

Linking Harare and Johannesburg through Informal Cross-Border Entrepreneurship

Godfrey Tawodzera* and Abel Chikanda**

Abstract

Zimbabwe has witnessed a rapid expansion of informal cross border trading (ICBT) with neighbouring countries over the past two and a half decades. That expansion has largely been due to a persistent decline in the economy since the introduction of the Economic Structural Adjustment Programme (ESAP) in the 1990s, which led to the closure of many industries, increased unemployment and forced many people into the informal sector. This 2014 study sought to provide a current picture of ICBT in Zimbabwe by interviewing 514 informal entrepreneurs involved in ICBT between Harare (Zimbabwe) and Johannesburg (South Africa). The sample profile revealed that ICBT in Zimbabwe is dominated by females and young adults and that traders are fairly educated. The study results demonstrate the important role played by ICBT in the survival of households in the country. The traders make important contributions to the Zimbabwean economy through business establishment, providing goods that are unavailable in the country, availing goods cheaper than the formal retail sector and benefiting the fiscus through import duties. In South Africa, ICBT benefits wholesalers from whom traders purchase their goods and supports the South African transport and hospitality industries. The report concludes that ICBT in Zimbabwe has become more than a survivalist strategy. It is contributing to the economy by generating jobs and reducing unemployment. Therefore, there is a need for policies that encourage rather than restrict the operation of informal trade.

Keywords Cross-border traders, informal economy, international trade, Harare, Johannesburg.

* Department of Geography & Environmental Studies, University of Limpopo, P. Bag X1106, Sovenga

** Department of Geography & Atmospheric Science and African & African-American Studies, University of Kansas, Lawrence, Kansas State, USA 66045.

Introduction

Across the Southern African Development Community (SADC) region, informal cross-border trade (ICBT) is a well-established entrepreneurial activity accounting for 30-40% of intra-regional trade (Makombe, 2011; Mijere, 2009; Peberdy et al., 2015). For Zimbabwe, ICBT not only expands the market for Zimbabwean goods (such as handicrafts) but also imports a wide variety of perishables and non-perishables for the Zimbabwean consumers. ICBT is not a new phenomenon in Zimbabwe, dating back to the 1990s when the country started experiencing serious economic hardships (Gaidzanwa, 1998; Kurebwa, 2015). The first decade after Zimbabwe's independence in 1980 was a period of relative growth and stability: the real GDP growth rate averaged 7% per annum, average annual inflation was in the single digits, budget deficit as a percentage of GDP was generally around 5% per annum and export growth averaged around 15% per year (Malaba, 2006). However, government expenditure rose dramatically over the same period to over 50% of GDP by 1990, largely due to increased spending on health, social services and infrastructure (Brown, 2000). Consequently, there was relatively less spending on capital projects to grow the economy. The result was increasing unemployment, which reached 26% by 1990, up from just 8% at independence (Robinson, 1991). National government debt reached 71% of GDP in 1989 (Munjoma, 1999) and by 1997, per capita incomes were lower than in 1990 (Mupedziswa & Gumbo, 2001).

A decade after the country's independence, and against this backdrop of a contracting economy, the Government of Zimbabwe launched a series of economic reforms. The first phase, launched in 1990, was the International Monetary Fund (IMF) and the World Bank-funded Economic Structural Adjustment Programme (ESAP) (Mupedziswa & Gumbo, 2001). This was succeeded by the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST) in 1997 (Government of Zimbabwe, 1997). The austerity measures imposed on the economy by these reforms (such as the removal of subsidies on food and agricultural inputs, the removal of controls on prices, labour and wages and the operation of social services at cost recovery levels) led to a host of negative impacts that included the closure of

many factories, massive retrenchments, declining real wages and skyrocketing consumer prices. The resultant decline in the formal economy led to a growth in the informal sector (Kamete, 2017; Tibaijuka, 2005). ICBT as a household livelihood strategy also began to escalate, as thousands of jobless workers had no choice but to enter the informal economy. Despite South Africa imposing tough visa restrictions on Zimbabweans after 1995, cross-border trading continued to be an important source of livelihood for many Zimbabweans.

Just as South Africa removed visa restrictions in 2005, the Government of Zimbabwe launched an assault on all forms of urban informality through Operation Murambatsvina (Chirisa, 2007; Potts, 2006; Tibaijuka, 2005). Though this operation temporarily interrupted the trade, ICTB quickly re-established itself as informal entrepreneurs had few viable alternatives. In 2007, at the height of Zimbabwe's economic crisis, SAMP conducted a border monitoring study of informal traders at four major border posts and found that the trade was not only increasing and diversifying, but more men were also becoming involved (Tevera & Tawodzera, 2007). As Zimbabwe's shops emptied and the purchasing power of the Zimbabwean dollar evaporated during the economic meltdown of 2008, ICBT traders played a critical role in ensuring that essential supplies, such as foodstuffs, remained accessible to many households. The volume of informal trade at the Zimbabwean borders with South Africa and Botswana reached record proportions during the crisis (Ama et al., 2013; Campbell & Crush, 2014; Kachere, 2011).

In 2009, the Zimbabwean economy stabilised after the inauguration of the Government of National Unity. Stabilisation was short-lived as the country's economic situation has deteriorated once again. However, the period of economic stability following the crisis of 2007-8 does raise the question of whether and what impact it had on ICBT. On the one hand, many goods that were formerly unavailable in the country returned to the shops. On the other, formal sector unemployment remained stubbornly high and many households continued to rely on the informal economy for their livelihoods (Tawodzera, 2014). In June 2016, the Government of Zimbabwe, through Statutory Instrument 64 of 2016, banned the importation of a wide variety of goods, including various processed and tinned foods, bottled water, dairy products,

household furniture, fertilizer, cotton fabric and some building materials. According to the Minister of Industry and Commerce, the move was designed “to support our local industry [...] buying locally manufactured goods; whether it involves purchasing machinery worth millions or even just a T-shirt; begins a cycle in which you re-invest money into the local economy, instead of spending it on an imported product and sending the money outbound” (Pindula News, 2016). The announcement triggered widespread protests by informal cross-border traders in Harare and at the Beitbridge border post between Zimbabwe and South Africa. The ostensible reason was that the livelihoods of many in the informal economy, who made a living importing goods from South Africa and Botswana, were under threat by the state (Kalaba, 2016; Scoones, 2016).

A recent study has estimated that there are as many as 3.5 million Micro Small and Medium (MSME) enterprises in Zimbabwe (Finmark Trust, 2014). Of these, 2 million (or 71%) are individual entrepreneurs, 800,000 have employees and nearly half reported that the business was their only source of income (Finmark Trust, 2014). Additionally, 85% of these businesses were not registered and therefore operated in the informal economy, hence underscoring the importance of the informal sector to the livelihoods and sustenance of many Zimbabweans. Against this backdrop, the Growing Informal Cities project set out to examine the nature and role of contemporary ICBT between Zimbabwe and South Africa by interviewing a sample of ICBT entrepreneurs in Harare in 2014. In this paper, we discuss the findings of this survey and demonstrate that despite many challenges and obstacles, ICBT continues to thrive.

