

## Informal Economy and Cross-Border Trade between South Africa and Zimbabwe



*Based on a multi-stakeholder policy dialogue workshop on 17 January 2017, held at Burgers Park Hotel, Pretoria*

### Introduction

The socio-economic significance of the informal sector, and Informal Cross-Border Trade (ICBT) in particular, is now widely acknowledged. Globally, the ILO estimated 50-75% of non-agricultural labour force to be in the informal sector.<sup>1</sup> WIEGO's estimates for Southern Africa put sub-region at 66%, with massive variations across countries, for example South African 33%, Namibia 44%, and Zimbabwe 52%.<sup>2</sup> The Zimbabwe Statistics (ZIMSTATS) estimates are much higher at 94.5%, for ages 15 years and above.<sup>3</sup> The sector is overwhelmingly dominated by women. An equally important segment of the informal sector is the ICBT, which is estimated to constitute 40% of total Southern Africa regional trade. While, global, regional, and national policy developments have started to move (albeit belatedly) with the growing significance of informality<sup>4</sup>, regional trade policy still lags behind with respect to ICBT.

ICBT between South Africa and Zimbabwe is very significant, with the Beitbridge Border being the busiest in the region. According to the Southern African Migration Program (SAMPS), Zimbabwe contributes 29%

<sup>1</sup> <http://ilo.org/global/topics/employment-promotion/informal-economy/lang--en/index.htm>

<sup>2</sup> <http://www.wiego.org/sites/wiego.org/files/publications/files/Vanek-Statistics-WIEGO-WP2.pdf>

<sup>3</sup> ZIMSTAT, 2014 Labour Survey, pg xxi

<sup>4</sup> For example, the June 2002 International Labour Force Conference Resolution on Decent Work and Informal Economy

of all ICBT traders in South Africa. It is worth noting that one of the resolutions of the 2016 Zimbabwe-South Africa Bi-National Commission was to support free movement of people between the two countries and to establish a one-stop-border post.

In order contribute towards the necessary regional policy shifts, the Southern Africa Liaison Office, SALO, hosted a multi-stakeholder dialogue on Informal Cross-Border Trade, focusing on Zimbabwe and South Africa. The Honourable Minister of Small Business Development, Ambassador Lindiwe Zulu, was the keynote speaker and His Excellency, Ambassador of Zimbabwe to the Republic of South Africa, Mr Isaac Moyo, also gave input. This is envisaged to be the beginning of a series of dialogues focusing on ICBT in Southern Africa, hosted in collaboration with the Norwegian People's Aid (NPA) and South Africa's Department of Small Business and Development. This policy brief is based on outcomes from the dialogue, complemented by desk research. It sums up key points from the dialogue and ends with recommendations.

## **Summary of Key Points**

### **Misconception and stereotypes fuelling policy exclusion**

The notion “informal economy” and “informal cross-border,” in spite of its pervasiveness and social significance, continues to have negative connotations that delegitimise the sector and perpetuate exclusion and criminalisation. Minister Zulu questioned this label in her speech.<sup>5</sup> This negativity emanates from the characterisation of informality and ICBT as illicit and non-tax-paying. However, the reality about the sector's contribution to the national fiscus and articulation with “formal” business is far more nuanced. In the case of Zimbabwe and South Africa, most goods traded by ICBT do pass through the formal import and export control systems. It is for this reason that the “restrictions” by the Zimbabwean government were met with the most hostile response by the traders, triggering protests.

There are also social attitudes and stereotypes that feed this negativity. As pointed out by Minister Zulu, our attitude to this sector is found wanting.

As a result, policy responses range from criminalisation to maximisation of the tax contribution of the sector, neglecting actual needs for livelihoods and the vertical mobility of the informal sector players. ICBT is not only in goods, but services, arts and culture sector and transfer of skills is significant. The sector also enjoys strong connections with the so called formal sector, especially South Africa's retail sector and has, historically, subsidised big business through additional incomes, especially through women.

The sector is dominated by women, thus failure to recognise the sector impacts women inadvertently.

### **Misconceptions About Organisation**

There is also a perception that the sector is disorganised and therefore difficult to engage with. Workers in the sector have, at times, been excluded from policy dialogue under the pretext that they are not organised. This is not true. Since the 1990s, the sector has been increasingly organised.

