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**Cross border trade as a survival strategy in SADC: A study
of Zimbabwean women traders**

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requirements for the**

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DEDICATION



This research is dedicated to the cross border women traders and their struggle for survival.

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ABSTRACT

This research explores the extent to which Zimbabwean national policies and more broadly SADC affect informal trade and informal traders. Whilst SADC governments claim a desire to fight poverty, the organisation at the same time is pursuing policies that are obstructive to poverty alleviation. This is, for example, reflected in its lack of recognition of informal cross border traders. The thesis argues that one of the reasons explaining this is that SADC lacks an autonomous development strategy; its integration scheme is informed by the European model. Consistent with this orthodoxy Zimbabwean national policies are stifling informal trade. Informal trade helps facilitate regional integration through various social networks. The new regionalism, a paradigm that underscores the notion of regionalism from below, encapsulates non-state actors, including women informal traders. It argues that policies at national and regional levels should thus be designed to cater for people from “below”. Hence, there is need for national policies to be harmonized in the SADC region and the informal sector included in the organisation’s broader regional integration strategy.

ABBREVIATION LIST

AIDS	Acquired Immune Deficiency Syndrome
COMESA	Common Market of Eastern and Southern Africa
ESAP	Economic Structural Programme
FEMCOM	Federation of National Associations of Women in business
HIV	Human Immune Virus
IMF	International Monetary Fund
ILO	International Labour Organisation
ISTARN	Informal Sector Resources Network
MDC	Movement for democratic change
NGOs	Non-governmental organisations
RISDP	Regional Indicative Strategic Development Plan
SADC	Southern African Development Community
SAPs	Structural Adjustment Programmes
SMMES	Small, Micro and Medium Enterprises
STDs	Sexually transmitted diseases
WIB	Women in Business
ZANU-PF	Zimbabwe African National Union – Patriotic Front
ZERO	Zimbabwe Environment Regional Organisation
ZIMRA	Zimbabwe Revenue Authority
ZISA	Zimbabwe Informal Sector Association

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CHAPTER ONE

INTRODUCTION

1.1 Background statement

The economic crisis in Zimbabwe has led to an unprecedented growth in informal cross border trade. The formal economy comprises of “those economic activities governed by government policies, laws and regulations” whereas the informal economy refers to all economic activities that lie outside regulated and official parameters within a state (Chen, 2005: 1, 15). Within the informal economy lies informal cross border trade, which is unrecognized, often deemed illicit and illegal by the state. For the purposes of this research, informal cross trade refers to unregulated economic activity involving the sale of legal goods such as arts and crafts, crocheted work, stone carvings and pottery across national borders (Chen, 2005). However, traders may distribute goods illegally in response to unfavorable trade policies. The research does not deal with informal cross border trade of an illegal nature such as the sale of stolen goods and illicit drugs.

Informal traders are often viewed generally as “smugglers” while women traders are frequently portrayed as “prostitutes” (Muzvidziwa, 2005: 51). This perception can be attributed to the fact that much of the trade is undocumented, unregistered and hence unaccounted for under national trade statistics. Consequently, policies tend to be biased towards formal trade between states. Generally, governments tend to favour big business and capital over labour to the neglect of small traders (Chen, 2005). This perception is prevalent, moreover, because the informal economy is understudied. The

level of trade in SADC is understated due to the neglect of informal cross border trade, which is extensive in the region, however an inherent contradiction exists. SADC states acquire revenue from duties and taxes levied on traders who operate across borders, yet this sector is not officially recognized. Available statistics suggest that informal trade within the SADC region accounts for US\$17.6 billion per year (Musonda, 2004).

Historically, informal cross border trade in Zimbabwe dates back to pre-colonial times, when people carried out barter trade without the need for formal registration of the economic activity. At independence, African states, including Zimbabwe, accepted the artificially created borders, which led to the emergence of tariff and non-tariff barriers. This in turn disrupted informal economic activity (Trade and development studies, 2000). Goods were sold internally within Zimbabwe and across the border to neighbouring countries. Informal cross border trade was often associated with low-income earners (Trade and development studies, 2000).

The rise in informal activity in post-independent Zimbabwe can also be attributed to a number of related factors; including high unemployment; high inflation; shortages in foreign currency as well as goods and basic commodities; high levels of poverty and food insecurity (Chari, 2004). The presence of a thriving black market given the differential in foreign currency rates; poor political environments; the collapse of the social sector such as health care and education also promote informal trade. The HIV/AIDS pandemic has also exacerbated the situation such that there has been a rise in female or child headed house holds (Chari, 2004).

The pervasiveness of poverty in the SADC region cannot be ignored and it has worsened with the upsurge of globalization and the imposition of structural adjustment programmes (SAPs), prescribed by the International Monetary Fund (IMF) and the World Bank as a paradigm for economic recovery. Trade liberalization upon which the SADC integration model is based is an integral part of SAPs (Oden, 2000: 244).

Regional integration in SADC has a developmental agenda whose key objectives include poverty alleviation, the enhancement of the quality of life of SADC people and the promotion of self sustaining development (SADC, 1992). However, these objectives are undermined by the failure of SADC to recognize informal cross border trade as part of a bigger regionalist strategy. Indeed, informal cross border trade is not only a source of livelihood; it is also a source of employment, making up for the shortfall as a result of the reduction in formal employment under SAPs. Thus, informal cross border trade plays a key role in poverty alleviation. For many economic destitutes, informal cross border trade has become a means of survival and a means of managing poverty in the face of economic adversities (MacGaffey and Bazenguissa-Ganga, 2000: 28).

The study aims to evaluate the extent to which national policies of Zimbabwe and more broadly SADC stifle or promote informal cross border trade. It is argued that while promoting trade on the one hand, SADC states do not make adequate provision for informal cross border trade on the other hand. The study focuses on informal cross border traders from Zimbabwe who operate across the border to South Africa and Botswana. Cross border traders are confronted with a hostile environment at both

national and regional levels thus undermining their ability to fight poverty and the opportunity to improve their livelihoods.

Furthermore, what is generally ignored is that informal cross border trade facilitates regional integration through the sharing of ideas, experiences and language exchanges of people at a grass roots level. This research paper, however, recognizes that despite the positive impact of informal cross border trade, it also has negative social effects such as the breaking up of homes due to constant travel of family members as well as the spread of the HIV/AIDS pandemic. Informal cross border trade cannot be viewed as a permanent solution to the development problems that Zimbabwe and other SADC member states are faced with. In the interim, finding a viable and sustainable development path requires creating and facilitating an enabling environment for small scale traders.

Another issue is the notion of informality. The word informal in itself marginalizes people who engage in such trade. Likewise, a phrase like “small-scale traders” also has marginalizing effects. The paper suggests that one of the ways to start addressing the problems surrounding informal trade is to form cross borders traders associations under which traders can obtain a license to trade across SADC countries. These traders associations give people a voice by opening up communication channels with government whereby they can lobby for better policies. Furthermore, the formation of national and regional traders associations is a step towards institutionalizing informal trade and including informal traders in the mainstream economy. In addition, it also addresses the issue of revenue lost due to unrecorded economic activity. However, in order for such a system to work, there should be a benefit in joining a traders

association such as a guarantee of protection enjoyed by companies who trade formally. The support of SADC governments is paramount for this to become a reality.

There are informal cross borders traders associations that have been set up within the SADC region. However, a notable success is the trade taking place in the Common Market of East and Southern Africa (COMESA) market in Zambia. Some SADC member states are also members of COMESA and traders in the regional bodies have the opportunity of joining the COMESA traders association and obtain a license to trade. For example, Zimbabwe has membership in both SADC and COMESA. The Zambian government in conjunction with the COMESA regional body has been supportive of informal traders. One of the initiatives has been the creation of trading spaces in which members of the associations can trade freely. The traders who belong to SADC member states are still faced with challenges due to their lack of recognition.

Again, appropriate policies are required in order for trade to thrive and for successful integration. It is clear that the formal sector cannot be studied in isolation from the informal sector. It should be noted, however, that SADC governments do acquire direct taxes from traders as they buy goods in the formal economy. Informal cross border trade provides employment opportunities in industries such as transport, manufacturing, production to name a few (Mpande, 2004). The expansion of big business sale of goods in neighbouring countries can also be attributed to the demand generated as a result of informal trade.

1.2 Statement of the problem

Global changes in world economy have presented several challenges for the SADC region. SADC countries are pre-dominantly weak economically and tend to depend on taxes and international trade for revenue. The weak balance of payments and lack of foreign reserves serve to constrain intra-regional trade, which has not been more than 5% despite SADC's effort to increase trade (Oden, 2000: 245). In addition, a large part of the countries' foreign reserves are used to service international debts (Chipeta, 2002: 185). The problem is exacerbated by the process of globalization in which countries are forced to rapidly integrate their economies in the areas of trade, capital and financial flows (Mandaza, 2002: 96).

Further, globalization has deepened inequality between states, which dampens efforts towards regional integration (Mandaza, 2002: 97). Consequently, SADC economies tend to engage in "self-defeating intra-regional competition for investment, aid and trade" and thus fail to collectively respond to the negative effects of globalization. The result is that SADC is "increasingly forced into unequal, exploitative and vertical integration in the world economy" (Mandaza, 2002: 97). This has led to increased marginalization and increased vulnerability to the fluctuations in the world economy (Mandaza, 2002: 97). As a result, SADC states are weakened in their capabilities to address poverty. In the midst of an economic crisis many Zimbabweans have found refuge in the informal economy. One of the greatest threats in Zimbabwe has been that of human security which is centered on the individual, particularly the threat of poverty. The SADC human development report of 2000 noted that approximately one-third of the population in the region lived in poverty and 30-40% of the people were unemployed or "underemployed in the formal sector". It was estimated in 2004

that 75% of Zimbabweans were poor and 70% unemployed (ZERO, 2004). These figures have risen significantly as the country's economic crisis deepened.

High poverty levels especially in rural areas are due to lack of technology, infrastructure and resources. According to the 2000 United Nations Development Report women in the SADC region are poorer than men (Akinboade, 2005: 256). Yet there are a growing number of female headed households as men tend to be migrant labourers in neighbouring countries. With the spread of the HIV/AIDS pandemic, women have become primary care givers (Akinboade, 2005: 256). The lack of education is cited as one of the primary causes of higher poverty levels amongst women. In addition in poor households women and female girls are less likely to be enrolled in school (Akinboade, 2005: 256-257). Another cause of poverty is high levels of unemployment as women tend to be excluded from employment opportunities within the formal sector and thus turn to the informal sector for survival. Most African countries are agriculturally based economies. Women's rights in accessing arable land are weaker than men. Furthermore women lack finance to support their households. While poverty predated land reform in Zimbabwe, it was exacerbated as many farm labourers lost jobs as a result of the country's land redistribution programme.

Despite the pervasiveness of poverty, SADC governments and policy makers are stifling informal cross border trade by neglecting it, even though it provides refuge for the poor and the unemployed. The neglect of informal cross border trade undermines the regional objectives SADC states seek to achieve such as poverty alleviation, the improvement in livelihoods of SADC people and deeper integration. SADC

governments need to create incentives that are favourable to informal traders so as to obtain protection and benefits of formality enjoyed by larger business corporations (Chen, 2005: 11). MacGaffey and Bazenguissa-Ganga (2000: 92) note that people are more likely to act illegally when they are faced with higher costs of legality. Generally, high duties and taxes are charged to small scale traders on certain goods without taking the size of trade into consideration. This practice tends to “crowd out” the small traders profit margins (Chari, 2004).

1.3 Research question

This study seeks to find out to what extent national policies in Zimbabwe and SADC more broadly affect informal sector trade and informal cross border traders?

1.3.1 Research objectives

The research seeks to achieve a set of interrelated objectives, including

1. Exploring the emergence of informal cross border trade.
2. Evaluating policies in Zimbabwe and more broadly SADC to assess what policies affect informal traders as well as informal cross border traders and how they can be changed.
3. Showing how informal cross border trade plays a crucial role in poverty alleviation and the improvement in livelihoods, by documenting the experiences of Zimbabwean women traders.

4. Advocating for policies to include informal trade and traders as part of SADC's broader regional integration and development strategy. This is necessary to facilitate regional integration and to bridge the gap between policy and implementation.
5. To propose ways in which the informal cross border trade can be institutionalized by providing a synopsis of policies in the COMESA region.