Research Methodology

The research on which this paper is based employed both qualitative and quantitative techniques to obtain a profile of Zimbabwean cross-border traders and insights into their motivation, operations, challenges and opportunities. A questionnaire was administered to a total of 534 ICBT traders in Harare (Table 1). Only traders who were trading in the informal sector (not registered for tax purposes); had been in operation for at least a year to allow for a retrospective analysis of the start-up, problems and opportunities; and

were conducting business primarily between Harare and Johannesburg were interviewed. Because it is impossible to draw a representative sample of cross-border traders, the study adopted a snowball sampling strategy. This involved identifying a small group of cross-border traders in multiple locations across Harare. These traders were then used as initial sampling units and were asked to identify other traders to be included in the sample. Each interviewed cross-border trader was asked to identify at least three other traders, from which one was randomly selected for interview. The process was repeated until the desired sample size was achieved.

Table 1: Sampled Areas of Harare

| | No. | % |
|-----------------------------------|------------|----------|
| Harare CBD | 263 | 49.6 |
| Mbare and Mupedzanhamo | 110 | 20.6 |
| Chitungwiza, Makoni and St Mary's | 36 | 6.7 |
| Highfield and Machipisa | 33 | 6.1 |
| Avondale | 20 | 3.7 |
| Kuwadzana | 17 | 3.2 |
| Warren Park 1 | 15 | 2.8 |
| Epworth | 12 | 2.2 |
| Glen View 3, 7 and 8 | 12 | 2.2 |
| Mabvuku – Tafara | 12 | 2.2 |
| Other | 4 | 0.7 |
| Total | 534 | 100.0 |

In addition to the questionnaire survey, 24 in-depth interviews were conducted with selected cross-border traders in Harare using a semi-

structured interview schedule. The interviews allowed for further probing on the origins and contemporary context of ICBT as well as other key issues surrounding the trade. Two focus group discussions were also held in Harare and focused on understanding the nature of the trade, relationships with local authorities and the police and the challenges faced in the traders' everyday lives. Three in-depth interviews were also conducted with traders' organisations in the city that were able to supply information relevant to cross-border trading, particularly issues relating to space, licensing and how traders organise. Because of the complexity of ICBT, it is possible that some trading activities were not captured in the survey. Those operating home-based businesses, and those selling to middlemen, may be under-represented, for example. These limitations notwithstanding, the size of the sample from across the city is likely to give a generally accurate picture of Harare's cross-border trade.

Profile of ICBT Entrepreneurs

ICBT from Zimbabwe has traditionally been dominated by female traders with limited involvement of males (Muzvidziwa, 2001, 2015). In Southern Africa as a whole, women make up an estimated 70-80% of informal cross-border traders (UNIFEM, 2010). The majority of traders interviewed in this study were females (68%) with males constituting only 32%. The sample was also relatively young, with a mean age of 33 years. The dominance of young people in cross-border trading between Zimbabwe and South Africa is explained by the arduous nature of the trade, which involves a great deal of travelling and spending considerable time waiting at border posts and the places where goods are sourced.

Cross-border trade in the 1990s was associated with the less educated and unskilled (Muzvidziwa, 2015). However, this Harare sample was better educated with only 1% of the sample having not completed primary school, while two-thirds had a high school diploma, 17% had some secondary level education, 11% had a college certificate and 3% had at least an undergraduate degree. The entry of better-educated people into ICBT is certainly a result of continuing high unemployment levels in Zimbabwe. In terms of marital status,

17% of this sample had never been married, 66% were married and 16% were divorced, separated or widowed.

The largest number of traders were living in nuclear households (43%), while 28% were from extended households (Table 2). A significant minority (17%) were from female-centred households while only 5% were male-centred. What this suggests is that female ICBT traders came from a variety of different household structures, which would have meant different domestic roles and responsibilities and different abilities to trade full-time. In general, the array of people involved in ICBT indicates that it is no longer the preserve of a few. An economic activity once completely dominated by low-income households and a relatively uneducated population has become a viable livelihood alternative for others reeling under economic pressure. Although still dominated by women, male traders are involved in increasing numbers as ICBT has increasingly become a business for all.

Table 2: Household Structure of ICBT Traders

| | No. | % |
|-------------------------|------------|----------|
| Female-centred | 97 | 18.3 |
| Male-centred | 26 | 4.9 |
| Nuclear | 228 | 42.9 |
| Extended | 145 | 27.3 |
| Single person household | 35 | 6.6 |
| Total | 531 | 100.0 |

Only 1% of the ICBT businesses surveyed were established before 1990. This is primarily because the economy of the country was still strong and most workers were being absorbed in the formal sector. Around 11% were established in the 1990s, the decade of the Economic Structural Adjustment Programme (ESAP), while another 15% started cross-border trading between 2000 and 2005. By far the largest proportion of ICBT traders began operations

during and after the economic crisis of 2008, with nearly three-quarters starting up between 2006 and 2014. The rate of start-up seems to have fallen slightly after 2010, most probably as a result of the stabilisation of the economy after the establishment of the GNU as well as the more stable political environment. Because most food became available in the country through formal sector imports, the incentive to continue ICBT, especially involving food, was no longer as compelling.

Because high rates of unemployment are thought to be one of the main reasons pushing people into the informal economy and ICBT, the survey sought to find out what occupation the traders were engaged in before starting their enterprises. Around one-third were unemployed (Table 3). Another 22% were already working in the informal economy either running a business that did not involve ICBT or being employed by someone else (6%). This suggests that the majority of traders went straight into ICBT, rather than expanding into ICBT from an existing enterprise. Another 36% of the traders were employed in a formal sector job immediately prior to establishing an ICBT business.

Table 3: Occupation Before Starting ICBT Business

| | No. | % |
|--|-----|------|
| Unemployed | | |
| Unemployed/job seeker | 178 | 33.4 |
| Informal Economy | | |
| Operated own informal sector business in Zimbabwe only | 89 | 16.7 |
| Employed by someone in the informal economy | 32 | 6.0 |
| Employed | | |
| Office worker | 40 | 7.5 |
| Manual worker (skilled) | 35 | 6.6 |
| Manual worker (unskilled) | 35 | 6.6 |

| | | |
|--|-----|-------|
| Professional (e.g. lawyer, doctor, academic, engineer) | 15 | 2.8 |
| Teacher | 10 | 1.9 |
| Health worker | 9 | 1.7 |
| Employer/manager | 6 | 1.1 |
| Police/military/security | 4 | 0.8 |
| Domestic worker | 3 | 0.6 |
| Agricultural worker | 2 | 0.4 |
| Other occupation | 32 | 6.0 |
| Other | | |
| Businessman/woman formal sector (self-employed) | 7 | 1.3 |
| Scholar/student | 36 | 6.8 |
| Total | 533 | 100.0 |

Around 30% of the sample indicated that they had additional sources of income while 70% survived solely on the ICBT business. The majority of those with alternative income-generating sources indicated that they were involved in non-ICBT businesses (55%), while 11% were deriving income from part-time or casual work (Table 4). According to one trader, having more than one business was a necessity given the unpredictable nature of the informal trade:

I sell clothes and shoes, but I also have another income from selling foodstuffs. Clothes do not sell faster than food so when I am in need of faster cash I know that I will always get some from trading food. However, the profit from food is not much so it just takes care of my immediate needs. When I am looking for serious money, I know I will get it from clothes and shoes even if they are bought less frequently (Interview No. 4, Harare, 27 September 2014).

