 December.

Reserve Bank of Zimbabwe (RBZ). 2005. Monetary policy statement: the first quarter to 31 March, 2005. Issued in terms of the Reserve Bank of Zimbabwe Act, Chapter 22:15, Section 4, by Dr G Gono, governor. April.

Tibaijuka A K. 2005. Report on fact-finding mission to Zimbabwe to assess the scope and impact of Operation Murambatsvina. By the UN special envoy on human settlements issues in Zimbabwe. New York: United Nations 18 July.

UNIDO. 1993. Support to small scale industries and enhancement of indigenous ownership. DP/ID/SER.A/1650. *Technical Report: Survey of Small-Scale Industries and Indigenous Ownership in Zimbabwe.* Vol 1. Prepared by Zimconsult. Harare.

– 1999. Development of SME sector in Zimbabwe based on a clustering and networking approach. US/ZIM/97/117 Activity Code 350C3. Prepared by Zimconsult. Harare. September.

World Bank. 1995. Performance audit report: Zimbabwe structural adjustment program. Washington DC: World Bank operations evaluation department.

– 2000. *Zimbabwe: Interim Strategy, 2000–1.*

ZCTU. 1996. *Beyond the Economic Structural Adjustment Programme (ESAP): framework for a long-term development strategy for Zimbabwe*. Harare.

Annexure 1: General goods traded by Zimbabwean CBTs

Imports from:	Country	Zimbabwean exports to:
Electrical household items, televisions, radios, VCRs, DVDs, fridges, cookers, sewing and knitting machines, motor vehicles and motor vehicles spares, industrial equipment and machinery spares, industrial chemicals, cosmetics, pharmaceuticals, clothing, shoes, kitchen utensils.	South Africa	Crafts – wooden and soapstone artefacts, cane furniture, baskets, crotchety, clothing, tie and dye, bed and seat covers, reed mats, brooms, mops, agricultural goods, round and ground nuts.
African design clothing materials, cosmetics, toilet soaps, sandals and footwear not manufactured in Zambia, second-hand clothing, masks and wooden/stone curios.	Zambia	Before decline in agricultural production: sugar, cooking oil, margarine, milk. Present: clothing, bed and seat covers, jerseys, crotchety, artefacts, wooden curios – hippos/giraffes.
Electrical household items, televisions, radios, VCRs, DVDs, cosmetics, pharmaceuticals, kitchen utensils.	Botswana	Crafts – wooden and soapstone artefacts, crotchety, tie and dye, bed and seat covers, agricultural goods, sugar cane, fruits, greeneries, dried vegetables, millet, round and ground nuts.
Prawns, fish, kapenta, coconuts, soap, second-hand clothing, sandals and footwear not manufactured in Mozambique, rice.	Mozambique	Before decline in agricultural production: sugar, potatoes, eggs, chicken, margarine, cooking oil, potato crisps, milk. Current exports: plastic utensils, seat and bed covers, tie and dye, plastic grain bags, wines and spirits.
African design clothing materials, wooden carvings, rice, sandals and footwear not manufactured in Malawi, second-hand clothing.	Malawi	Clothing (dresses, jerseys), bed and seat covers, crotchety, plastic utensils, cups, buckets, dishes, plastic grain bags.

Source: Zimbabwe Cross-Border Traders Association and interviews with various CBTs.