1.4 Methodology

The methodology is based on library research, relying on secondary source-books, reports and the internet. The results of the research are also based on personal observation and interviews with policy makers on trade in Zimbabwe, the SADC secretariat, the COMESA secretariat, COMESA cross border traders' association and bus rides with traders pursuing business in the region. Thus, the findings of this research rely on qualitative data. The research is partly descriptive and partly analytical.

1.5 Limitations

Given the logistical constraints of covering the entire SADC region, the study focuses on Zimbabwe and Zimbabwean informal cross border traders. However, it followed the traders as they ply their trade in the region.

1.6 Motivation for research

I have had a great interest in the SADC region, particularly the role of regional integration in addressing the developmental challenges the region is faced with. In earlier research I found that the gap in the literature on regional integration in SADC was the neglect of the informal sector. This came as a result of contrasting two approaches old regionalism, which is state centered and new regionalism, which takes into account the role of non-state actors in regional integration. What was clear was that most people in the SADC region relied on informal trade to sustain their livelihoods.

My interest was heightened by my experiences in traveling across borders in the SADC region. The majority of travelers were women and one of the greatest concerns was the difficulties traders experienced in clearing their goods across different border posts. The interesting fact was their quiet resilience and survival strategies adopted in response to unfavourable policies.

I had the opportunity to work as an intern at the Zimbabwe Environment Regional Organization (ZERO) where I was involved in drafting a document on setting up a Zimbabwean National Traders Association (ZIMCOBONET), designed to empower women, by giving informal traders a voice to lobby for more favourable policies.

The research consists of five chapters. Chapter 1 provides an introduction, which sets out the background to the research and statement of the problem. It also includes the research question, research objectives, methodology of the paper, limitations and motivation for research.

Chapter 2 provides a cursory overview of literature and is especially concerned with defining key concepts such as the informal economy, regionalism, regional integration and globalization. It shows the evolution of the whole notion of informality. Further, two models of integration are contrasted - the old regionalism, which focuses on formal relations between states and new regionalism, which promotes regionalism from below. The dominant theory governing regional integration in the SADC region is explained.

Chapter 3 is a case study on Zimbabwe. It explains the negative effects of structural adjustment policies on the Zimbabwean economy, the emergence of the informal economy and the policy shifts within the Zimbabwean government with regards to the informal economy and informal cross border trade. It is contended that Zimbabwe's national policies towards informal traders have had economic and political motivations. The chapter introduces the motivation for women engaging in informal trade, nature of goods traded and services provided, organization and challenges of informal traders domestically within Zimbabwe and regionally in SADC. Finally, the chapter shows the policy changes in Zimbabwe post-operation "Murambatsvina", an urban renewal programme popularly known as the "Tsunami" due to its sweeping effects, which mainly targeted informal businesses and dwellings, arguing that national policies towards informal traders in practice remain restrictive.

Chapter 4 is a study on the SADC region. It shows the dominance of old regionalism, Euro-centric approach in SADC's regional integration strategy. This approach focuses on formal relations between states to the neglect of informal trade which is extensive in the region. The chapter highlights problems encountered by traders at a regional

level and addresses the question of whose interests are being served under SADC regional integration scheme. It is contended that SADC policies on paper are people-centered and have a gendered approach to development. In practice SADC trade protocols do not make provision for informal trade, thus undermining the ability of the poor and marginalized groups such as women to create their own wealth and cope with poverty.

Chapter 5 is a study on COMESA and the regional cross border traders association. It provides insights into COMESA's policies towards informal traders and informal trade. It is argued that the Zambian government and COMESA have created a favourable environment in which informal traders can trade through the provision of a trader's license. SADC can in turn learn important lessons from this model.

Chapter 6 is a reflection of the lessons learnt from conducting the above research. The research shows that we cannot discuss the formation of an African Union government until policies within the different regional bodies are harmonized, policies are representative of the African peoples interests, noting their challenges and finally formulating policies that address the very sector which is sustaining the livelihoods of the vast majority of African people- the informal economy and informal cross border trade.

CHAPTER 2

LITERATURE OVERVIEW

This chapter provides an overview of the literature on the informal economy, regionalism, regional integration and globalization. It explains old and new regionalism, market integration, which is the dominant theory used in SADC's regional integration strategy and finally human security. A combination of historical, political and economic factors has underscored the rationale for regionalism in Africa. Africa has faced and continues to face immense challenges. The need for African states to co-operate in order to address its developmental challenges has been recognized since the independence of African states from the 1960s. The early efforts of newly independent African states towards integration were underscored by political motivations. The most pervasive question is what is the right path to Africa's development? African states adopted state-led policies such as import substitution which failed to address the continent's developmental malaise.

The abatement of the cold war had important implications for Africa's political economy. Consequently, there have been more pronounced pressures towards regional integration. A major challenge that emerged in the contemporary world economy was the process of globalization, in which the world became increasingly interconnected and interdependent; there was a change in the division of labour; the emergence of new technologies and the re-structuring on the world economy through the formation of new regional blocs. Most apparent was the pace and intensity of the process of globalization, which was uneven in its effects. This has resulted in diverse

responses at a national and global level. It was argued that African states needed to regionalize in order to prevent marginalization in the world economy.

Most of the theories on regionalism and regionalization were developed in light of Europe's experience with regional integration. The dominant paradigm was old regionalism, in which the state played a central role in regional integration. Structural changes in the world economy following the Cold War gave rise to new regionalism which involved new approaches to regionalism projects. This new drive towards regionalism was not only motivated by political and historical factors, but economic factors as well. Under new regionalism, the security agenda has been broadened to include individual security under the concept of human security.

The neglect of informal cross border trade in SADC can be attributed to the state-centric approach to integration. This strategy focuses on states and formal economic arrangements as the basis of integration. The market integration theory will be explained to better understand the influences surrounding the formulation of SADC's trade agenda. The new regionalism attempts to point out weaknesses in this approach, by introducing the development from below perspective, which underscores the importance of the informal sector.

While the informal economy in Africa is becoming a permanent phenomenon, there is little agreement on how to define it. The disagreement is deepened by the difficulty of distinguishing between what is formal and what is not.

2.1 The Informal Economy

The informal economy is a contested concept. The concept of informal economy is variably referred to as the underground economy, the hidden economy, the parallel market, the black market or even the criminal economy (Krakowski, 2005: 4-5; Chen, 2005: 8). MacGaffey and Bazenguissa-Ganga (2000: 4) refer to the informal economy as the “second economy”. It is used to describe “all activities that are unmeasured and unrecorded” which in “varying degrees lie outside the margins of the law”. Alternatively, it is argued that the informal economy is characterized “by one central feature: it is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated” (Light, 2004: 707). However, Light (2004: 707) argues that unregulated economic activity is not synonymous with illegal and illicit activity. Informal economic activity is extensive and yet is not accounted for under official statistics (Light, 2004: 707). The informal economy is very difficult to study and measure given the nature of trade (Manganga, 2007: 5).

The term informal sector was developed by the International Labour Organisation (ILO). “It covers that part of small scale income generating activities which take place outside the official regulatory framework and typically use low levels of capital, technology and skills while providing low incomes and unstable employment” (Akinboade, 2005: 261).

The informal sector is not the sole domain of the poor. People in formal employment engage in informal economic activities as well. The size of the informal sector is often attributed to government inefficiency. The informal economy comprises of legal and illegal economic activities that are often conducted in a manner that avoid several

regulations (Krawkowski, 2005: 7). It is argued that the informal sector is comprised of “all activities that fall outside the formal net of registered, taxed, licensed, statistically documented and appropriately zoned business enterprises” (Morris, Pitt and Berthon, 1996: 59). These economic activities are not accounted for in national accounts, nor are they “subject to formal rules of contract, licences, labour inspection, reporting and taxation” (Morris et al, 1996: 61).

In developing countries entrepreneurial activity largely takes place in the informal sector even though some merely view informal sector activity and survivalist in which little wealth or employment is created (Morris et al, 1996: 60). The size and scope of informal economic activity is also dependent upon the levels of poverty and unemployment in a given country (Morris et al, 1996: 62).

Increasing attention has been paid to the informal economy or small scale economy by the donor community in order to assess its potential of eradicating poverty and achieving pro-poor growth (King, 1997: 1). This potential is largely dependent on having appropriate policies that will facilitate growth and in turn bring about poverty alleviation (King, 1997: 1-2). The reality is that the informal economy receives very little support from the state (King, 1997: 9).

Despite several policy prescriptions to improve Africa’s development, these policies have yielded poor results. The economic structural adjustment programmes and the spread of the globalization process have had a net negative impact on African economies. Consequently, poverty has risen and countries have remained

underdeveloped. These factors can be used to explain the expansion of the informal economy to unprecedented levels in recent decades (Lingham, 2005: 1-3).

Several reasons have been provided for the emergence of the informal economy. It is contended that the rise in the informal economic activity was a reaction to the stagnation in the formal economy as a result of state regulations (Cross, 1994: 2). These regulations included licensing of business and labour legislations such as minimum wage laws, social security benefits and health insurance. In other words, the costs of formality were too high and hence small scale traders opted to engage in informal trade (Cross, 1994: 2). Africa's informal labour force is approximately 80% and the informal economy accounts for about 90% of new jobs that are created (Becker, 2004: 5).

There has been an expansion in the informal economy in countries experiencing economic restructuring, economic crises or economic growth (Hafkin, 2004: 1). The process of globalization has led to the informalization of the labour force (Chen, 2005: 4). Formal companies as a cost cutting measure tend to reduce the number of employed persons and this excess labour is absorbed in the informal economy (Hafkin, 2004: 1). In a globally competitive market formal employers then hire informal workers at a low cost with few benefits, thus cutting their costs of production (Chen, 2005: 5). Thus, people in the informal economy share one common feature: that is "the lack of legal recognition, regulation and protection" (Chen, 2005: 2). Government, however, tends to be biased towards capital over labour as well as big companies over small enterprises (Hafkin, 2004: 1).

The informal economy provides not only refuge for the unemployed, but also employment, goods and services. Hence, the informal economy makes a major contribution to the gross national product of countries (Hafkin, 2004: 2). Hafkin (2004: 2) identifies three kinds of policies that affect the informal economy. Governments may put punitive measures in place geared at eliminating the informal economy, restrictive policies aimed at containing it and finally promotional policies, which support the informal sector.

The informal economy is closely linked to the formal economy as it plays an important role in the chain of distribution of different goods. Some small traders buy and sell in bulk, while others buy on credit and sell small quantities of goods. Others act as middlemen in the chain of distribution, selling goods in the informal sector that have been produced in the formal market (Hart, 1973: 72). In the Zimbabwean case, employed professionals or formerly employed persons employ the poor to run errands for them. They are referred to as “runners” and bring in different goods informally into the country, which are often distributed in the formal market.

2.2 The informal economy in Africa

The informal economy has been in existence in Africa for more than three decades. With the coming of globalization and structural adjustment programmes, the role played by the informal economy has changed. It was formerly used to train uneducated women for positions in the formal economy. Now the informal economy provides refuge for the poor, the unemployed and retrenched workers due to restructuring programmes (Mofokeng, 2005: 3-4).

Trade liberalization has largely had a negative impact on local industries in Africa. This has led to the shedding of employment in the formal sector as local industries fail to compete with cheaper goods from abroad (Mofokeng, 2005: 4). Poverty is prevalent throughout Africa. This can be attributed to poor economic performance, civil strife, high population growth and high levels of debt. Consequently, there have been poor income and employment opportunities, thus people turn to the informal economy for survival (Mofokeng, 2005: 4). The situation has been exacerbated by the fact that people lack technical skills and vocational training, the HIV/AIDS pandemic and low literacy levels.