Table 4: Other Income Generating Activities

| | No. | % |
|---|-----|-------|
| Another non-ICBT business | 85 | 55.9 |
| Part-time/casual work | 17 | 11.2 |
| Another ICBT business | 14 | 9.2 |
| Formal employment in the private sector | 7 | 4.6 |
| Formal employment in the public sector | 3 | 2.0 |
| Rentals | 3 | 2.0 |
| Other work | 23 | 15.1 |
| Total | 152 | 100.0 |

Entrepreneurial Motivation

There is a general assumption in the literature on the informal economy in Zimbabwe that people participate because they have no choice. This would imply that most participants in ICBT are necessity-driven entrepreneurs, pushed to participate by the need to survive. However, ICBT is not the easiest or most obvious form of informal activity and may attract those with different, more opportunity-driven entrepreneurial motivations. Therefore, the study examined the reasons why traders started an ICBT business. Respondents were asked to rate 27 factors as motivations for starting their ICBT business on a scale from 1 (no importance) to 5 (extremely important). The responses confirm the importance of financial survival in pushing people into cross-border trading (Table 5). Easily the most important factors were the need to make more money just to survive (a mean score of 4.9) and the need to give their families greater financial security (4.6). This suggests that ICBT is largely a necessity-driven survival strategy to generate income. Employment-related factors, including unemployment and having an undesirable job, were significantly less important.

| Table 5: Entrepreneurial Motivation of ICBT Entrepreneurs | |
|---|-------------------|
| | Mean Score |
| Survivalist factors | |
| I needed more money just to survive | 4.9 |
| I wanted to give my family greater financial security | 4.6 |
| I was unemployed and unable to find a job | 3.0 |
| I had a job but it did not pay enough | 2.6 |
| I wanted to provide employment for members of my family | 2.3 |
| I had a job but it did not suit my qualifications and experience | 1.2 |
| Entrepreneurial orientation | |
| I have always wanted to run my own business | 4.2 |
| I wanted more control over my own time/to be my own boss | 3.9 |
| I like to challenge myself | 2.9 |
| I wanted to do something new and challenging | 2.7 |
| I have the right personality to be involved in cross-border trade | 2.6 |
| I wanted to compete with others and be the best | 2.5 |
| I like to learn new skills | 2.5 |
| I enjoy taking risks | 2.4 |
| Market opportunities | |
| I wanted to expand my business | 3.2 |
| I had a good idea for a product to sell to people in Zimbabwe | 3.1 |
| I started cross-border trading to grow my business | 3.1 |

| | |
|--|-----|
| There were shortages of certain goods in my home country | 3.0 |
| I had a good idea for a product to sell in South Africa | 1.2 |
| I had a good idea for a product to sell to people from my home country | 1.2 |
| Building and utilising social capital | |
| I wanted to increase my status in the community | 3.2 |
| I wanted to contribute to the development of my home country | 2.7 |
| Support and help in starting my business was available from family members | 2.5 |
| I wanted to provide employment for other people | 2.1 |
| My family members have always been involved in cross-border trade | 2.1 |
| Support and help in starting my business was available from other traders | 1.9 |
| I decided to go into business in partnership with others | 1.5 |

The second set of factors relates more to self-assessment of personality traits usually associated with entrepreneurship. A desire to own one's own business did rate relatively highly (at 4.2), as did the related desire to be one's own boss (3.9). However, the other personality-related factors had low ratings, which suggest that the traders did not see themselves as natural entrepreneurs. They were generally more alert to the market opportunities provided by participation in ICBT, with a number of factors scoring around 3.0 on average including awareness of shortages in Zimbabwe, having a good idea for a product to sell, and wanting to expand an existing business.

Financing ICBT

The amount of start-up capital required to engage in ICBT has been a deterrent for low-income individuals and households in the past (Muzvidziwa, 2007). In

this survey, almost three-quarters of the sample had minimal start-up capital of ZAR 5,000 or less, which suggests that the entry threshold may have declined (Figure 1). Only 8% had started their business with a capital outlay of more than ZAR 10,000. According to some respondents, a basic ICBT business can be established with as little as ZAR 2,000. As one commented:

Cross-border business does not need a lot of money to start. You only need to be clever and buy things that sell faster and are wanted by the people. Then you can increase your stock as time goes on. I started my business with ZAR 1,500 buying and selling rice when the country was in dire need of food. I would buy rice from Musina and sell in Harare and do two trips a week. I used trucks which are cheaper and did not sleep in South Africa, so I reduced my costs (Interview No. 9, Harare, 28 September 2014).

Most of the traders acquired their start-up capital from multiple personal sources. About 58% used their personal savings, 38% borrowed money from relatives, while 2% borrowed from non-relatives and 1% from informal money lenders. Very few (1.2%) started their ICBT business with money from formal sources such as banks and micro-finance institutions. While start-up capital is important for the business to take off, most businesses require a constant injection of cash during their life-span, especially in the initial stages (Abdulsaleh & Worthington, 2013). In this survey, almost one-third (27%) of the traders reported borrowing additional money for their business in the year prior to the study (Table 6).

Figure 1: Capital used to start an ICBT business

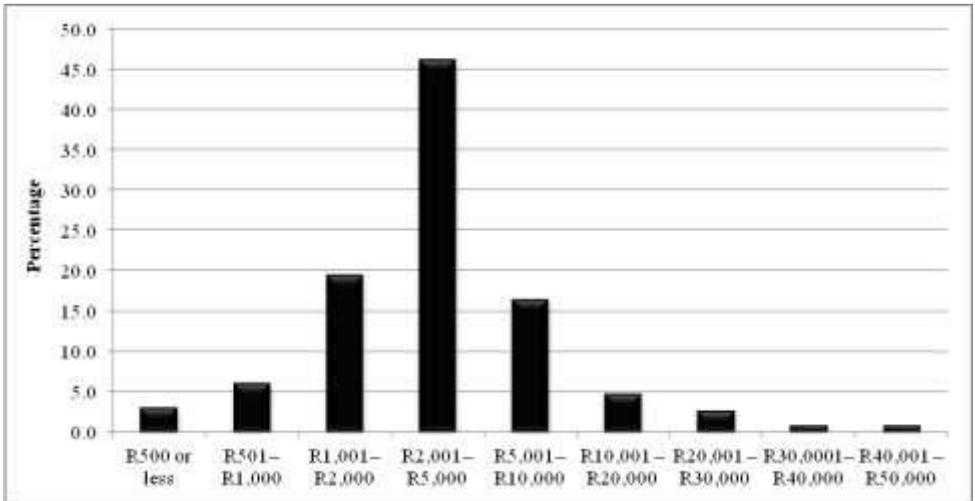


Table 6: Sources of Operating Loans

| | No. | % |
|----------------------------------|-----|-------|
| Loan from relatives | 77 | 53.2 |
| Micro-finance institution | 21 | 15.0 |
| Bank | 17 | 12.0 |
| Informal financial institution | 9 | 6.3 |
| Money lenders | 9 | 6.3 |
| Loan from other business owners | 6 | 4.2 |
| Business credit (goods on terms) | 1 | 0.7 |
| Other sources | 9 | 6.3 |
| Total | 144 | 100.0 |