Annexure 2: State of Zimbabwean informal cross-border trade, 1980 to date

Institution	Period 1980–1990	Period 1990–2000	Period 2000–2005
Cross-border trader movement	Characterised by part-time traders, mainly employed people who took advantage of their holiday allowances to import household items for own consumption, plus luxury items for resale to shops. Informal cross-border trade between Botswana and Zimbabwe was significant then.	Emergence of day-trippers at border posts and full-time traders. Part-time employed traders took advantage of family customs duty-free rebates to import cars, mainly from South Africa, for own use or resale.	Due to poverty and economic decline, there was a sharp increase in cross-border trade activities. This rise triggered xenophobic reactions in the region, for example, in South Africa and Botswana. The ensuing general harassment gave rise to the formation of the ZCBTA.
Central government	The strict import control regime and a system of granting people annual holiday allowances gave rise to cross- border trade. Import-driven trade was generated mainly by employed persons. Export-driven trade was hampered by strict enforcement of the CD1 limit. Customs officials often impounded goods intended for export, for example, doilies. Following the Beijing Conference towards the end of the decade, Sally Mugabe lobbied through the Women's League for a relaxation of the CD1 rules.	Export-driven trade boomed, particularly with South Africa, where Zimbabwean curios began to support the South African tourist industry. The emergency taxi regulation, coupled with the family duty-free rebate, enabled families to bring in goods of a capital nature, such as cars. This resulted in French-made cars such as Peugeot 504s being re-exported to Zimbabwe for use as emergency taxis.	Chaotic land reform, poor governance, and a polarised political climate began to take its toll on foreign currency reserves and inflows through lower exports, lack of foreign direct investment, and donor flight. Traders and workers in the diaspora began to be seen as a source of forex. The main concern was how get the forex held by individuals into the official system. Differentials between the official exchange and parallel rates further drove forex dealings into the parallel market.
Local government	Environment quite hostile for informal traders, characterised by strict enforcement of zoning regulations inherited from the colonial government. No vending and hawking in the CBD areas of all cities and towns. The Country and Town Planning Act did not allow for business in residential areas.	Campaign for indigenous empowerment saw the relaxation by central government of by-laws that hindered the operation of home industries. Local authorities followed suit by opening up flea-markets for, mainly, CBTs. This gave rise to the importation of cheap Asian goods such as sandals, footwear, and kitchen utensils. At flea-markets Asian goods appeared to outnumber South African-made goods.	As if in compliance with the general lawlessness triggered by the fast-track land reform, local authorities allowed all manner of economic activity to mushroom in CBDs as well as residential areas. Flea-markets/tuck shops and street vending mushroomed in every open space available. This resulted in a significant shift of economic activity from the FS to IS activities.

Institution	Period 1980–1990	Period 1990–2000	Period 2000–2005
ZNCC, CZI, trade associations	No formal engagement by these institutions on cross-border trading activities. However, private businesses (often members of ZNCC) benefited by encouraging the commercialisation of holiday allowances. They would give out orders for luxury goods for which they could not get import permits.	ZNCC/CZI members began placing orders with traders to supply goods which they could not import due to forex shortages. Competitive prices spurred CBTs to compete for import orders from the FS. Exporting traders played the role of market explorers in neighbouring countries for manufacturers.	CZI/ZNCC began to engage CBTs, although on a contradictory basis. On the one hand they appreciated the forward and backward linkages with the IS, which helped them survive the harsh economic conditions. On the other hand, some felt threatened by the growth of the informal economy. This influenced government to tighten the operating environment for informal CBTs in the name of plugging forex leakages and tax evasion.
Trade union movement – ZCTU	There was no visible formal engagement/ contract regarding cross-border trade issues.	Started to conduct research and workshops on the informal economy in general, focusing on conditions of service for IS employees. Following ILO recommendation 189 of 1998 and the Beyond ESAP study, trade unions took an active interest in the welfare of their retrenched former members now in the IS. This resulted in the formation of strategies around the Recent Work Agenda.	An informal economy department was established in 2003 to research the status of the IS economy in Zimbabwe. This culminated in the formation of the ZCIEA, of which ZCBTA is an affiliate. A memorandum of understanding was signed between the ZCIEA and ZCTU, which has since opened the door for social dialogue.
NGOs	There was no visible contact regarding cross-border trading issues.	Research on cross-border trade. Attempts were made to form associations, for example, the UN-funded ZAISA project. In South Africa, the Institute for a Democratic South Africa (IDASA) conducted various studies on xenophobia/cross-border trade, etc.	Realising the poverty reduction potential of CBTs, a number of NGOs (a) supported research and advocacy work in the region; (b) assisted in the formation of a trade representative organisation, the ZCBTA; and (c) established a regional task force mandated to form national association chapters that would then affiliate to a regional body.