African states rely on aid from external donors and on revenue that is collected internally through taxes (Krakowski, 2005: 1). However, it was soon discovered that there was some revenue that was unaccounted for in official statistics. (Chen, 2005: 5). Economic activities in the informal economy are differentiated between legal and illegal. MacGaffey and Bazenguissa-Ganga (2000: 4) state that some of the activities carried out in the second economy involve the breaking of the law, whereas other activities “are legitimate but are carried out in a manner that avoids taxation”. This is due to the fact that traders do not have a legal system that supports their activities. Thus they operate “outside the margins of the law” as a survival strategy (MacGaffey and Bazenguissa-Ganga, 2000: 4). Legal activities include the selling of fruit and vegetables on street corners, whereas illegal activities involve the selling of illegal drugs and stolen goods (Krakowski, 2005: 5). The nature and character of the informal economy differs from country to country. However, the growth in the informal economy is often associated with the economic crises dramatized in job losses, shortages of foreign currency and a rise in inflation (Chen, 2005: 5-6). A

significant share of employment takes place within the informal economy. According to Chen (2005: 13) informal employment in sub-Saharan Africa comprises seventy-two percent of non-agricultural employment. The informal sector is estimated to contribute between 16 and 75 percent of gross domestic products in third world countries. Thus, a broad tax base exists in which governments can generate much needed revenue (Morris and Pitt, 1995: 59).

2.3 Regionalism, Regionalization and Globalization

Regionalism is defined as “the adoption of the regional project by the formal regional economic organization designed to enhance the political, economic, social and cultural and security integration of member states” (Lee, 2003: 8). This definition implies that countries will not be solely concerned with economic issues; but political, economic and social as well. Regionalization is defined as “the process by which non-state actors seek to enhance their economic, political, and cultural and security interaction with societal forces within a region through formal and informal structures (Lee, 2003: 9).

McGrew (1992: 23) defines globalization as “the multiplicity of linkages and interconnections between the states and societies which make up the modern world system”. McGrew (1992: 23) further refers to globalization as “a process by which events, decisions and activities in one part of the world can come to have significant consequences for individuals and communities in quite different parts of the globe”. Globalization is viewed as a strong and irreversible force which results in uneven effects and thus has important implications for the process of regionalization (Soderbaum, 2002: 14).

Schrire (2001: 1) argues that globalization implies two realities, that of strong states that are the determinants of the shape and scope of the process of globalization and weak states that have to accept globalization as given. It argued that globalization tends to have a greater negative impact on less developed states (Grugel and Hout, 1999: 5). The negative effects of globalization such as rising inequality and high levels of intra-state conflict can be overcome through regionalization. Gibb (2002:9) argues that Africa has been marginalized from the benefits of globalization. It is argued that African countries need to regionalize and increase their level of “regioness” in the areas of security and development in order to prevent further marginalization in the world economy (Hettne, 2001: 87). The literature distinguishes between 2 theories of regionalism-old and new regionalism.

2.4 Old and New regionalism

Old regionalism took place in a bi-polar cold war context which was created from above by super powers. It is argued that old regionalism was concerned about relations between “formal sovereign states” (Hettne, 1999:8). Old Regionalism was pre-dominantly security-oriented and sometimes economically oriented. In terms of economic integration, Old regionalism was inward-oriented whereby super powers adopted protectionist policies such as import substitution (Hettne, 1999: 7-8).

The old approaches of regionalism have been dominated by functional and neo-functional approaches that were adopted to explain regional economic and political integration in the European Union. These theories have become a blue-print for regionalization schemes in the South. The neo-classical ideas of customs unions and the formation of common markets were the dominant views in the formation of

theories of European integration (Marchand et al, 1999: 906). Other theories focused on the prevention of war through the creation of a security community, which was essential for a socially and politically integrated community. Functionalists focused on technical co-operation in non-economic areas whereas the neo-functionalists argued that regionalization would be an elite led-process (Marchand et al, 1999: 906).

Soderbaum (2002: 1) distinguishes between problem solving approaches (neo-realist, liberal institutionalism and liberal economic integration) from “critical” and reflectivist approaches (the world order approach and the new regionalism approach). Problem solving approaches were primarily developed for the study of Western Europe. Problem-solving approaches have been criticised on the basis of their narrow empirical selection as well as the notion of states as “aggregated and unitary units and/or formal regional intergovernmental organizations” (Soderbaum, 2002: 10).

The dominant conceptualization of the state came from the realist school of thought. States are said to be organized according to the Westphalian system which was based “on an assumed notion of a coherent ‘state’, a state that was in control of its territory and had total sovereignty” (Shaw et al, 1998: 196). In addition, the state was assumed to have monopoly over the means of violence. Realists focused on the building of state institutions in order to ensure an efficient system. State-centralism focused on “what states did in pursuit of their so-called interests” (Shaw et al, 1998: 196).

It has been argued that the global applicability of Euro-centric approaches have been limited, thus limiting the understanding of the complexities involved in contemporary forms of Regionalism (Soderbaum, 2002: 2). It is further argued that “regionalism is

dynamic and turbulent and it should not be analyzed (only) through the lenses of Euro-centric integration theory” (Shaw et al, 1998: 193). Another critique of the old regionalist approaches is that they fail to fully account for power relations and do not give an adequate explanation of structural transformation (Mittleman, 1999: 26).

In critiquing the neo-liberal paradigm Mittleman (1999) argues that

“Concerned as it is with the purportedly universal laws of development, neo-liberal theory posits that, in principle, the same rules of economic development can be applied across the board from the most developed to the least developed countries. As such the theory is overly mechanical and represents a slot machine approach to regionalism (Grant and Soderbaum, 2003: 8).

In summary, the old regionalism approach emerged in a bi-polar Cold war context. The key unit of analysis was the state. Old regionalism was inward-oriented, narrowly focused on either security or economic issues. The old regionalism theories were mainly based on the European experience of integration, thus failing to capture the new dynamics in the contemporary regionalization in the post-cold war era.

Africa has often been neglected in the discussion on Regionalism. The term new regionalism originated from the United Nations University/World Institute for Development Economics Research (UN/WIDER) sponsored project (Grant and Soderbaum, 2003: 3). “New” is used to denote new theoretical approaches in comparison to previous frameworks.

The rise of new regionalism is understood in the context of the structural transformation that has taken place in the global system. Several changes have

occurred which include a shift from a bi-polar to a multi-polar system where there are new divisions of power and labour (Hettne and Soderbaum, 2002: 33). It is argued that the Westphalian nation state system is being eroded because there has been a rise in the interdependence among states, via the process of globalization (Hettne and Soderbaum, 2002: 33). There has been a growing trend towards the adoption of the neo-liberal paradigm in terms of economic development. The idea of a market economy and a political system modelled along liberal principles. This has largely been promoted in developing countries, following the fall of communism. The rise of neo-liberal influence can be attributed to international institutions such as the International Monetary Fund (IMF) and the World Bank (Oden, 1999: 155; Hettne and Soderbaum, 2002: 33).

Three major trade blocs in Europe, North America and Asia Pacific have emerged, which dominate world production and trade (Oden, 1999: 156). It is important to note that the global system is being restructured in such a way that has had an impact on the power relations between states. The economic marginalization during the neo-liberal era has given rise to Core-peripheral relations. The core being dominant and the periphery subordinate. This is often referred to as the North-South divide or North-South cleavages (Hettne, 1999: 8) The Southern African Development Community (SADC) therefore lies in the South and most of the member states had to adopt neo-liberal austerity measures imposed by the international financial institutions in exchange for aid. Thus regionalization is seen as a means of preventing further marginalization in the world economy.

Mittleman (1999: 25) argues that the new regionalism approach is an important advance in theories relating to integration such as functionalism and neo-functionalism among others. The new regionalism encompasses political, social, economic and cultural aspects (Hettne, 2001: 88). The new regionalism approach goes beyond the “orthodox, state-centric and one-dimensional perspectives of much conventional research in the field” (Shaw et al, 1998: 193). It is argued that the political goal of establishing a regional identity and coherence besides welfare and security is paramount. This is referred to as the pursuit of “regioness” (Hettne, 2001: 89). Regions are not formed in a vacuum. New regionalism is concerned with the outcomes and processes of regionalization in different areas of activity, which include the processes that led to emergence of that region. The processes of regionalization and globalization are taking place simultaneously, and both processes are responsible for shaping the emerging world order (Soderbaum, 2002: 13).

Globalization is viewed as a strong and irreversible force that has important implications for the process of Regionalization (Soderbaum, 2002: 14). New Regionalism is viewed as “the return of the political to the globalized world” (Soderbaum, 2002: 14). New regionalism is concerned with the content rather than the form of regionalism. It critically questions the motives and interests being served by different regionalism strategies. Grant and Soderbaum (2003: 9) put forward the following question “For whom and with what consequences it is being put into practice, consolidated or resisted?” Thus the new regionalism approach is concerned about the people who are excluded in regional schemes, particularly the poor and marginalized people (Grant and Soderbaum, 2003: 9).

A limitation of problem-solving theories or mainstream approaches to regionalism is that they ignored the informal sector when theorizing about Regionalism and Regionalization (Grant and Soderbaum, 2003: 5). The state-centric approach in studying Africa is problematic because “state formation in Africa is a fairly recent phenomenon”. State making is still an ongoing process. At independence African states accepted artificially created borders by colonial powers. Consequently, many African states have not been fully consolidated and tend to be weak and fragmented (Shaw et al, 1998: 196).

Critical theories under which falls the new regionalism approach present a clearer picture about the relationship between Regionalization and globalization. New regionalism emphasises the weakened capacity of the state. It highlights the notion that “the state is no longer the sole agency within society that possesses monopoly over legitimate violence” (Dunn and Hentz, 1998: 182). It is argued that the state is re-structured in such a way that it often lacks the capacity to protect its own national interests and to meet the challenges pose by the process of globalization (Grant and Soderbaum, 2003: 4).

New regionalism does not focus on formal regionalism and state actors; instead it brings in an informal dimension or what is known as ‘informal regionalism’ from below. The ‘informal regionalism’ encompasses a wide variety of non-state actors and informal activities. These include ‘transnational corporations; ethnic business networks; civil societies; think tanks; private armies; development corridors and informal politics of small scale trading’ (Grant and Soderbaum, 2003: 4). Grant and Soderbaum (2003: 5) contend that “the state cannot be taken for granted....Like wise

we need to avoid assumptions a priori of who is the dominant “driving” regionalization actor”. New regionalism sees a role for the state but in a broader context. State actors are important; however non-state actors are just as important.

New regionalism in Africa developed through trans-state networks. Trade networks have emerged involving both legal and illegal transactions, which are referred to as the parallel or informal market (Bach, 2003: 26). An increasing trend is that non-state actors are often found at the forefront of regionalism projects. A major challenge facing African countries is to balance the gains from regionalism projects (Bach, 2003: 34).

In answering the question about Africa’s trade and development, Boas (2001: 37) argues that the innovative forces in Africa are not found in parastatals, the formal economy or formal companies, instead dynamic innovation and entrepreneurship is found in the informal sector, which contains “Africa’s real comparative advantage”. Boas (2001: 37) further states that the innovative spirit in the informal sector needs to be utilized correctly and may serve as a means of overcoming the developmental challenges that Africa is faced with. This entails African regional organizations changing their visions, values and objectives. Boas (2001: 37) like the proponents of the new regionalism agenda exhorts African countries to find research methodologies and to study “regionalism from below”.

As has been mentioned above, the new regionalism approach attempts to identify weaknesses in SADC’s integration strategy, particularly the neglect of the informal sector. Lee (2003: 238) writes that informal traders need the support of SADC

governments and that they in turn lose out on potential revenue by marginalizing informal traders. SADC governments need to provide informal traders with incentives so that they may invest in the economy and place their money in the banks, which helps develop the financial sectors. The informal sector in turn could potentially foster economic development (Lee, 2003: 238). This in turn would need to be included in SADC's regional integration strategy. The development of the regional infrastructure is paramount in order to enable SADC countries to have better access to each other's markets. Integration of the informal sector in this regard will thus foster further regional integration and development (Lee, 2003: 238-239).

It is evident from the above discussion that the new regionalism approach has several merits. New regionalism transcends old regionalism by going beyond the state as the main actor. It has been shown that new regionalism is a qualitatively new phenomenon, which provides a more profound understanding of the structural transformation of the world economy, the complexities and multifaceted nature of the contemporary forms of regionalization. The new regionalism approach highlighted the importance of non-state actors, who have often been at the forefront of regional integration initiatives. The whole notion of "regionalism from below" is particularly relevant for Africa and for the purposes of this research. It is clear that informal traders, despite their official recognition due to the nature of their trade, are facilitating the regionalization process from a grassroots level through their trade activities and language exchanges. In addition, host economies benefit from such a kind of trade, whereby traders purchase goods in the formal economy, thus contributing to the general welfare of an economy. Also, new regionalism is important because it is concerned with processes as well as outcomes. Globalization is better

understood as a multi-dimensional process consisting of cultural, political, social and economic dimensions. Emphasis is put on the uneven distribution of gains, particularly the poor and marginalized groups. The return of the political aspects of Regional Integration is relevant for Africa. The primacy of politics is evident in Africa and can be used to account for the challenges encountered in efforts towards regional integration. Although the new regionalism approach builds on the theoretical debates on regionalism and regional integration by highlighting neglected areas of study such as informal regionalism. However, one of the major weaknesses of the approach is that it does not prescribe how different processes, social forces, different social, cultural, economic and political dimensions should be studied.