The majority reported that they had borrowed from relatives. According to the traders, relatives are the best source of loans because they do not place stringent conditions on the borrower and are likely to be understanding should they default on the loan or delay the repayment:

Of course I have borrowed a number of times to finance my business, but I only borrow from my close relatives. They are very understanding when you can't pay them back or delay the repayment. If you borrow from other people, they give you all sorts of problems in that they can even come and take your goods as surety, or even sell your goods (Interview No. 10, Harare, 29 September 2014).

A small number of traders had obtained additional loans from micro-finance institutions (15%) and banks (12%). With the introduction of the US dollar (USD) as one of the trading currencies in the country in 2009, a number of micro-finance institutions were established in Harare. These organisations lend money on a short-term basis, ranging from days to months, but rarely for periods exceeding a year. Their interest rates are generally higher than those offered by the banks but they are less stringent on surety requirements, accepting such assets as cars, fridges, stoves, TVs and washing machines as surety. Banks, on the other hand, generally prefer immovable properties such as houses. In the absence of such property, a borrower is expected to show evidence of employment and ability to repay through submitting pay-slips. One trader compared the two in this way:

I borrow many times when my stocks are low and I need to boost my business. I usually borrow from micro-finance houses where I can just leave the registration book of my car and get it when I repay them. Banks require many documents which I do not have. I also do not own a house for surety. So I prefer the microfinances as they are simple. I can apply in the morning and get the money before the end of the day (Interview No. 7, Harare, 28 September 2014).

Other sources of loans include informal financial institutions and money lenders. *Stokvels* (money clubs) lend money to members at reasonable rates

and the repayment period is usually mutually agreed upon with the borrower who is also a member. Money lenders, however, tend to lend at punitive rates and can use brutal coercive methods to enforce repayment in case of a default. As a result, most ICBT traders avoid doing business with them. A few traders (4%) said they preferred to borrow from each other before going to banks and money lenders. This is because the terms of repayment from fellow traders are very favourable and there is a mutual understanding of the challenges of the trade.

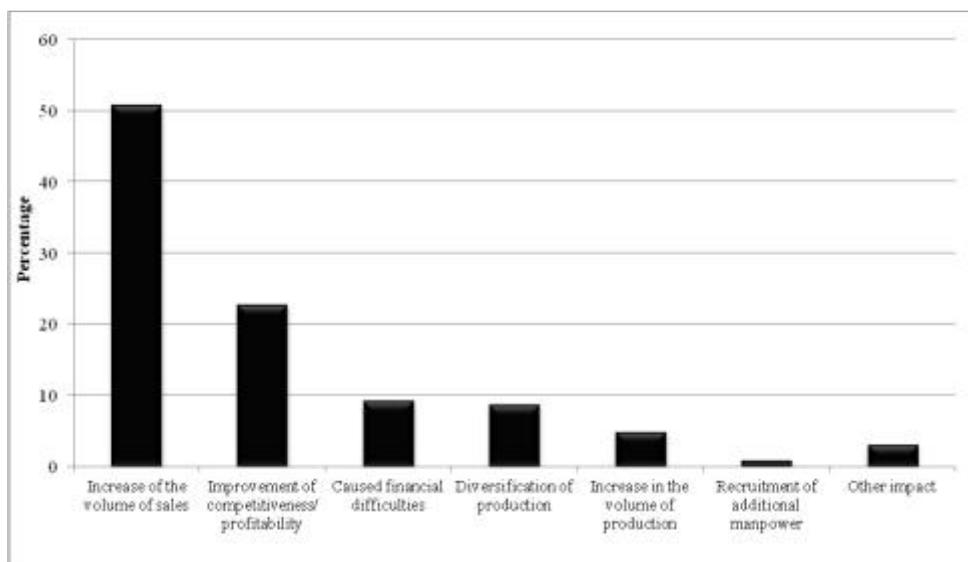
How much do the traders borrow from these various sources? Loans from fellow traders were ZAR 16,667 on average, compared to ZAR 12,187 from banks, ZAR 11,214 from micro-finance institutions, ZAR 7,444 from informal financial institutions, ZAR 6,335 from relatives and ZAR 3,527 from money-lenders. A key determinant of where money is borrowed is the interest charged on the loan. The highest interest rates are charged by money lenders (averaging 23%), followed by *stokvels* (18%), micro-finance institutions (17%) and banks (12%).

Almost all traders (95%) said they use loans to purchase goods for resale, while others use the funds to meet transportation costs (57%) and for rental of the market stalls (10%). In Harare, some traders have no stalls of their own and rent from others on a daily, weekly or monthly basis. Most ICBT traders use public transport (buses and haulage trucks) to ferry their goods from South Africa and incur significant costs. Traders who take arts and curio products to South Africa to sell use the money to transport their goods as far afield as Cape Town and Port Elizabeth. What is clear is that loans are used for basic business expenses and not for other household needs. Many traders (51%) indicated that the borrowed money significantly increased the volume of their sales (Figure 2). Others reported an increase in the profitability and competitiveness of their business (23%), and diversification of the products they traded (8%). However, not all traders had positive experiences. As one recounted:

I borrowed ZAR 20,000 from a micro-finance in March so that I could buy more stock. However, that loan has caused me more problems than any real benefits because from that time everything has been

going downhill. The interest rate was such that I was expected to pay back the ZAR 20,000 plus ZAR 5,000 interest in two months. When I bought more stock from Johannesburg, I paid too much duty at the border and when I resold the goods in Harare, I failed to raise the initial ZAR 20,000. The micro-finance then took my car and gave me seven days to pay, which I failed to do and my car was sold (Interview No. 3, Harare, 27 September 2014).

Figure 2: Impact of loans on ICBT business activity



Less than 20% of the ICBT traders had applied for a bank loan to finance their business at start-up or for ongoing operations. When asked about the reasons for low patronage of banks, around one-quarter indicated that they had no interest in getting a bank loan, 14% that banks asked for too much collateral, while 13% were dissuaded by the high interest rates, and 12% said the application process was too complicated for them to understand (Table 7). Only half of those who did apply for a bank loan were successful. Most were rejected because they had insufficient collateral. According to a trader whose application had been rejected, the documentation required by the bank was also especially onerous:

I have applied for a loan and every time my application is rejected I am given a different reason. The first time I was told that I did not have sufficient collateral even though I had submitted title deeds for a plot. The second time I was told that the amount of money I needed was too much and could not be covered by the plot. I eventually just gave up. But it is frustrating after having wasted so much time and money looking for documents and printing, and travelling to and from the bank (Interview No. 5, Harare, 28 September 2014).