Annexure 3: Institutions and persons interviewed for the CBT study

	Date of interview	Name of person(s) met	Institution /Place of interview
1	11/08/2005	Dr Godfrey Kanyenze Director, LEDRIZ	Zimbabwe Congress of Trade Unions. 9th floor, Construction House, Takawira Street, Harare Tel: 728484 (lines still at ZCTU) E-mail: ledriz@africaonline.co.zw
2	11/08/2005	Vimbai Zinyama Co-ordinator	Co-ordinator, The Informal Economy Project at the Zimbabwe Congress of Trade Unions. Chester House Tel: 728484
3	12/08/2005	Elijah Mutemeri Data specialist	The Informal Economy Project at the Zimbabwe Congress of Trade Unions. Chester House Tel: 728484
4	15/08/2005	E. Ndlovu Head, research division	Ministry of industry and commerce Private Bag 7708, Causeway, Harare, Zimbabwe Tel: 263-4-793804/794609 Fax: 263-4-704953
5	17/08/2005	Farai Zizhou Chief economist	Confederation of Zimbabwe Industries P O Box 3794, Harare, Zimbabwe Tel: 263-4-772763/7, 772666, 723603, 703265 Fax: 263-4-750953 E-mail: czi@primenetzw.com
6	19/08/2005	Innocent Makwiramiti Chief executive	Zimbabwe National Chamber of Commerce P O Box 1934, Harare, Zimbabwe Tel: 263-4-799692/4

	Date of interview	Name of person(s) met	Institution /Place of interview
7	29/08/2005	E. Hlabangana Director, resource mobilisation and project management	Ministry of small and medium enterprises development Private Bag 7740, Causeway, Harare, Zimbabwe Tel: 263-4-793804/794609 Fax: 263-4-704953
8	29/08/2005	Mrs Julia Mapungwana, Director, capacity building	Ministry of small and medium enterprises development Private Bag 7740, Causeway, Harare, Zimbabwe Tel: 263-4-793804/794609 Fax: 263-4-704953
9	30/08/2005	E Nyoni Director, Central Statistical Office	Central Statistical Office P O Box CY 342, Causeway, Harare, Zimbabwe Tel: 263 4-706681/7
10	31/08/2005	Kobanini Ndubiwa	Customs Clearing Agent, and formerly a Senior Customs Officer Tel: 091-375963
11	31/08/2005	Festus Ngcebetsha Customs clearing agent, and formerly a senior customs officer	
12	31/08/2005	E Ndlovu	Ministry of industry and commerce Private Bag 7708, Causeway, Harare, Zimbabwe Tel: 263-4-702731, 730081/7 Fax: 263-4-729311
13	02/09/2005	Anderson Tawanda Secretary general	Zimbabwe Cross-Border Traders' Association
14	03/09/2005	Alma Nkala Cross-border trader	7445 Nkulumane, Bulawayo
15	03/09/2005	Lilian Hadebe-Ndhlela	3849 Gwabalanda, Luveve, Bulawayo Tel: 263-9-/520574

	Date of interview	Name of person(s) met	Institution /Place of interview
16	03/09/2005	Zandile Moyo	Luveve Market, Bulawayo
17	04/09/2005	Kedina Ndhlovu	Gwabalanda, Luveve, Bulawayo Tele: 023–458743
18	07/09/2005	Selina Siziba Trader	Beit Bridge–Central bus-rank market, Dabuladzimu High Density
19	07/09/2005	Zondo Moyo	Beit Bridge–Central bus-rank market, Dabuladzimu High Density
20	08/09/2005	Samuel Siziba Trader	Beit Bridge – Central bus-rank market, Dabuladzimu High Density
21	08/09/2005	Vimbai Mbedzi	Eastern Stands – clothing and groceries
22	08/09/2005	Deliwe Ndlovu	Eastern Stands – clothing and groceries
23	09/09/2005	Tumbu Mohadi / Dorra Moyo, of Bulawayo	Holiday Inn, Beit Bridge – by arrangement
24	09/09/2005	Zenzo Halatshani and Mr Manungo Transport operators, Madlala Motors	Beit Bridge–Central bus-rank market, Dabuladzimu High Density
25	12/09/2005	Debe Mpala Trader	Market stands, Victoria Falls
26	12/09/2005	Thembi Mlotshwa	News stands, Victoria Falls
27	12/09/2005	Godfrey Maphosa	Chief executive officer, Victoria town council Tel: 263-13-44366
28	15/09/2005	Tsitsi Musikavanu	Fife Street – displaced by Operation Murambatsvina
29	15/09/2005	Netsai Makoni	Road Port Market – displaced by Operation Murambatsvina

	Date of interview	Name of person(s) met	Institution /Place of interview
30	16/09/2005	Group meeting, A Tawanda and committee members of ZCBTA	Arranged by secretary-general, ZCBTA
31	25/10/2005	Samu Sakala	Chirundu Bridge, Zimbabwe
32	25/10/2005	Kumbirai Tirivavi	Chirundu Bridge, Zimbabwe
33	29/10/2005	Nedzi Mawoneke and Lilian Boriwondo, trader	Given lift from Chirundu to Harare