Critical questions here include the following: (i) How does one study the relationship between “formal regionalism” and “informal regionalism”? (ii) How can non-state actors such as informal traders be included in decision making processes within regional organizations? (iii) How can the informal sector be re-incorporated into the formal economy? The research will show that informal traders can gain a voice by forming informal cross border associations through which to lobby for policies that are more facilitative. This is one of the first steps towards reincorporating informal traders into the mainstream economy, through the provision of licences to trade and the creation of trading spaces in which SADC governments can gain much needed revenue.

2.5 The Market Integration Approach

There are several theories associated with the integration debate in Southern Africa. SADC's trade protocol has largely been influenced by the market integration approach, which falls under the domain of neo-classical economics. It is also largely informed by the old regional approach, a focus on formal state relations. Market integration was viewed as a process in which trade and non-trade barriers would be progressively removed among co-operating partners and eventually lead to the harmonization of fiscal and monetary policies (Davies, 1992: 4). The process was assumed linear, in which a preferential trade area would be formed first whereby member states charged lower tariffs than non-member states. In addition, the movement of goods was still restricted and duties were levied on imports from other members (Davies, 1992: 4). A free trade area would follow in which quantitative restrictions on trade would be removed and each member state determined its own tariffs in relation to non-member states (Davies, 1992: 4). Next, a customs union would be formed in which a common external tariff would be created. This limited the sovereignty of member states determining their own external tariff policies. A common market would follow in which there was movement of capital and labour as well as the harmonization of fiscal and monetary policies. The final stage would be a political union whereby political institutions of member states were unified and federated (Davies, 1992: 4-5).

The pre-requisites for successful market integration included

“the level of industrial development among countries has to be similar; regional macro-economic stability has to be in place; the current intra-regional trade has to be significant, national macro-economic policies have to be harmonized; complementary industrial development has to exist among member states; the prospective benefits of integration should be

widely distributed, there have to be significant differences in factor endowments; the region has to be stable politically and member states have to be willing to surrender some level of sovereignty to a supra-national authority” (Lee, 2003: 20).

2.6 Human Security

Thompson (2000) states that security needs to be conceptualized from the bottom up. In the 1990s there was a shift to the recognition of human as a counter-balance to state or regime security. Human security falls under the domain of critical security studies. Human security puts the individual at the centre of security. Emphasis is put on freedom from threat as well as the need for economic, social and political security of the individual (Van Schalkwyk, 2005: 45). According the draft African Non-Aggression and Common Defense Pact human security

“means the security of the individual with respect to the satisfaction of the basic needs of life; it also encompasses the creation of the social, political, economic, military, environmental and cultural conditions necessary for the survival, livelihood, and dignity of the individual, including the protection of fundamental freedoms, the respect for human rights, good governance, access to education, healthcare, and ensuring that each individual has opportunities and choices to fulfil his/her own potential” (Cilliers, 2004: 8).

The definition above is relevant as it emphasises the rights of the individual. The role of a government is to protect the interests of its citizens and facilitate development, including human development This reiterates the point that governments need to develop appropriate policies and create an environment which allows self-development. This would entail addressing the very sector that sustains the welfare of its citizens. That is, the informal sector, both at a national and regional level. It also includes designing policies that take into account marginalised groups such as women and the poor.

The next section is a case study on Zimbabwean women and the different policies relating to informal trade. The chapter begins with a brief overview of Zimbabwe's political economy.

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CHAPTER 3

ZIMBABWE

Zimbabwe, once known as the bread basket of Africa, has plunged into a deep economic crisis marked by negative economic growth rates, rampant inflation and chronic poverty. As a consequence, informal economic activities have mushroomed to unprecedented levels and become a permanent phenomenon. The informal sector is no longer the sole domain of the poor or low paid workers. For decades Zimbabwean women have been at the forefront of informal economic activity. Many women have understood that trade creates wealth. The social networks that have been created overtime are really the basis of wealth creation. Some people have migrated and even settled in neighbouring countries. The real dynamic of trade lies with the people. Zimbabwean women have developed their entrepreneurial skills to a point whereby they have managed to create wealth in order to cope with poverty and other developmental challenges. These include unequal access to educational opportunities which limited them in terms of access to finance and lack of formal employment.

Zimbabwe like any other African country has been faced with developmental challenges, particularly poverty. The rise in poverty levels can in part be attributed to austerity measures imposed on Zimbabwe by international financial institutions- the IMF and World Bank, which yielded poor results. The Zimbabwean government initially developed policies that encouraged the growth of informal sector activity in response to the challenges they were faced with. The year 2005 marked a change in the government's policies whereby it embarked on a programme called operation "Murambatsvina", an urban clean-up project, popularly known as the "Tsunami" due

to its sweeping effects. Many informal businesses were closed down and informal trade restricted. Informal traders found that they were now confronted with a hostile environment both locally and regionally. Consequently, Zimbabwean women traders have adopted several strategies in order to survive in an unfavourable environment.

3.1 Post-independence policies in Zimbabwe

Zimbabwe became independent in 1980. During the colonial period white and black people, through a zoning and licensing system, were separated economically, socially and geographically (Moyo, 1995: 46). Such a system, prohibited black people from participating within the economy. At independence, the Zimbabwean government in response, initially adopted socialist policies to address income inequalities and poverty inherited from the past. These policies included the introduction of minimum wages, free primary education and secondary education was subsidised. In addition, free health care was introduced for the very poor. However, these socialist policies proved to be expensive and thus were financed through borrowing (McPherson, 2000: 1). Largely as a result of these state led policies, Zimbabwe faced several macro-economic problems, including an over-valued exchange rate, a shortage of foreign reserves, trade imbalances and a rising budget deficit. In response the government closely regulated the economy, imposed price controls, set minimum wages and passed labour laws that made it impossible to fire a worker (McPherson, 2000: 2).

The government's socialist policies failed to stimulate investment and employment.

As a result, in 1991 the Zimbabwean government accepted recommendations from the IMF and World Bank to address the economic challenges it was faced with. This led to the adoption of ESAP, a market led approach to the economy (Moyo, 1995: 49-50).

3.2 SAPs in Zimbabwe

The economic reform programme in Zimbabwe was known as the Economic Structural Adjustment Programme (ESAP). It was launched in 1990 and it resembled the economic reform programme developed by the IMF and World Bank. ESAP was designed to lessen the Zimbabwe's government control over its economic system and transform it into a more market driven economy (World Bank, 1996). The measures included trade liberalization and export promotion, the devaluation of currency, privatization of government enterprises and parastatals, reduced government expenditure on basic social services such as health, housing and education (Ramsamy, 2006: 519). In addition, the size of the civil service was reduced (Mhone, 1995: 12).

Structural adjustment programmes in Zimbabwe yielded mixed results. In 1992 Zimbabwe experienced a severe drought which fuelled economic recession (World Bank, 1996). SAPs in developing countries led to the liberalization of economies. In addition, the foreign exchange system was liberalized and the regulations on foreign investment lessened. Price controls on various commodities were removed and the barriers to entry in the agricultural sector were abrogated. The manufacturing sector experienced positive growth and the agricultural sector showed signs of improvement. However, policies targeted at the poor remained unfulfilled as a result of a poor social safety net, leading to rising poverty and increased deprivation (Mutasa, 2000:2). In 1990 the number of people living under the poverty line was about 26%. In 1995 the figure increased to about 35% of the population (<http://www.sarpn.org.za>).

Zimbabwe through trade liberalization was enmeshed into the global economy. Like many countries in Africa, Zimbabwe produced primary products that were vulnerable

to fluctuations in the global economy. The Zimbabwean economy was negatively affected as the real commodity prices plunged to one of the lowest levels in the 1990s. As a consequence formal employment declined and real wages plummeted by 30%. This, coupled with reduced expenditure on basic social services, worsened the situation (Ramsamy, 2006: 519).

The reforms policies alone cannot account for the poor results; much onus lies with the misuse of state funds and the manner in which the policies were implemented. For example, in 1998 the government announced that it had spent 60 million dollars to purchase 50 Mercedes Benz for 26 cabinet ministers and two vice presidents. In the same year funds that could have been used to help the plight of the poor were diverted when Mugabe announced that he was sending troops to fight a foreign war in the Democratic Republic of Congo, at an estimated cost of US \$ 1million a day (Ramsamy, 2006: 520).

3.3 The effects of SAPs in Zimbabwe, the informal economy and government responses

According to Manganga (2007:4) the informal sector in Zimbabwe comprises of enterprises that are not registered under the Companies and Cooperatives Acts. However, the informal sector is present in all sectors of the Zimbabwean economy including mining, services and the retail industry (Manganga, 2007: 4). Mhone (1995: 12) argues that the role and status of the urban informal sector has been a consequence of three factors, namely: Zimbabwe's colonial legacy, the post-independence socialist bias in its economic policies and the recession that ensued from the mid-1980s.

During the colonial period small scale economic activity was either outlawed or restricted thus stunting the growth of informal sector trade. Post-independence regulations were relaxed and there was a growth in informal economic activity, however there was still a bias towards the formal sector (Mhone, 1995: 13).

Mupedziswa and Gumbo (2001: 10) state that women in Zimbabwe were “disproportionately negatively affected by economic crisis and structural adjustment”. This was because a higher percentage of women head households and have to take care of the major household’s costs such as school fees. A larger proportion of women operate in the informal economy. Structural adjustment led to the decrease in average incomes and increase in the cost of living. The number of new entrants in the informal economy increased. In 1980 the informal sector accounted for 10% of the labour force. By 1995, the informal sector accounted for about 25% of the labour force (Mhone, 1995: 1). Some entrants included retrenched workers looking for means of survival, while others were still employed but engaged in informal activity to supplement their income due to the fall in real wages (Mupedziswa and Gumbo, 2001: 10; Rogerson, 1997). Consequently, the role and status of the informal economy increased in Zimbabwe due to the relaxation of policies and the shrinkage in the formal economy as a result reform policies under the SAPs.

The informal economy has increasingly been viewed as a coping mechanism, particularly for the urban poor in Africa. During the 1990s in recognizing that the informal sector played a major role in the reform process by creating jobs for the unemployed and absorbed retrenched workers from the formal economy, the

government, local authorities and other NGOs attempted to play a supportive role (Mupedziswa and Gumbo, 2001: 13).

The first initiative was the Zimbabwe Informal Sector Association which was launched in 1995/1996 (ZISA). The organization was designed to coordinate the activities within the informal economy by registering traders with the aim of taxing them. ZISA was to provide training for traders to enhance their skills (Mupedziswa and Gumbo, 2001: 13).

The local authorities set up markets and other trading spaces, popularly known as “durawalls” in which informal traders would conduct business. By-laws that prohibited people from working from home were relaxed and this resulted in the growth of informal economic activity. Others traded in traditional markets, known in the Shona language as “musikas”. Flea markets were established, while others traded in open spaces or on street pavements (Manganga, 2007: 4). NGOs were also supportive of the informal sector through the provision of loans and skills training. The government of Zimbabwe in partnership with the German Technical Co-operation - Zimbabwe formed the Informal Sector Resources Network (ISTARN) in 1995 to carry out the above functions (Mupedziswa and Gumbo, 2001: 13). Banks and other financial institutions also played a supportive role of the informal sector through the provision of loans and counselling services on how people could start small businesses (Mupedziswa and Gumbo, 2001: 13).

Government policies that supported women development led to an increase in the participation of women in economic activities. However, some of the policies were

still biased against women. For example, banks were less likely to lend to women because they lacked collateral. Consequently, many women experienced cash flow problems and hence did not make high returns on their businesses (Mupedziswa and Gumbo, 2001: 16).