Table 7: Main Reasons for Not Applying for a Bank Loan

| | No. | % |
|---|-----|-------|
| Not interested in getting a loan | 101 | 24.5 |
| Guarantee/collateral asked for is too much | 59 | 14.3 |
| Interest rates are too high | 54 | 13.1 |
| Application procedures too complicated | 49 | 11.9 |
| Did not think it would be approved | 47 | 11.4 |
| Don't have a bank account | 46 | 11.2 |
| No need for a loan – had sufficient capital | 33 | 8.0 |
| Other reason | 23 | 5.6 |
| Total | 412 | 100.0 |

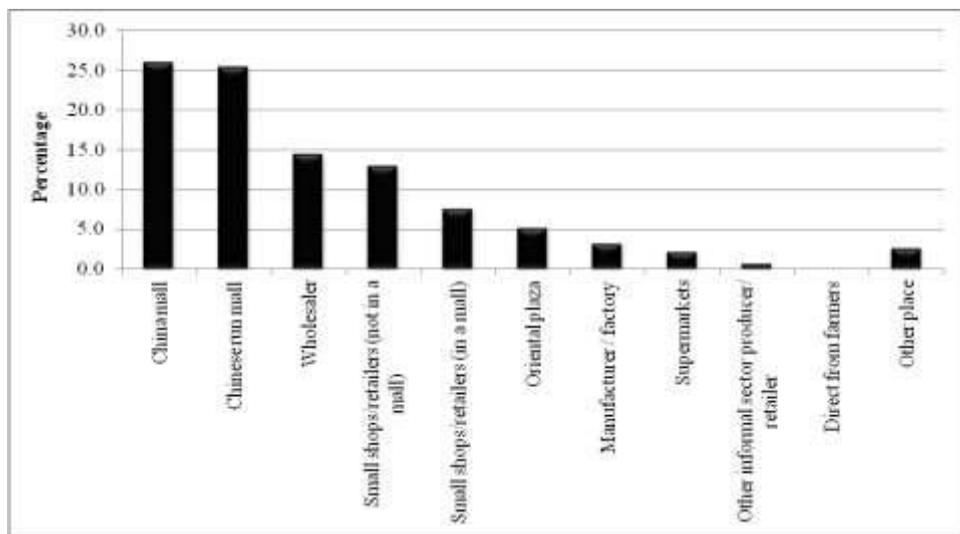
Buying in Johannesburg, Selling in Harare

ICBT traders from Harare are highly mobile, spending only 1.79 days in South Africa on average per visit, although a few stay for several weeks, particularly if they are taking goods to sell. The traders travel relatively frequently to South Africa, with 67% making at least one trip per month and 82% travelling more than four times per year. The vast majority do not have their own means of transport to South Africa and rely on bus services (99%), trucks (3.9%), their own vehicles (1.1%) and taxis (0.6%). Only a few traders (0.2%) travel by

plane. Some ICBT traders use their services of informal transporters (*omalayisha*) as it saves them the trouble of having to transport their own goods through the border. The *omalayisha* are well-known to the customs officials on both sides of the border, which enables them to carry goods without paying customs duties (Thebe, 2015).

Chinese malls in Johannesburg are an important source of goods for traders (Laribee, 2008). In Johannesburg, the majority of Zimbabwean ICBT traders purchase their goods at outlets such as China Mall (26%), other Chinese-run malls (25%) and Oriental Plaza (5%) (Figure 3). Some buy from wholesalers (14%) while others patronise independent small shops/retailers (13%) or small shops/retailers in malls (8%). A much smaller number purchase goods from factories, supermarkets, the informal sector and direct from farmers.

Figure 3: Source of goods in Johannesburg



The kinds of goods purchased in South Africa in 2015 for resale in Zimbabwe varied widely (Table 8). By far the most common items were new clothing and footwear, with 88% of all traders buying these items. Other goods included accessories such as bags and suitcases (bought by 27%), bedding materials (20%), electronics (12%) and household products (8%). Foodstuffs, which

were carried by three-quarters of ICBT traders in 2008, were not at all popular any longer in 2015 (Peberdy et al., 2015). This is a reflection of post-2009 developments in Zimbabwe that led to a more abundant supply of food products in the country (Tawodzera, 2014). On a typical trip, the traders spend an average of ZAR 8,328 on a variety of products for resale, with a minimum spend of ZAR 1,000 and a maximum of ZAR 150,000. Only a small number of the traders take products from Zimbabwe to sell in South Africa. These include arts and crafts, fabrics, bedding, household products and new clothing and footwear.

| Table 8: Goods Purchased in South Africa | | |
|---|------------|----------|
| | No. | % |
| New clothing and footwear | 467 | 87.6 |
| Accessories (bags, sunglasses, etc.) | 141 | 26.4 |
| Bedding | 104 | 19.5 |
| Electronics | 64 | 12.0 |
| Household products | 41 | 7.7 |
| Hardware/tools | 31 | 5.8 |
| Toiletries and cosmetics | 30 | 5.6 |
| Cell phones/accessories | 24 | 4.5 |
| CDs/DVDs | 15 | 3.5 |
| Cooking oil | 11 | 2.1 |
| Pre-owned clothing and footwear | 9 | 1.7 |
| Furniture | 5 | 0.9 |
| Stationery | 5 | 0.9 |
| Rice and pasta | 4 | 0.8 |
| Tea/coffee | 4 | 0.8 |

| | | |
|---|---|-----|
| Sugar | 4 | 0.8 |
| Beds and mattresses | 4 | 0.8 |
| Milk (fresh/sour) | 3 | 0.6 |
| Spare parts and raw materials | 2 | 0.4 |
| Eggs | 2 | 0.4 |
| Snacks | 2 | 0.4 |
| Car parts | 2 | 0.4 |
| Confectionary | 1 | 0.2 |
| Mealie meal | 1 | 0.2 |
| Bread | 1 | 0.2 |
| Tinned/canned fruits and vegetables | 1 | 0.2 |
| Plastic goods | 1 | 0.2 |
| Toys, sports equipment | 1 | 0.2 |
| <i>Note: multiple response question</i> | | |

Although the overwhelming majority of the traders sell their goods in the country's capital, where the survey was conducted, more than 10% also sell goods in other major cities such as Bulawayo and Masvingo, and in smaller urban centres such as Gokwe and Mutoko. As many as 86% sell their products in their own stall in an informal market while 24% sell through friends, family and other personal networks, 16% from their houses, 10% from their own shop in the informal sector, 9% on the street, 7% door-to-door and 2.5% in offices and other workplaces.

Economic Contributions

An important objective of this research was to assess the importance of ICBT trade to the economies of both Zimbabwe and South Africa. This is particularly

important in the case of Zimbabwe where the informal economy is viewed as a problem by government and a hindrance to the success of formal businesses (Ngundu, 2010; Rogerson, 2016). First, it is clear from the wide variety of goods imported by the ICBT traders that there is a ready market in Zimbabwe for their products. This means, in turn, that they are servicing the needs of Zimbabwean consumers either by providing goods that are unavailable in the country or at a cheaper rate than supplied by local producers and the formal retail sector. Given high rates of unemployment and the fact that many households are cash-strapped, the ICBT traders play a critical role in servicing the basic consumer needs of Zimbabweans.