### **The Need for Policy Dialogue and Consultation**

Dialogue is important because of the multiple competing interests that are trying to shape policy, “...Government ...is not only looking after the interest of informal traders, it also has other citizens who have

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<sup>5</sup> Lindiwe Zulu, Keynote Speech, SALO Dialogue, 17 January 2017

interests, not always consistent with the activities of small traders”.<sup>6</sup> While foreigners in South Africa are calling to be integrated, locals are crying foul over competition and shrinking space. This can be better managed through dialogue.

As the momentum towards ICBT policies increases, it is important to ensure maximum consultation to avoid unintended impacts. Unilateral policy changes, like introduction of bond notes and the introduction of SI 164 in Zimbabwe, needed to be avoided as they usually have unintended consequences. Commenting on the impact of the introduction of bond notes, one participant noted;

*“Now we have eco-cash businesses, like myself. I’ve employed more than 15 young women here in Pretoria who are running my small businesses in eco-cash, sending money to Zimbabwe, but unfortunately now, there’s no more money in Zimbabwe, so who am I sending the money to and how is it going to be collected? Those kinds of decisions that government make, they make them without consulting us, the traders, they make them without gathering, calling a gathering for us to air our views.”*<sup>7</sup>

Dialogue can potentially serve as a platform to share experiences and find common solutions. “Europe and other places have gone through exactly the same issues that we are talking about here. Europe has also had to pass policies, whether its individual countries or the EU itself, have had to go through the ILO and a whole lot of organisations, are engaged in ensuring that we find solutions to these problems.”<sup>8</sup>

### **What Formalisation Means for Informal Traders**

There is a policy tendency to conflate informal trade with Small to Medium Scale Enterprise (SMSEs). These are distinct, and need to be approached as such, and this could inform approaches to formalisation. It was noted that formalisation is not just business registration and paying tax. For the people in the sector, informalisation includes; “Having access to social protection. Being covered by the laws, and most of our laws are not covering what we call self-employed workers or own account workers. Having your elected representatives recognised in a social dialogue and negotiations, instead of having other people speaking on your behalf”<sup>9</sup>.

“... policies being developed and implemented for the more developed small business enterprises may be inappropriate for those who are still at the bottom”.<sup>10</sup>

### **Policy Coherence and Coordination at Different Levels**

Regionally and nationally, there are at times policy contradictions between promoting trade while, at the same time, restricting the movement of people. For example, there were concerns about the potential impact of the cross-border management agency proposed by the South African government’s and it’s potential impact on SA-Zimbabwe cross-border trade. The policy towards promotion of trade requires an equal commitment to promoting movement of people. Regional trade often means “free flow of capital and goods for big business”, rather than movement of people. It was noted, however, that SA’s long term objective is the elimination of visa requirements for African citizens, in a secure manner, while in the medium term a SADC special work quota visa will be applicable for cross-border traders.<sup>11</sup>

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<sup>6</sup> Ambassador Isaac Moyo, Zimbabwean Ambassador to South Africa, SALO Dialogue, 17 January 2017

<sup>7</sup> Vimbai Mavherudze: International Cross Border Traders Association, SALO Dialogue, 17 January 2017

<sup>8</sup> Minister Lindiwe Zulu, Minister of Small Business Development, SALO Dialogue, 17 January 2017

<sup>9</sup> Pat Horn, International Coordinator, StreetNet International, input from the floor, SALO Dialogue, 17 January 2017

<sup>10</sup> Ambassador Moyo, SALO Dialogue, 17 January 2017

<sup>11</sup> Minister Lindiwe Zulu, Minister of Small Business Development, SALO Dialogue, 17 January 2017

Domestically, there are policies and laws created by local and national government that criminalise informal trade, yet on the other hand there are other policies and initiatives that seek to promote and protect the same. Minister Zulu noted,

“...one of the weakness’s in the system is having a properly strong coordinated approach between national, provincial, and local structures... There must be that strong link between the three... (in terms of) ...the legislation, what kind of legislation is passed at national, what is informing that legislation... the regulation at a municipal level, which is regulation passed by municipalities, how does that relate to the national legislation as well... This is one of the governments biggest problems, then we begin to work in Silos...”<sup>12</sup>

Minister Zulu added that this is not only a problem for government but other stakeholders as well.