3.4 New responses to the informal economy in Zimbabwe: Operation Murambatsvina and beyond

As was mentioned above, the economic structural adjustment programmes impacted negatively, particularly on the urban poor. The situation was exacerbated when the Zimbabwean government launched operation “Murambatsvina” a programme to “drive out trash” in May 2005. The informal economy which formerly had been supported by government was now deemed illicit and illegal (Ramsamy, 2006: 520). The demolitions in urban areas and other parts of the country were declared to be part of Zimbabwe’s urban renewal programme. Some argue that the government needed to restore order and enforce by-laws to bring all forms of illegal activities to an end. This included illegal housing structures, illegal vending, illegal cultivation and other forms of informal activities (Tibajuka, 2005). The operation prompted a lot of criticism because legal buildings were also destroyed, thus suggesting that there were deeper economic and political motivations behind the operation (Potts, 2006: 275). There are, however, competing views to explain the rationale behind the operation. Some argue that it was a direct attack on the urban poor, the main opposition party, the Movement for democratic change (MDC) stronghold. In the March 2005 election, MDC won the majority of seats in the urban areas. Some observers argued that the forced migration back to the rural areas was part of a Zimbabwe African National Union – Patriotic Fronts (ZANU-PF’s) strategy to bring the urban poor under control

in a place where it had a strong-hold. Surprisingly, however, ZANU-PF members' homes were also destroyed (Ramsamy, 2006: 20-21). The election-engineered argument for the programme is thus suspect.

Operation Murambatsvina included mass evictions and demolitions of businesses, vending sites and homes. On May 17th 2005, the Zimbabwe Republic Police destroyed and confiscated goods on sale which included flowers, shoes, crafts and curios. Traders who resisted were assaulted or arrested. The clampdown spread to urban flea markets where most cross border traders sold clothing, hair products and other accessories that had been acquired from neighbouring countries (Bratton and Masunungure, 2006: 3). On May 24th the residents were told to destroy any illegal kiosks, vending places, backyard workshops, shack dwellings and rental rooms that had not been approved by the City Council. The illegal structures were bull-dozed by police. Furnishings and other household goods were destroyed during the operation. The famous durawalls that had been set up in response to ESAP were also demolished and any equipment left standing was set alight (Bratton and Masunungure, 2006: 4). "An estimated 700,000 people lost their homes, sources of livelihood or both" (Tibaijuka, 2005). Thousands of people were left homeless. Many people lost their sole source of income, resulting in starvation, disease and even death especially amongst those suffering from the HIV/AIDS virus due to lack of health care. Many students had their school attendance interrupted they were forced to "guard" their family belongings. In all, 2.4 million people were affected by the operation in one way or the other ((Tibaijuka, 2005). On the whole, the operation had negative effects on the poor who suffered further impoverishment and deprivation (Tibaijuka, 2005).

The government of Zimbabwe justified the operation. For example, Zimbabwe has been experiencing large shortages of foreign currency, which was believed to be in the hands of informal traders and was being sold illegally. Large sums of foreign currency were discovered during the demolitions in the homes of the informal traders (Ramsamy, 2006: 21). In addition, there was illegal sale of petrol and other basic food stuffs, which were in short supply in local supermarkets and stores. Sadly, however, many legitimate businesses were also destroyed, that had managed to sustain the urban poor and helped them manage poverty (Bratton and Masunungure, 2006: 4).

Operation Murambatsvina was far from an urban renewal programme; it worsened the economic crisis of Zimbabwe. No longer could the government blame structural adjustment programmes for its economic maladies and poverty. The government itself through its policies further plunged its own people into the depths of poverty and hence the economic collapse of the country. At the time of the operation Zimbabwe's inflation stood at 144% and Unemployment 70% (Ramsamy, 2006: 521). Two years later the country's inflation rate stood at approximately 7500% in July 2007 (<http://www.rbz.co.zw>). The unemployment rate is estimated to be about 80% (<http://news.bbc.co.uk/2/hi/business/6354783.stm>).

Ironically, operation Murambatsvina achieved the opposite of what it had intended. It did not get rid of the informal economy but led to a further rise in the informalization of work and growth in the informal economy. The aftermath of the operation reveals that entrepreneurs never die, but instead re-invent themselves. The informal traders who lost their goods and trading spaces have found new strategies to cope with the changed environment. Flower sellers keep their flowers in a safe alley while they go

and seek customers in the parking areas. They bring different samples and orders upon request. The people who sell crafts carry bags and venture out into the street to try and find customers. Vendors have slowly begun to return to urban centres and it is business as usual. People are still harassed occasionally, but the resilience of informal traders is one of the most fascinating phenomena. Informal cross border traders have also changed their strategies. Many traders work on an order basis. In that way they are guaranteed that they will get their money upon delivery of the goods. Some people require a deposit before they venture out into the neighbouring countries. Informal cross border trade is often based on relationships of mutual trust and it is this quality that has enabled it to survive operation Murambatsvina.

3.5 Zimbabwe and Informal Cross Border trade

One of the consequences of trade liberalization was the rise in informal cross border trading (Tekere, 2001: 19). In the 1980s informal cross border trade in Zimbabwe was often associated with the unemployed and low income earners. However, given the poor economic conditions, this is no longer the sole preserve of the poor and unemployed, but also of professionals and other people in formal employment. Informal cross border trade takes many forms. This includes the selling of crafts, stone carvings, food stuffs, crochet work, clothing and provision of services such as hairdressing and domestic work. Recent trends have consisted of human trafficking. However, the latter is not the focus of this study. It should be noted that informal cross border trade in Zimbabwe has also given rise to economic refugees in neighbouring countries who tend to be accused of engaging in illegal activities (Tekere, 2001: 21).

Zimbabwe's trade statistics have been understated due to its failure to capture the sizeable trade that takes place informally under official statistics. It is in turn difficult to measure the scope and size of informal cross border trade because some traders do not use official routes when crossing the different borders within the region. In addition when informal traders use official routes, they declare that they are going on holiday. This is largely due to absence of informal cross border traders licences (Tekere, 2001: 19).

Informal cross border trade became a natural extension of the women trader's informal economic activities. Many women who head households have managed to improve their livelihoods through informal cross border trading. The majority of women who engage in informal cross border trade are widows and divorcees (Muzvidziwa, 2001: 67-69). Despite the negative portrayal of women, women's businesses have continued to thrive through the establishment of interpersonal networks consisting of non kin and kin relationships in neighbouring countries (Muzvidziwa, 2001: 67-69). Women have managed to develop their own coping strategies to mitigate the negative effects of globalization. Women have solidified the relationships and networks and thus have been able to spread their business activities around Southern Africa and beyond (Muzvidziwa, 2001: 73). The women informal traders are, however, faced with many challenges amongst the already mounting economic hardships, ranging from harassment to seizure of goods and even sexual abuse (Muzvidziwa, 2001: 76). Zimbabwean women have also been able to develop other coping strategies in order to overcome the punitive measures put in place by government officials which are viewed as hampering their trade.

3.6 Who are the traders?

Small scale cross border traders can be classified as being either full time or part-time traders. New entrants may eventually fall into one of these categories. Full-time traders usually have established social networks. New entrants usually do not have any social networks and tend to be more at risk as they tend to sleep at bus stations and in the open air in order to save money. As they get more acquainted with their host countries they are able to improve into more formal forms of trade.

While conducting this research, I discovered that full-time informal cross border traders cross the border at least twice a month depending on the availability of foreign currency. Visits to neighbouring countries can either be short or long depending on the nature of goods being traded. Some traders do not carry goods to sell, but go and purchase goods on an order basis. Thus, the length of stay tends to be short. These traders tend to spend the day or one evening in the host country. Traders who stayed longer usually had an established market whereby they spent about two weeks at a time in a given county. These traders usually have established social networks, which include the provision of accommodation. Examples of such traders are those who sell art and crafts at the green market square in Cape Town, South Africa. Cape Town is an attractive area because it is a tourist destination and Zimbabwean traders are able to charge disproportionately higher prices than in other areas. Most traders have established networks with local people whereby they rent accommodation from the latter in locations such as Gugulethu and Khayelitsha. The social networks are an integral part of informal cross border trade and play a key role in wealth creation. The cultural exchanges are also important. Most traders as part of their coping and business strategies learn the local languages of their clientele. Most traders are

proficient in more than one language and are able to switch between different languages with little difficulty. This is just one of the roles informal traders play in regional integration which is a multifaceted phenomenon and involves economic, social, cultural and political aspects.

Some professional women, in the formal sector tend to engage in informal cross border trade themselves and travel to South Africa and Botswana over the weekend. Some hire other people to bring in goods from them from the above mentioned countries.

The following discussion will explain how trade typically takes place and how social networks are established. A local trader meets fellow traders at the market and at different vending sites. Here she learns more about cross border trade, its benefits and what steps to take to travel across the border. The female trader leaves home and crosses the border as a first timer. She has limited options, often sleeps in the open, has limited finance and her journey is a learning experience.

Other first timers travel in groups or people who are already experienced within the trade. After crossing the border a few times and gaining some experience, social networks are established. The trader may act as a wholesaler, work on an order basis or alternatively friends in the established network sell the goods for her in exchange for a share of the profits. If the business environment is good, the business can grow into a permanent store. Money can filter down to develop production.

Information is crucial in order to be successful in small-scale cross border trade. One has to study the market within which the trade and the people's preferences. Thus, a small-scale trader goes through the same process in establishing a business as a large company. In many cases small-scale cross border traders act as pioneer for big businesses products. An example of such goods is kubi hair products, mazoe orange crush, and dairy board chimombe milk, to name a few. The larger businesses now export larger quantities of goods and enjoy the benefits of informal cross border trade.

3.7 Goods and Services traded

Informal cross border trade is not solely confined to the trade in goods only, different services are traded as well. The goods traded vary depending on the destination of the informal traders. Zimbabwean women tend to carry food stuffs and beverages to Botswana. The goods transported to South Africa usually include croquet items, various arts and crafts and printed material. There has been a shortage of basic goods and commodities as a result of the economic crisis in Zimbabwe. Consequently, small traders tend to return with groceries which are expensive in Zimbabwe such as washing soap and cooking oil. They also bring in household goods and appliances for self use or for re-sale.

The services offered consist of hair-dressing, child care and various forms of temporary domestic work or permanent domestic work (mostly economic refugees who tend over-stay) and if they want to return home have to do some illegally i.e. through border jumping or bribing customs officials.

3.8 Challenges faced by informal cross border traders

The relationship between traders and local authorities has often been antagonistic over issues such as licensing, taxation and location of trade activities. One of the major deterrents in terms of licensing a business has been the high costs of registering a formal business (Manganga, 2007: 5). At a policy and operational level informal traders are confronted with several problems such as the lack of legal status and recognition, the lack of trading spaces, evictions, harassment by local authorities, the lack of representation and the lack of services and infrastructure (Manganga, 2007: 5).

Several factors tend to affect the viability of informal cross border trade at a national level. A central factor is finance. Finance can be an impediment as well as an enhancer of informal trade activities. The continuous depreciation of the Zimbabwe dollar is a major factor in determining the profitability of informal cross border trade. It impacts on the availability of foreign currency. Most traders obtain their foreign currency in the parallel market. In addition, traders have to constantly adjust their prices and this may impinge upon their profit margins (Tekere, 2001: 21).

The policies governing cross border trade tend to be unfavourable and stifle informal cross border trade. As a result some informal traders have lost their lives crossing the border through unofficial routes due to the punitive measures in place. Visa requirements tend to be prohibitive and difficult to fulfil. For instance, the financial requirement in order to obtain a South African visa increased from R1000 in 2006 to R2000 in 2007 respectively, thus most people are unable to meet the basic requirement. Other requirements include a letter of invitation. Furthermore, there are no trader's licences available and thus informal traders are forced to apply for a

holiday visa. This is a major challenge, especially in terms of declaration of goods because there is no distinction between a person who has travelled to a country to trade and a person who has gone on holiday. However, the Zimbabwean government is aware that informal traders exist, but there are no policies to govern the trade. The Zimbabwe government tends to charge high duties and taxes such that informal traders adopt various strategies to avoid these unfavourable policies. Other challenges include harassment, excessive searches at border posts and high transport costs (Mwaniki, 2004).