Second, the ICBT enterprises contribute to the economy through business establishment, growth and the strategic deployment of their profits. On average, the surveyed traders were recording total sales worth ZAR 12,000 per month. Sales ranged from as low as ZAR 1,000 per month for the small traders to as high as ZAR 130,000 per month for those dealing in large quantities of goods, especially those trading in hardware and building materials. The reported profits averaged ZAR 4,765 per month but were also highly variable, ranging from a minimum of ZAR 200 per month to a maximum of ZAR 45,000 per month. Traders with high sales turnover generally reported higher monthly profits. The size of these profits indicates that ICBT is not just a survivalist enterprise, but rather a viable business operation. More than half (59%) of the ICBT operators reported that their income had increased since embarking on ICBT while a further 24% reported that their income was variable, sometimes increasing and at other times decreasing. Only 15% indicated that their income had decreased since starting an ICBT business, buttressing the important role that ICBT plays in the livelihoods of many Zimbabweans.

Third, given that the income of the majority of the traders had improved significantly through ICBT, it is important to know whether or not they use their profits for the businesses or themselves. Over 90% reported spending their profits on family needs, including paying rent for accommodation, buying food for the family and other obligatory family expenses (Table 9). Nearly

three-quarters said that they reinvest their profits in the business, presumably to buy more stock.

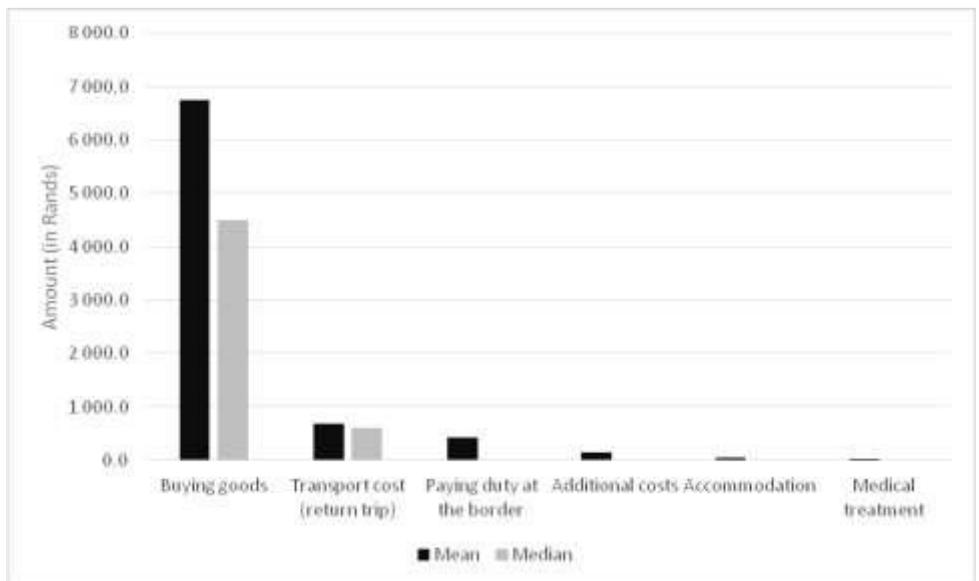
| Table 9: Use of Business Profits | | |
|--|------------|----------|
| | No. | % |
| Spent on family needs in Zimbabwe | 489 | 91.6 |
| Re-investment in business | 391 | 73.2 |
| Education | 230 | 43.1 |
| Spent on self | 210 | 39.3 |
| Personal savings | 152 | 28.5 |
| Spent on family needs outside Zimbabwe | 3 | 0.6 |
| Retirement fund | 3 | 0.6 |
| Re-investment in business outside Zimbabwe | 4 | 0.7 |
| <i>Note: Multiple response question</i> | | |

Fourth, as well as stimulating the economy through the reinvestment of profits inside and outside the business, ICBT traders contribute to Zimbabwe's economy through job creation. Most traders personally procure goods in South Africa and hire people to sell them in Harare. A total of 37% of the traders employ people in their businesses. Of the 308 people employed in the enterprises surveyed, 236 (or 77%) were in paid positions. Even when members of the family are involved in the business, they tend to be compensated for their time. Of the 128 family members employed, 71% were in paid positions. As many as 61% of the paid jobs went to non-family members. In sum, employment generated by the ICBT traders is shared fairly evenly between family and non-family members and there is a general preference for female labour in the business hires.

Finally, other beneficiaries include the Zimbabwean bus companies and the general Zimbabwean fiscus, which benefits from duties levied at the border on returning traders bringing in products whose value is above the duty free limit. On their last trip to South Africa, the ICBT traders paid ZAR 431 on average in import customs duties, which amounts to ZAR 228,529 levied on these traders alone. Given that this sample is only a small proportion of the total number of ICBT traders and that each trader crosses several times a year, the total duties levied undoubtedly run into ZAR millions.

In terms of contributions to the South African economy, the ICBT traders contribute, firstly, through expenditures while in the country. The largest beneficiaries are South African wholesalers and others from whom the traders purchase their goods. The traders also support the South African transport and hospitality industries. Overall, traders spent an average of ZAR 8,039 on their last trip to South Africa. The spending on particular items included ZAR 6,737 on goods (or ZAR 3.5 million in total), ZAR 683 on transportation (ZAR 361,000), ZAR 42 (ZAR 22,000) on accommodation and ZAR 141 on other costs (Figure 4).

Figure 4: Amounts spent on last trip to South Africa.



Second, South Africa benefits from the value added tax (VAT) paid by the traders. Visitors to South Africa who buy goods for use in their home country are eligible to apply for a VAT refund when they exit the country. Visitors are supposed to request a tax invoice when they buy the goods in South Africa and present it at the border for VAT refund. However, only 22% of the cross-border traders said they claim VAT back at the border. Over one-third (37%) did not even know that they could do so. Another third said that the process of claiming VAT at the border wasted too much time. The delays are exacerbated by the fact that ownership levels of motor vehicles is very low and reliance on public transport high, which means that they only have limited time to wait. Nearly 10% noted that the receipts which they get from South African retailers are invalid for the purpose of claiming VAT. Receipts from Chinese-owned shops, in particular, generally do not meet the requirements for claiming VAT. Others do not claim VAT simply because they do not want to declare their goods and feel that claiming exposes their goods to customs scrutiny. There is clearly a serious lack of information on the procedures for claiming VAT refunds at the border. Unclaimed or unreimbursed VAT benefits the South African Revenue Services (SARS).

Business Problems and Challenges

Cross-border traders confront numerous challenges in the course of their business activities. These are of two main types: (a) those related to customs and immigration at the border and (b) those related to their daily business operations in both South Africa and Zimbabwe.