## **Recommendations**

### ***Optimisation of Existing Progressive Laws and Policies***

Whereas in some cases policies and legislation exists to ensure smooth operation of informal traders, this is not always enforced appropriately. Traders alleged that being registered and having a certificate does not always guarantee protection and leave from harassment by law enforcers. “...those papers are not helping us to be business women...”<sup>13</sup>

### ***Mindset Shift is Needed***

“There needs to be a mindset shift, even amongst ourselves, to make sure that we empower small and medium enterprises.”<sup>14</sup> This should include promotion and positive branding of the informal sector.

At the same time, negative stereotypes and social attitudes must be tackled head on. In the words of Ambassador Nene, “*Africa led by our country, and yours, must learn and find ways of giving dignity to small and informal business traders.*”<sup>15</sup>

### ***Facilitation of Access to Markets***

Government, through national and regional trade policies, could facilitate access to regional and global markets for ICBT. Affirmative action to get local retailers to buy from small producers and promote black farmers.

The informal sector player could be assisted by promoting local and informal economy produce, in tandem with efforts towards mindset shift, through regional and continental branding. For an example, clothing from women cooperatives could be promoted through National Bureau of Standards, such as SABS’s [*South Africa Bureau of Standards*], raining and capacitation to improve branding and marketing.<sup>16</sup> Another example is promotion of indigenous foods as part of promoting healthier lifestyles, for example, capitalising on the shortage of local chickens and existing demand in affluent areas.

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<sup>12</sup> Minister Lindiwe Zulu, Minister of Small Business Development, SALO Dialogue, 17 January 2017

<sup>13</sup> Thintswalo Cassandra Makhubela, Secretary General, South African Congress of Non-Profit Organisation (SACONO), SALO Dialogue, 17 January 2017

<sup>14</sup> Minister Lindiwe Zulu, Minister of Small Business Development, SALO Dialogue, 17 January 2017

<sup>15</sup> Ambassador Nene, SALO Dialogue, SALO Dialogue, 17 January 2017

<sup>16</sup> Thintswalo Cassandra Makhubela, Secretary General, South African Congress of Non-Profit Organisation (SACONO), SALO Dialogue, 17 January 2017

## ***Greater Policy Coordination at Various Levels***

Mainstream and integrate informal traders, migrant informal traders, in terms of municipal by-laws, where they trade on the street with their counterparts, local counterparts, and the restrictive immigration laws and policies.

Informal Cross-Border Trade would benefit from closer regional cooperation and integrations. There is need for regional collaboration to support specific sectors so as reduce imports from out of Africa, e.g., simple things, like chicken, that negatively impact on small scale and informal business. The process towards a single currency in SADC therefore needs to be fast tracked.

Cross-border financing mechanisms to support informal traders should be explored.

## ***Inclusive Beitbridge Indaba***

The commitment to further this dialogue by Zimbabwe and South Africa, in the form of the Beitbridge Indaba, was resoundingly welcomed during the January dialogue. There was a call to ensure that this is an inclusive process. SALO and like-minded organisations were encouraged to continue to build up consultations and mobilisation, as well expand dialogue to cover ICBT with other countries.

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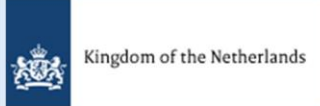
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### **About the Southern African Liaison Office:**



The Southern African Liaison Office (SALO) is a South African-based not-for-profit civil society organisation which, through advocacy, dialogue, policy consensus and in-depth research and analysis, influences the current thinking and debates on foreign policy especially regarding African crises and conflicts.

SALO would like to thank (in alphabetical order) the Department of International Relations and Cooperation (DIRCO), the European Union; Friedrich-Ebert-Stiftung (FES); Irish Aid and the Embassy of Ireland, Pretoria; the Embassy of the Kingdom of the Netherlands in South Africa; Norwegian People's Aid (NPA); The Olof Palme International Centre; Open Society Foundation and the Southern African Trust, among others, for their ongoing support of our Policy Dialogue Series.



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