A more recent challenge has been the issue of passports. Due to the shortage of foreign currency the Zimbabwean government did not have ink to print new passports and travel documentation. Officially if a person applied for a new passport he or she is supposed to get it within six months. However during my research at the Zimbabwean Immigration Office, I found that some people had not received their passports for over two years. People had the option of applying for an emergency travel document however this only was valid for six months. People who live in the diaspora are charged in US dollars if they want to obtain a new passport in about two weeks. In 2006 a new passport cost US \$110. The price was increased to US \$220 in 2007.

3.9 Interviews: Zimbabwean Informal Cross Border Traders

My research was conducted at one of the major women organizations, Zimbabwe Women's Bureau, which facilitates women's skills development and training. Women traders also use it as a forum to share information and experiences with regards to cross border trade. It is an organization designed to empower women so that they can

cope or even escape poverty. I spoke to women on an individual basis and had the opportunity to sit in a committee meeting.

The interviewees were asked the following questions.

1. When did you start trading across the border?
2. Which countries do you frequent?
3. What motivated you to engage in cross border trade?
4. What goods do you trade?
5. What policies affect you within Zimbabwe and across the border?
6. How do you think these policies can be changed?
7. What challenges have you encountered while trading?

For ethical purposes the real names of the respondents will not be divulged in the research.

3.9.1 Respondent 1: Mai Shiri

Mai Shiri was employed at the Zimbabwe Revenue Authority. One of the effects of globalization has been the retrenchment of workers. She used to process forms manually, but was unfortunately retrenched when ZIMRA computerized their operations. She was encouraged to become a cross border trader by one of her friends in 1999. She frequents three countries: Botswana, Zambia and Mozambique and sometimes travels to South Africa. Her friend taught her how to cost her goods and showed where there was a market for different kinds of goods. Mai Shiri sold clothing items such as baby sets, linen and work suits in Zambia and Mozambique and food items in Botswana such as ground nuts, beans and maize.

Mai Shiri argued that Zimbabwe national policies tended to be restrictive. There were limits on the number of homogenous goods imported into the country. Each trader was limited to four items of similar kind. She added that the duty free access was too low and ZIMRA charged high duties and taxes, which in turn crowded out her profit margins. Another limitation was the lack of information at the border posts which made the declaration and processing of goods more difficult. It was contended that measures were too punitive; the border officials were unfriendly and would harass people. Mai Shiri added that some traders' goods were seized in host countries because the local by-laws did not allow them to trade. It was argued that this was unfair because they would pay duty at the border for the export of their goods.

Mai Shiri stated that cross border trade was very risky. Sometimes peoples' goods were stolen at the border. She argued that the government needed to develop separate policies for traders. She suggested a trader's license that would be recognized regionally. She added that people want to do things by the book; however the government must develop appropriate policies that do not hinder people from making a living. Finally, the Zimbabwean government needed to provide more information at border posts, put up clear notices and have separate counters for traders at the different borders.

3.9.2 Respondent 2: Mai Chipo

Mai Chipo has been trading across the border since 1980. She decided to trade after she lost her husband. She added that she did not have skills in order to obtain a job in the formal economy. She managed to put all her children through school with the income she earned from cross border trade. Mai Chipo frequented South Africa and

Botswana. She asserted that there were limitations on both sides of the border. There were limits on the quantity of goods that could be exported into Botswana and South Africa as well as the quantity of goods imported back into Zimbabwe. She added that sometimes traders' goods would be seized by local authorities in either Botswana or South Africa since they entered the countries as visitors. Another challenge they encountered was bribery and corruption at the different border posts. Mai Chipo stated that immigration officials would sometimes demand a bribe, even though she had the right documentation for her goods. A further limitation was the visa restrictions which limited the length of stay in country to 90 days per year. Together, these restrictions and challenges impact on their operations and profitability.

3.9.3 Respondent 3: Mai Sekai

Mai Sekai began cross border trade in response to the economic crisis in Zimbabwe starting from about 2003. She advised that life had become difficult in Zimbabwe and that her and her husband's salary could no longer support her family. She originally started trading in Botswana and South Africa; however she said that several challenges prompted her to change the countries in which she traded. She now trades in Zambia in the COMESA market, a more favourable environment for cross border traders. She said that she still was faced with challenges such as the lack of finance and absence from home and her children; however she was glad that she had an environment in which she could trade freely. Mai Sekai advised that she carried crotchet items to Botswana and South Africa. She mentioned that the challenges she encountered were high duties and taxes; she said there were restrictions on the number of days a trader could stay in a host country and had problems making declarations at the border. She advised that there were long delays at the border and

they were often harassed by border officials. She advised that a new trend was the setting up of additional check points by police other than the check points at the border points. Mai Sekai stated that she decided to stop trading in South Africa and Botswana because the environment was unfavourable. For instance, it was not easy to get the necessary foreign currency required for a South African visa. In addition she said that she had bad experiences and had been harassed by local authorities in both countries such that she decided that it was not worth trading anymore. For example she advised that women were particularly vulnerable because border officials or local authorities would demand sexual favours in order for women to be allowed to trade or to carry more goods across the border without paying duty. Some of the women were married but would give into the officials' demands in order to have an easy passage. Those who refused to accede to such demands would have their goods seized or be subjected to many difficulties. Mai Sekai opted to start trading in Zambia as the trade and policy environment there was more favourable. The Zambian government and the COMESA Cross Border Traders Association made this possible.

3.9.4 Trade in Services

As mentioned above Zimbabwean Women Traders do not only trade in goods, they also trade in services such as hairdressing and domestic work.

3.9.5 Respondent 4: Tambudzai

I met Tambudzai in Botswana while I was conducting research. She said that she would spend one to two weeks at a time in Botswana. She used to work for a local hairdresser in Harare, Zimbabwe. Tambudzai decided to go and use her talent in Botswana because she wanted to earn in foreign currency as she could no longer

afford the rise in the standard of living in Zimbabwe. She traveled to Botswana with a friend and started plaiting people's hair at a local bus station. Furthermore, she experienced some challenges from local authorities. She managed to get a local cell phone line and now her clientele call her to make appointments and she plaits their hair in their homes. She added that she has a large client base. Tambudzai travels back and forth between Botswana and Zimbabwe every month. She advised that her clients know that she is often in the country towards the end of the month. Tambudzai uses the money she earns to buy groceries for her family back in Zimbabwe. Tambudzai plaits people's hair when she is in Zimbabwe, but she stated that traveling to Botswana was more profitable.

3.9.6 Respondent 5: Fadzai

Fadzai was a domestic worker and she decided to leave Zimbabwe because she could not afford to take care of herself and other family members with the money she earned. She travelled to Botswana, a country where she had no relatives, in search for work. Fadzai advised that she went from door to door in search of employment and she now works in about 5 different homes. She goes to each home between Monday to Friday and is paid 100 pula a day. She returns home once a month with groceries for her family.

The stories of the lives of the women above have become a common trend in Zimbabwe. Each woman in one way or the other was motivated by economic factors. The economic crisis in Zimbabwe has created a lot of "economic refugees". Many Zimbabweans seek political asylum in South Africa in order to escape poverty and hardships. Hundreds of other women continue to travel back and forth across the

border overcoming or bearing the challenges they are faced with. It is not only about a means of making a living, it is an issue of survival. An undeniable fact is that informal cross border trade in Zimbabwe and other parts of the region is what is sustaining the economy. A government cannot declare that it is concerned about human development or the livelihoods of its people if appropriate policies are not created in which people can thrive. It is now time that governments are held accountable to their people and that policies are designed to serve the interests of the people.

Zimbabwean women in the midst of the challenges have adopted several strategies to overcome the challenges of formality. This has included transporting goods illegally in order to overcome unfavourable policies.

3.10 Coping with unfavourable policies: Strategies of Informal traders

It is clear that both nationally and regionally policies tend to be restrictive as opposed to facilitative. Zimbabwean women traders, in response have smuggled goods across the border. This is a risky strategy because it sometimes leads to the loss or seizure of goods by local authorities. There are instances whereby women overstay in a host country or the quantity of goods they carried exceeded the restricted amount. Some women have thus resorted to bribery, while others offered sexual favours to border officials or local authorities. This is a practice that can possibly contribute to the spread of HIV/AIDS and other STDs.

In Zimbabwe travellers are only allowed one duty free access per month. The amount is limited to US 250 dollars. Women have adopted new strategies to cope with this

restriction. For instance, if a woman is travelling in a bus and is carrying too many goods, she will ask fellow passengers to declare the goods on her behalf. Some people demand payment in return for the favour and the women concede to their demands. This is also a risky strategy because a person may “disappear” at the border with the woman’s goods.

As noted, women find it difficult to trade in host countries due to the absence of a traders licence. The social networks are important in this regard. For example, in Mpumalanga, South Africa, some Zimbabwean traders use the social networks they have created to survive. In order to trade along a street pavement, you have to obtain a licence from the local municipality. South African nationals obtain the licences on behalf of the traders and Zimbabwean traders use the trading spaces in exchange for payment.

3.11 Post-Operation Murambatsivana Responses to Informal Trade

The Minister of Small, Micro and Medium Enterprises (SMMEs), Sithembiso Nyoni in a policy and strategy framework (2006) stated that SMMEs were a solution to the employment problems that Zimbabwe was currently faced with. Internationally, SMMEs have been recognized for their contribution to gross national product, employment creation, innovation as well as poverty alleviation (Policy and Strategy framework, 2006). The Minister further stated that some of the constraints faced by SMMEs included financing, management capabilities, access to information, technological and technical support, bureaucracies, marketing and export facilities (Policy and Strategy document, 2006). The action plan to promote SMMEs focused on the following areas creating an enabling legal and regulatory environment,

investment promotion, access to markets and finance, technical and infrastructural support, management and skills development and resource mobilization (Policy and Strategy document, 2006). Cross border trade is anticipated to grow in the future and become a permanent feature of the SMME sector.

Another official from the Ministry of SMMEs advised that they had approached ZIMRA on matters relating to cross border trade and they had responded positively. A major challenge was the lack of information. Steps have been made to improve the dispensation of information. ZIMRA publishes a weekly letter in the local newspaper in the local-state owned newspaper, the Herald, to inform the public of changes on matters relating to trade. Furthermore, it was advised that ZIMRA was working on re-designing its tax schedules.¹

An official from the Department of Trade and Industry advised that informal cross border trade needs to be facilitated. A major concern in government was the remittance of foreign currency back to Zimbabwe. The challenge lies in an unstable currency and the differential of exchange rates between the official and parallel market, whereby Zimbabwean citizens opt to sell money in the parallel market rather than exchanging the money at an official rate.²

The above discussion has shown that the Zimbabwean government, as it did in past, recognises the contribution of small enterprises to wealth creation in Zimbabwe.

There is, however, a gap between policy formulation and implementation. The policy

¹ Information based on an interview with Mrs Ndlovu: Permanent Secretary: Ministry of Small and Medium Enterprise development (July 2006)

² Discussion based on an interview with Mrs Magade: Deputy Director: Department of trade and industry (July 2006)

environment surrounding informal trade remains restrictive. I had the opportunity of visiting ZIMRA research department to inquire about policies being developed with regards to informal trade and the response I got was that of surprise. Unfortunately, the national sentiment in Zimbabwe is echoed at a regional level, whereby informal cross border traders remain unrecognised and unrepresented.

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CHAPTER 4

THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) AND INFORMAL CROSS BORDER TRADE

The South African Co-ordinating Conference (SADCC) was formed in 1980. It was subsequently transformed to the Southern African Development Conference (SADC) in 1992. (Lee, 2003: 45-47). The relevance of SADC as a regional organization can be understood in the context of the general debate on how Africa should be integrated into the world economy. The critical point is the terms under which Africa in general and SADC in particular are integrated into the world economy. It is argued that “globalization increasingly defines the degree of integration and marginalization of countries and regions of the world within the larger global economy” (Mandaza, 2002: 96). Globalization sets the rules of inclusion and exclusion and this is determined by the political and economic strength possessed by individual countries in the region. SADC was formed in the midst of this continuing debate as well as with broader goals in mind of fostering development and improving the livelihoods of the people in the region.

SADCC’s integration agenda prior to its transformation was largely informed by the old regionalism approach. There has not been an explicit discussion on the new regionalism in SADC. New regionalism identifies a gap within the literature on SADC. The informal sector is neglected in SADCs regional integration strategy.