By far the most common customs and immigration problems relate to the queues and delays at the border. Almost all of the traders indicated that they often experienced delays (Table 10). ICBT has become a way of life for a significant number of Zimbabweans and this has put pressure on immigration officials operating at the Beitbridge and Musina border posts.

Another common problem experienced by the traders relates to the high duties levied at the border (86% said they experience this problem). In his mid-term fiscal policy review statement in September 2014, Zimbabwean Finance Minister Patrick Chinamasa increased duty on various finished

products including meat and dairy products, beverages, vegetables, soap and furniture. He also removed foodstuffs, beverages and washing preparations from the duty free facility. While the stated rationale for these measures was to ‘protect local industry’ the local companies that once produced these goods closed down at the height of the economic crisis in 2007-8. Consequently, imposing higher duties does not deter traders from bringing these goods into the country but simply burdens the general population that relies on these goods.

Table 10: Problems Experienced by Zimbabwean Traders at Border

| | Yes (%) | No (%) |
|---|----------------|---------------|
| Long queues/congestion/delays at border post | 96.4 | 3.6 |
| Duties paid are too high | 85.5 | 14.5 |
| Restrictions on import/export of goods (type & volume) | 77.6 | 22.4 |
| Transport problems/poor road networks/transport prices high | 72.1 | 27.9 |
| Too much corruption at border post | 66.8 | 33.2 |
| Days allowed in South Africa are too few | 42.0 | 58.0 |
| Unwarranted confiscation/detention of goods | 41.6 | 58.4 |
| Verbal harassment by South African police, army, border officials | 36.3 | 63.7 |
| Verbal harassment by Zimbabwean police, army, border officials | 18.9 | 81.1 |
| Physical harassment/assault by South African police, army, border officials | 18.0 | 82.0 |
| Physical harassment/assault by other people | 16.8 | 83.2 |

| | | |
|--|-----|------|
| Physical harassment/assault by Zimbabwean police, army, border officials | 9.6 | 90.4 |
|--|-----|------|

Other problems cited by a significant number of traders included restrictions on the import or export of goods (78%) and corruption at the border (67%). The problem of corruption has also been highlighted elsewhere (Fitzmaurice, 2009; Kwanisai et al., 2014). The delays at the border have created an opportunity for touts who know that the traders want to cross the border quickly and will pay a small fee for officials to speed up the clearing processes for them. Some traders have also lost money to bogus agents masquerading as immigration and customs officials. Harassment, both verbal and physical, was highlighted as a problem by a small number of traders. For instance, verbal and physical harassment/assault by South African police, army and border officials is experienced by 36% and 18% respectively. In Zimbabwe, the incidence of this is lower at 19% and 10%.

Perhaps the biggest business challenge confronting ICBTs is competition from other traders (experienced by 84%) (Table 11). Another significant problem is competition from large retailers or supermarkets (experienced by 60%). These outlets enjoy economies of scale as they buy goods in bulk from suppliers at low prices and are able to price their goods competitively. However, even the large supermarkets cannot outcompete the informal sector traders. For instance, beverages, foodstuffs and detergents are sold on pavements in Harare at cheaper prices than those charged by retail supermarkets.

Given the evidence of pervasive animosity of South African informal entrepreneurs towards foreign-owned enterprises, it is notable that few of the ICBT traders from Zimbabwe experience serious problems: only 8% experience harassment by South African competitors (Crush & Ramachandran, 2015). Harassment by the South African municipal authorities is marginally more common (13%), however, as many as 39% had experienced harassment in Harare. Other significant problems experienced by the traders in their daily operations include confiscation of goods and

difficulty getting merchandise back thereafter, and discrimination based on nationality.

| Table 11: Problems Related to Operating ICBT Business | | |
|--|------------|-----------|
| | Yes | No |
| | % | % |
| Business competition | | |
| Competition from other traders | 84.0 | 16.0 |
| Competition from large retailers or supermarkets | 60.0 | 40.0 |
| Difficulty negotiating with other traders/conflicts among traders | 49.6 | 50.4 |
| Harassment by South African traders | 8.4 | 91.6 |
| Operational challenges | | |
| Theft of money or goods | 46.9 | 53.1 |
| No relevant training in accounting, marketing, other business skills | 30.5 | 69.5 |
| Problems securing a selling site in Zimbabwe | 29.3 | 70.7 |
| Policy environment | | |
| Harassment by authorities in Zimbabwe | 39.4 | 60.6 |
| Confiscation of goods/difficulty getting confiscated goods back | 25.1 | 74.9 |
| Harassment by authorities in South Africa | 22.8 | 87.2 |
| Discrimination | | |
| Prejudice against my nationality | 36.6 | 63.4 |
| Prejudice against my gender | 16.5 | 83.5 |

A related dimension of discrimination is the potential challenge posed by xenophobia in South Africa. As many as 78% said they had not been affected

by xenophobia at all in their business operations. This suggests that Zimbabwean entrepreneurs on short-term visits are able to avoid the worst excesses of xenophobic violence, unlike their resident compatriots. Robbery is a more serious problem with 30% having been robbed in Zimbabwe and 28% in South Africa. This suggests that ICBT traders are at risk of victimisation in both Zimbabwe and South Africa, primarily because their business is cash-based. In June 2016, for example, a spate of robberies targeting buses carrying cross-border traders from Zimbabwe was reported in South Africa, bringing to the fore the dangers that traders face in their business (The Chronicle, 2016; The Herald, 2016).

Conclusion

International cross-border trade has become a widespread, entrenched and crucial component of the Zimbabwean economy and livelihoods in general. Its importance has risen significantly amidst a prolonged decline in the formal economy. This paper has provided detailed insights into contemporary ICBT activities between Harare and Johannesburg, showing that Zimbabwean traders travel regularly to South Africa, with three-quarters of the sample reporting that they visit Johannesburg for business at least once per month. They reported making monthly profits of more than ZAR 4,000 per month, far exceeding the salaries of most people in formal employment in the country. This is despite the small initial capital outlay involved, averaging around ZAR 5,000.

ICBT traders have been able to grow their businesses to such an extent that they are able to hire non-family members. ICBT has therefore become more than a survivalist strategy and should be seen as an important pillar of the Zimbabwean economy. The contribution of the informal economy in generating jobs and reducing unemployment needs to be acknowledged by policies that encourage rather than restrict the operation of informal trade. Traders make important contributions through business establishment, providing goods that are unavailable in the country, availing goods cheaper than the formal retail sector and benefiting the fiscus through import duties. In South Africa, ICBT benefits wholesalers and other outlets from which

traders purchase their goods, South African transport and hospitality industries and the South African Treasury through unclaimed VAT. Official denunciation of the supposed damage done to South Africa by the non-South African informal sector enterprises rarely mentions ICBT; perhaps this is because the evidence of their benefit to the country is so overwhelming.

Acknowledgements

We would like to acknowledge the International Development Research Centre (IDRC) for its support of the SAMP Growing Informal Cities Project.

References

Abdulsaleh, A. and Worthington, A. 2013. Small and medium sized enterprises financing: A review of literature. *International Journal of Business and Management*, 8: 36-54.

Ama, N., Mangadi, K., Okurut, F. and Ama, H. 2013. Profitability of the informal cross-border trade: A case study of four selected borders in Botswana. *African Journal of Business Management*, 7: 4221-4232.

Brown, A. 2000. *Cities for the Urban Poor in Zimbabwe: Urban Space as a Resource for Sustainable Development*. East Kilbride: UK Government Department for International Development (DFID).

Campbell, E. and Crush, J. 2014. 'They don't want foreigners': Zimbabwean migration and xenophobia in Botswana. *Crossings: Journal of Migration and Culture*, 6: 159-80.

Chirisa, I. 2007. Post-2005 Harare: A case of the informal sector and street vending resilience: What options do key actors have? *Local Governance and Development Journal*, 1: 53-64.

Crush J. and Ramachandran, S. 2015. Doing business with xenophobia. In: Crush, J., Chikanda, A. and Skinner, C. (Eds.). *Mean Streets: Migration, Xenophobia and Informality in South Africa*. Ottawa and Cape Town: IDRC and SAMP.

Finmark Trust. 2014. *FinScope MSME Survey Zimbabwe 2012*. Harare: Finmark Trust.

Fitzmaurice, M. 2009. Situational Analysis at Beitbridge Border Post between Zimbabwe and South Africa. *Report by Transport Logistics Consultants*, Port Elizabeth: Transport Logistics Consultants.

Gaidzanwa, R. 1998. Cross-border trade in southern Africa: A gendered perspective. In: Sachikonye, L. (Ed.). *Labour Markets and Migration Policy in Southern Africa*. Harare: SAPES Trust.

Government of Zimbabwe. 1997. *Poverty Assessment Study Survey 1995. Main Report*, Harare: Ministry of Public Service, Labour and Social Welfare.

Kachere, W. 2011. *Informal Cross Border Trading and Poverty Reduction in the Southern African Development Community: The Case of Zimbabwe*. PhD Thesis. Alice: University of Fort Hare.

Kalaba, M. 2016. Lessons to be Learnt from Zimbabwe's Blunt Use of an Import Ban. *The Conversation*, July 27, 2016.

Kamete, A. 2017. Governing enclaves of informality: Unscrambling the logic of the camp in urban Zimbabwe. *Geoforum*, 81: 76-86.

Kurebwa, J. 2015. The vulnerability of female cross border traders to HIV and AIDS in Zimbabwe: The case of Beitbridge Border Post. *IOSR Journal of Humanities and Social Science*, 20: 65-69.

Kwanisai, G., Mpfu, T., Vengesayi, S., Mutanga, C., Hurombo, G. and Mirimi, K. 2014. Borders as barriers to tourism: Tourists experiences at the Beitbridge Border Post. *African Journal of Hospitality, Tourism and Leisure*, 3: 1-13.

Laribee, R. 2008. The China Shop phenomenon: Trade supply within the Chinese diaspora in South Africa. *Africa Spectrum*, 43: 353-370.

Makombe, P. 2011. *Informal Cross-Border Trade and SADC: The Search for Greater Recognition*. Johannesburg: Open Society Initiative for Southern Africa.

Malaba, J. 2006. Poverty Measurement and Gender: Zimbabwe's Experience. *Inter-Agency and Expert Group Meeting on the Development of Gender Statistics*, United Nations, New York.

- Mijere, N. 2009. *Informal Cross-Border Trade in the Southern African Development Community (SADC)*. Addis Ababa: OSSREA.
- Munjoma, T. 1999. *Property Investment under an Economic Structural Adjustment Programme: The Case of the Harare Central Business District Office Development*. PhD Thesis. Aberdeen: University of Aberdeen.
- Mupedziswa, R. and Gumbo, P. 2001. Women Informal Traders in Harare and the Struggle for Survival in an Environment of Economic Reforms. *Research Report No. 117*, Uppsala: Nordiska Afrikainstitutet.
- Muzvidziwa, V. 2001. Cross-border women traders: Multiple identities and responses to new challenges. *Journal of Contemporary African Studies*, 19: 67-80.
- Muzvidziwa, V. 2007. *Women without Borders: Informal Cross-Border Trade Among Women in the Southern African Development Community*. Addis Ababa: OSSREA.
- Muzvidziwa, V. 2015. Gendered nature of informal cross-border trade in Zimbabwe. *Journal of Social Development in Africa*, 30: 131-146.
- Ngundu, K. 2010. *The Impact of the Informal Economy on the Social and Economic Development of Women-headed Households in Chegutu Urban District*. MA Thesis. Pretoria: University of Pretoria.
- Peberdy, S., Crush, J., Tevera, D., Campbell, E., Zindela, N., Raimundo, I., Green, T., Chikanda A. and Tawodzera, G. 2015. Transnational entrepreneurship and informal cross-border trade with South Africa. In: Crush, J., Chikanda, A. and Skinner, C. (Eds.). *Mean Streets: Migration, Xenophobia and Informality in South Africa*. Ottawa and Cape Town: IDRC and SAMP.
- Pindula News. 2016. Zimbabwe Bans a Host of Goods from Being Imported. *Pindula News*, June 19, 2016.
- Potts, D. 2006. Restoring order? Operation Murambatsvina and the urban crisis in Zimbabwe. *Journal of Southern African Studies*, 32: 273-291.

Robinson, P. 1991. What is structural adjustment? In: *The Social Implications of Structural Adjustment Programmes in Africa*. Proceedings of a Workshop held at University of Zimbabwe, Harare, pp. 54-58.

Rogerson, C. 2016. Responding to informality in urban Africa: Street trading in Harare, Zimbabwe. *Urban Forum*, 27: 229-251.

Scoones, I. 2016. Zimbabwe's Riots: The Rise of the Informal Trader and a New Political Economy. *The Conversation*, July 14, 2016.

Tawodzera, G. 2014. Household food insecurity and survival in Harare: 2008 and beyond. *Urban Forum*, 25: 207-216.

Tevera, D. and Tawodzera, G. 2007. Cross-Border Trade: The Case of Beitbridge, Forbes, Chirundu and Nyamapanda Border Posts. *Report for SAMP*, Harare: University of Zimbabwe.

The Chronicle. 2016. Another Zim Bus Robbed in SA. *The Chronicle*, June 25, 2016.

The Herald. 2016. South Africa: Eagle Liner Bus Robbed, Burnt in South Africa. *The Herald*, June 21, 2016.

Thebe, V. 2015. The malayisha industry and the transnational movement of remittances to Zimbabwe. In: Crush, J., Chikanda, A. and Skinner, C. (Eds.). *Mean Streets: Migration, Xenophobia and Informality in South Africa*. Ottawa and Cape Town: IDRC and SAMP.

Tibaijuka, A. 2005. Scope and Impact of 'Operation Murambatsvina' in Zimbabwe. *Report of Fact-Finding Mission*, New York: UN-Habitat Special Envoy on Human Settlements.

UNIFEM, 2010. *Women in Informal Cross Border Trade in Southern Africa*. Johannesburg: UNIFEM.