4.1 SADCC to SADC

The Southern African Development Community (SADC) is the successor of the Southern African Co-ordination Conference (SADCC), formed in 1980 with the primary goal of reducing dependence of member states on apartheid South Africa.

Other objectives included:

“the forging of links to create general and equitable integration, the mobilization of resources to create national, inter-state and regional policies, and concerted action to secure international cooperation within the framework of the strategy outlined for economic liberalization” (Lee, 2003: 45).

Oden (2000: 244) argues that the development of the Southern African political economy and regionalization process has had three external influences. “Prior to independence the influential force was the colonial powers, during the post-cold war era superpowers and to some extent former colonial powers, and from the 1980s increasingly by Breton Woods institutions and bilateral aid donors” (Oden, 2000: 242).

The state-centric approach has been dominant in the study of international relations in Southern Africa in which states are viewed as the main actors. SADCC members were not prepared to surrender their sovereignty; instead they identified common areas in which they could transfer their loyalties (Vale, 2001: 23). SADCC was designed to give the member states political leverage (Lee, 2003: 45). This approach also helps explain why SADC states tend to be biased towards the formal economy to the neglect of the informal economy, which promotes life support for many. The ending of the Cold War had important implications for Southern Africa. For instance, the region was no longer used as a space for super-power conflict. The regional structure was also influenced by structural adjustment programmes which advocated for trade

liberalization as well as de-regulation and privatization and were implemented at a national level (Oden, 2000: 242). Given the new realities, such as the demise of apartheid, the globalization process and formation of new trade blocs, SADCC was subsequently transformed to SADC in 1992. SADC's aims and objectives are included in the SADC protocol as well as the Regional Indicative Strategic Development Plan (RISDP), which is being used to govern SADC's restructuring exercise in order to improve the efficiency and effectiveness of SADC's policies and programmes.

Chapter 3, Article 5 of the SADC protocol sets out its objectives, which are critical to this study: These were to;

“Achieve development and economic growth, alleviate poverty, enhance the standard and quality of life of the peoples of Southern Africa and support the socially disadvantaged through regional integration...” (SADC, 1992: 6).

SADC was furthermore to;

“strengthen and consolidate the long-standing historical, social and cultural affinities and links among the people in the Region; ensure that poverty eradication is addressed in SADC activities and programmes; and mainstream gender in the process of community building” (SADC RISDP, 2003: 4).

SADC (1992: 5) stated that in order to achieve the above objectives it would embark on the following strategies:

“Harmonize political and socio-economic policies and plans of member states; encourage the peoples of the region and their institutions to take initiatives to develop economic, social and cultural ties across the region and to participate fully in the implementation of the programmes and projects of SADC....”

In addition SADC states were to

“develop policies aimed at the progressive elimination of obstacles to the free movement of capital and labour, goods and services and the peoples of the region generally, among Member states” (SADC, 1992: 5).

It is apparent that one of the ways to best achieve this is by adopting the new regionalism approach.

Lee (2003: 48) argues that SADC was externally created and is controlled by Western governments. It is argued that external support constitutes 86% of SADC funding, thus the international institutions are able to dictate how the funds are to be used and what integration strategy is to be pursued. Consequently, SADC integration strategy has been largely based on the old regionalist approach which is Euro-centric in its outlook. The market integration theory falls under the old regionalism paradigm.

The market integration approach is inappropriate for integration within SADC as member states lack the pre-requisites in order to pursue the market integration strategy. Tsie (2001: 134) argues that one of the challenges facing SADC is the lack of structural transformation in Southern Africa. In general SADC economies are regarded as weak (Tsie, 2001: 134). South Africa is structurally dominant in the areas of transport, mining and trade. In addition South Africa is the most industrialized country in the region. According to Lee (2003: 62) it generated 71% of SADC's gross national product (GNP). SADC countries tend to be exporters of primary products. Clearly, most of the benefits are diverted to South Africa. Tsie (2001: 137) argues that market forces alone cannot bring about structural transformation of Southern Africa. It is contended that market forces are more likely to reinforce the “inherited lopsided development in which existing disparities between regional economies are reinforced

than mitigated and in which a majority of people are impoverished”. Tsie (2001: 138) further argues that SADC has either voluntarily or has been forced to adopt the neo-liberal principles. These policies have had negative consequences, particularly on the poor masses within the region.

Trade is one of the major areas in SADC regional integration strategy. It is viewed as an instrument of achieving growth, reducing poverty and hence achieving sustainable economic development (SADC RISDP, 2003: 23). The SADC trade protocol was signed in 1996 with the aim of further integrating SADC economies. It was designed to govern matters relating to trade amongst SADC member states. The SADC protocol only came into effect in September 2000 and it called for a reduction of internal trade barriers by 85% (ZERO, 2004). The SADC trade protocol aims at:

“Further liberalizing intra-regional trade in goods and services; ensuring efficient production; contributing towards the improvement of the climate for domestic, cross border and foreign investment; enhancing economic development, diversification and industrialization of the region” (SADC RISDP, 2003: 24).

The trade protocol is still in its implementation stages and it is closely linked to the market integration theory as it aims to establish a free trade area by 2008 (SADC RISDP, 2003: 24). The SADC RISDP recognizes the importance of SMMEs in development; however the SADC trade protocol does not make any provision for informal trade which is significant in the region.

Under the SADC free trade agreement member states will be given a period of 12 years to reduce all tariffs to zero. In addition, all non-tariff barriers like import licensing requirements and quantitative restrictions are to be removed. Furthermore,

freedom of transit is to be guaranteed. Finally each member state shall simplify and harmonize their trade documents and customs laws and procedures and adopt common laws (ZERO, 2004). It is argued that these policies would benefit cross border trades. In reality even though SADC is moving towards a free trade area, one of the major challenges is that policies are not harmonized in the region. National policies tend to take precedence over regional policies (Musonda, 2004).

Most people in the SADC region depend on trade and participate in cross border trade as either suppliers or consumers. Cross border trade constitutes approximately 86% of the GDP in the SADC region. Studies have shown that more than 30% of the GNP is earned in the informal sector (CORN, 2004). It is evident that SADC countries need to start paying attention to informal cross border trade.

4.2 Constraints to Informal Cross Border trade in the SADC region

Informal Cross border traders are faced with several challenges which can be grouped into three areas. These include a policy level, operational and institutional considerations. These three factors interact together, thus producing a problematic business environment for traders, hence hindering their efforts towards self-sustaining wealth creation and poverty alleviation.

The policy environment in the SADC region is unsupportive and restrictive. It does not recognise the important role played by the informal economy in national economic welfare and hence poverty alleviation. Since traders are not recognised officially, they are regarded a nuisance. Policies are designed to thwart rather than promote informal trade. This has often led to arrests and seizure of goods

(Muzvidziwa, 2005: 4-6). National by-laws tend to prohibit informal traders from operating in certain areas. Finally, informal traders are not included in policy formulation (Mwaniki, 2004).

Operationally, the immigration processes tend to be long and cumbersome, and are often accompanied by complex documentation processes. High duty and excise taxes are charged (Mpande, 2004). Some women traders are in turn exposed to the HIV/AIDS virus at border posts as they offer sexual favours to border officials to avoid paying excessive duties. Bilateral trade agreements favour trade conducted by big businesses to the neglect of small traders. Another challenge is the lack of trading places in which to conduct business, the lack of cheap and convenient storage spaces, as well the unavailability of cheap accommodation. Transport costs tend to be high and some women take a risk by hitch-hiking to different border posts. Some women are forced to sleep out in the open, which exposes them to gender violence, sexual harassment or physical arrests by local authorities (Mwaniki, 2004; Chari, 2004). The lack of capital and access to credit is another major challenge. The lack of collateral makes it difficult for them to access credit from formal financial institutions.

Institutionally, traders lack representation at a national and regional level. Some traders associations are in existence in the SADC region, namely Botswana, Zambia and Zimbabwe. A regional cross border traders association is non-existent. In general, there has been a lack of formal gender and HIV/AIDS programs, which target the border sector and poor gender and HIV sensitivity. However, the International Organization for Migration (IOM) has made great strides in raising HIV awareness amongst policy makers about mobile populations in the SADC region. Informal trade

is the key target area. Many activities have been implemented under the Partnership on HIV/AIDS and Mobile Populations in Southern Africa (IOM, 2005). Finally, some traders find it difficult to understand immigration procedures due to illiteracy and ignorance.

Below is a discussion with a trade official in SADC. It may not be entirely representative, due to the difficulties in interviewing other officials in the SADC headquarters due to their busy schedules. Nevertheless, it gives some hint on the official thinking around matters relating to informal trade.

In response to a question on whether SADC was making any steps towards developing policies that recognize informal traders as part of SADC's broader regional integration strategy; the official stated that a trade policy cannot be split into formal and informal trade. Instead, the SADC protocol covers all trade, particularly trade liberalization through the removal of tariff and non-tariff barriers, the harmonization and simplification of customs laws, practices and policies. In addition, informal traders were required to operate within the limits of the policy framework. The official further argued that indeed informal traders were not catered for in the trade protocol simply because they were informal, although it has been realized that informal trade provides employment and contributes towards poverty alleviation. Customs administrations in turn, have been mandated to design simple declaration forms to facilitate the clearance of goods at border posts. In addition, informal traders are encouraged to buy goods from manufacturers whose products have origin criteria for preference duty.

The second question related to SADC policies in addressing the interests of the poor and challenges with regards to tariff and non-tariff barriers. It was contended that the SADC integration agenda will culminate in the establishment of a Common Market by 2015, through a free trade area in 2008 and Customs Union by 2010. Furthermore, the policy framework was designed to address poverty. It was advised that SADC came up with a protocol on the free movement of people and it would be implemented once all the signatures had been obtained. SADC is being marketed by a subsidiary arm as a tourist destination, through the development of trans-frontier parks, designed to create employment. As mentioned above, SADC is moving towards the establishment of a free trade area. A framework has been developed, in which it was agreed to remove custom duties on substantial products by 2008. Countries also agreed to remove non-tariff barriers and adopt a peer review mechanism, which will be used as a framework to address any problems should they arise. It was argued that an important question was to ask: "At what point an informal trader stops being informal?" It is the contention that some of the consignments carried by informal traders are comparable to larger corporations or even bigger in terms of size and value. It was further argued that each declaration form has a given thresh-hold and any importation deemed as formal is treated as such.³

The above discussion has shown that informal traders remain unrecognized and unrepresented at a regional level. They are neither recognized nor included in the SADC trade protocol. The simplification of declaration forms is a step towards addressing one of the challenges encountered by informal traders. Informal traders are faced and continue to be faced with immense challenges, hampering their efforts to

³ Discussion based on responses by SADC trade facilitator: Happias Kuzvinzwa (August 2006)

create wealth and cope with poverty. The protocol on the free movement of people would benefit traders; however it has not been implemented. Part of the problem stems from the economic disparities within the region. For example, South Africa is currently faced with serious immigration problems, as many economic refugees and traders search for employment and business opportunities in response to the economic or political problems in their home countries. National interests tend to take precedence over regional interests. Even though SADC is moving towards a free trade area, SADC policies are not harmonized.

The key question in any regionalism scheme is whose interests are ultimately being served? The key concern of any government should be to improve the livelihoods of its people. SADC objectives in theory are people-centered and include a gendered approach to development. However in practice, the policies continue to be state-centered, with a focus on formal enterprises to the neglect of the vast majority of SADC people who trade informally.

It is clear that successful integration cannot take place at the heads of states level only or through a top-down approach to development. Successful integration requires the inclusion of SADC people as well. Policies need to be people-centred and gender sensitive. Women tend to be more vulnerable, especially when they trade across borders. They are faced with many challenges and are more susceptible to harassment and sexual abuse. Women cannot be empowered unless they are protected.

The bottom-up approach is more appropriate for development within the SADC region. While formal trade is important, informal trade is just as important. New

regionalism, as noted, is concerned with the poor and marginalized groups. Neo-liberal policies have impacted negatively on the poor at a national and regional level. Informal trade is sustaining the vast majority of SADC people; however it is not included in SADC's trade protocol. Poverty cannot be addressed appropriately, unless the right policies are in place under which people can thrive. Policies need to be designed to protect the interests of the people and provide opportunities for them to create wealth for themselves. In addition there is a need to create conducive environments that would encourage traders to follow formal procedures.

National policies have implications at a regional and continental level. Political leaders need to be committed to the principles and objectives they set out to achieve. What is on paper needs to be translated into practice. Information sharing is important and so is education. People need to be educated about the merits of integration and what SADC as a regional body is trying to achieve. Individual governments need to ensure that people buy into the notion of African solidarity and development for all. For example one question raised by a South African official was whether immigrants in South Africa employ local nationals in the informal businesses they set up. Integration and co-operation is taking at the grass roots level through the formation of social networks and language exchanges. People are co-operating with each other in order to improve their livelihoods. Further co-operation is possible through SADC government addressing issues such as xenophobia, the general dislike of foreign African nationals, from different countries. This is critical for the success of regional integration schemes both at a regional and continental level under the African Union.

CHAPTER 5

THE COMMON MARKET OF EAST AND SOUTHERN AFRICA (COMESA) AND INFORMAL CROSS BORDER TRADE: LESSONS TO BE LEARNT

COMESA is a regional organization which includes membership from Southern and Eastern Africa. The COMESA headquarters is in Lusaka, Zambia. COMESA recognises that informal cross border trade plays a key role in development, regional integration and sustaining the livelihoods of people in the region. The Zambian government also recognises the importance of informal trade, the role it plays in poverty alleviation and wealth creation both at a national and regional level. As a result, it has created supportive policies and a favourable business environment in which informal traders can operate freely. In addition, the Zambian government played an instrumental role in establishing the Cross Border Traders Association formed in 1997 which draws membership from both SADC and COMESA regional organizations. The Zambian government has facilitated informal trade by creating trading spaces and providing security forces. The COMESA secretariat has supported the Cross Border traders Association financially. The COMESA regional organization and the Zambian government provide important lessons on creating a congenial environment for informal traders, which can be adopted in the SADC region.

COMESA was established in 1994, as a successor of the Preferential Trade Area for East and Southern Africa (PTA), which had been in existence since 1981. The PTA treaty was adopted in 1982, which made provision for the gradual removal of customs duties and non-tariff barriers, with the aim of eventually establishing a common external tariff for all imported goods into the region (Mpande, 2004). COMESA

member states are: Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. COMESA pursues regional integration through trade development. One of COMESA's key concerns is the development of human resources. Furthermore, COMESA aims to achieve sustainable development through the removal of structural and institutional weaknesses amongst member states (Mpande, 2004).

The Cross Border Traders Association was formed in 1997 and registered as a regional association in 1998. The aim of the association was to facilitate a better environment for informal/small scale traders (Musonda, 2004). The Zambian government encouraged informal economic activities without any hindrances. The members of the Cross Border Traders Association obtain a licence to trade from the Zambian market. This provides them with access to the COMESA flea market. The government in turn obtains valuable revenue. The Zambian government established a police post at the COMESA flea market and provided more trading spaces for the Association at Kasmbalesa Border Post between Zambia and the DRC as well as at the Chipata border post with Malawi (Musonda, 2004). The COMESA Secretariat has supported the Cross Borders Traders Association, financially, logistically and institutionally. The COMESA Secretariat facilitated the provision of a USAID grant at the sum of US \$94 000 to the Association which was used for business skills development and educational workshops (Musonda, 2004). In addition the Secretariat provided computers and helped the Cross Borders Association set up its financial accounting systems (Musonda, 2004).

In an interview with Dr Milimo at the gender institute in the COMESA secretariat, it became clear that the COMESA secretariat was addressing the needs of informal cross border traders and facilitating a better environment in which they could trade. COMESA had revised its customs declarations to ensure that they are friendly to the cross border trader. However, despite the positive changes, there were still gender specific concerns that needed to be addressed. It was the contention that women participate in cross border trade in large numbers, and that policies needed to be mindful of the problems encountered by female traders. Thus, the COMESA Secretariat and individual member states had to make sure that women were taken into account during policy formulation. In Dr Milimo's own words "there is a need for a safe and secure environment in which women can trade without any hindrances". COMESA's gender policy has played an important role in mainstreaming gender into COMESA's regional activities in order to ensure the equal participation of men and women in regional development, thus leading to mutual benefit. In addition, the gender unit within COMESA recognises the need for training in order to add value to goods thus creating more wealth. The COMESA gender policy was particularly important because it plays a key role in addressing the disparities that exist between women and men; bridging the gaps so that both man and women can participate effectively within regional development.

5.1 The COMESA Gender Policy

The comprehensive COMESA Gender Policy was adopted at the 7th Heads of State Summit in May 2002. The COMESA Gender Policy is in line with the COMESA treaty out-lined in articles 154 and 155 which recognises that men, women and youth need to participate effectively in the regional integration process in order to realise

sustainable economic and social development (COMESA, 2002). Furthermore COMESA recognises that women play a key role in economic transformation within the region, in trade, industry and agriculture. The Federation of National Associations of Women in business (FEMCOM) was established as a forum in which women entrepreneurs could exchange ideas and share experiences about doing business within the region. Women also shared ideas about how to set up new micro enterprises and expand existing businesses (COMESA, 2002). In addition, the Women in Business (WIB Unit) was set up in 1991 in order to facilitate the mainstreaming of gender into COMESA activities.

In order to further assess COMESA's policies towards informal cross border traders required the input of the trade facilitator of the Cross-Border Traders Association at the COMESA market.

It was argued that despite the favourable environment within which to trade, informal cross border traders encountered several problems when crossing individual border posts both in SADC and COMESA. The non-tariff barriers included delays at border posts. Some traders carried perishable food items that would go bad due to the delays. It is contended that women were particularly vulnerable to disease as some officials at the border posts demanded sex in exchange for easier access into the different countries or a reduction in taxes. Another challenge was the lack of communication between customs officials, immigration officers and traders from different nations. Further, some countries charged high duties and taxes. People in turn adopted different strategies to evade taxes often resulting in death.

The Cross Border Traders Association plays an integral part in facilitating better policies for cross borders traders. It conducts other programmes to educate and enhance the skills of traders. The Cross Border Trades Association conducts seminars and workshops to sensitise its members about how to conduct business within the COMESA market and how to clear goods at the Zambian border posts. It also facilitates business and literacy training, thus empowering its members in order to maintain sustainable and viable businesses. In addition, it conducts HIV/AIDS awareness campaigns to sensitise members about the disease and preventative measures. There are counsellors available to assist in this regard.

The Cross Border Traders Association conducts monthly meetings. Emphasis is put on female traders who are most vulnerable. Female traders are given the opportunity to report sexual harassment and the Association liaises with the relevant authorities to address the problems.

The Cross Border Traders Association has been lobbying for SADC and COMESA states to endorse a cross borders trader's permit which would allow traders to conduct business freely without any impediments. One of the long term plans was to lobby for a cross border passport, whereby traders would be cleared separately from other travellers. Finally, The Cross Border Traders Association wants to have employed officers present at all the border posts within the COMESA regional organization.

There are several benefits in being part of a cross border traders association. Members are given a voice with which to lobby for better policies as well as address the challenges they are faced with. In addition, traders enjoy facilities of the COMESA

market. It is argued that the aim of the association was to establish trading spaces in all of the COMESA member states and facilitate the establishment of national associations so that the traders can be represented at both a national and regional level. The Cross Border Traders Association in COMESA facilitates the obtainment of legal papers for foreign nationals to conduct business freely in Zambia in the COMESA traders market as well as other trading spaces. Finally, a traders association could facilitate the acquisition of loans from financial institutions.

As mentioned above members of the COMESA cross border traders association obtain a licence to trade in the COMESA market. However, there were structural problems at the market such as over-crowding. The Zambian government was in the process of providing additional trading spaces and additional toilets need to be built due to the increase in the number of traders.

The Cross Border Traders Association has embarked on several initiatives such as the printing of brochures in different languages. It also aims to start a trade newspaper that will publish news on trade in the region.

It was argued that the way forward was for African countries to abolish rules that were adopted from colonial masters such as passports and border boundaries; allow people to trade freely and create wealth for themselves. In addition, policy formulation needed to take the different power relations between men and women into account.⁴

⁴ The discussion above is based on the views of Titus Stephen Sankisha : Public Relations and Trade Facilitator: Cross Border Traders Association(July 2006) ,

The Zambian government and the COMESA secretariat provide a practical example of policies that can be emulated in the SADC region. The COMESA Cross Border Traders Association shows the benefits of informal trade being institutionalized.

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CHAPTER 6

CONCLUSIONS: LESSONS TO BE LEARNT

There are important lessons to be learnt from COMESA and The Cross Border Traders Association. COMESA has not only recognised the importance of informal traders, it has developed supportive policies that facilitate informal cross border trade and the participation of informal traders in regional integration and development. A favourable environment gives informal traders the opportunity to create wealth for themselves, cope with poverty and other developmental challenges. COMESA's approach to regional integration and development is one that is practical and people-centred. COMESA also recognises that policies need to be gender sensitive. COMESA unlike SADC has included informal traders in their broader regional strategy. Unfortunately, the main challenge lies at a national level where informal traders lack recognition or representation and are therefore marginalized and often considered criminals. The Zambian government should be commended for the role it has played in facilitating a better environment for informal cross border traders.

The discussion above has shown that informal trade needs to be institutionalized in order for traders to have a voice. The success of a traders association is dependent upon the support of the different national governments within the region. In the case of Zimbabwe the policies with regards to informal trade have had both economic and political motivations. However, the policies to the latter part of the 1990s have been largely unsupportive and restrictive.

Zimbabwe is both a member of SADC and COMESA and Zimbabwean women traders through their membership to the COMESA Cross Borders Traders Association are able to trade freely within the COMESA market, but are confronted with a hostile policy environment at home. The research has further shown that informal traders are not recognised at a regional level in SADC. Zimbabwean women traders have adopted various survival strategies in response to the unfavourable policies. These strategies however ultimately increase women's vulnerability, often leading to death, disease, the loss of dignity, the loss of goods and even arrests.

When one speaks of regional integration, we are not only speaking on integration of economies, but also integration of people, cultures and ideologies. Whose interests are being served by an integration scheme? How can policies be pro-poor unless they address the very sector that is sustaining the poor and marginalized groups? SADC member states need to take an active role in uplifting the livelihoods of its people by formulating policies that are ultimately designed to assist them. Poverty is extensive in Zimbabwe and the SADC region. Structural adjustment programmes in part, deepened inequality and led to an increase in poverty amongst marginalized groups. Policies need to be context specific and take the realities of African nations into account such as weak infrastructures and institutions. Under-developed economies have failed to provide adequate employment opportunities. There are also cultural issues whereby women have been excluded from educational opportunities and hence rely on informal trade for their survival. This results in women having unequal access to resources which makes them more vulnerable to disease and abuse. Policies therefore need to take the power relations between men and women into account. Non-tariff barriers need to be removed and policies need to be designed to protect

women. This would include putting mechanisms in place in which people can be prosecuted for harassment.

The process of globalization has shaped the power relations between states such that Zimbabwe and SADC have been forced to adopt neo-liberal policies. Policies have been Euro-centric, state led and focused on formal enterprises to the neglect of the SADC people who trade informally. The new regionalism approach has shown that state actors are important, but non-state actors are equally important in the regional integration process. Regional integration is designed to mitigate the negative effects of globalization and it also has a developmental focus. History has shown that top-down policies are not appropriate to address the structural weaknesses in the SADC region. Regional integration strategies need to include a bottom up approach. People are integrating at the grassroots level. Different social networks have been formed. Language and cultural exchanges are taking place and people are creating wealth for themselves through informal trade.

The research showed that in the midst of crisis, Zimbabwean women traders have found refuge in the informal economy. Informal cross border trade is about survival, a means of coping with poverty and unemployment; it is about self-sustaining development and it ultimately facilitates regional integration and development. Policies within SADC need to be harmonized. There needs to be a differentiation made between cross borders trades who trade on a large scale and those who trade on a smaller scale. One solution is to introduce a trader's permit or cross border trader passports, whereby duties and taxes levied are charged in relation to the size of the trade. It is clear that informal economy needs to be institutionalized; it is a step

towards incorporating the informal sector into the mainstream economy. SADC people need to be included in policy formulation.

The research is relevant for policy makers, practitioners and African heads of state. The ACCRA declaration in appendix 1 reiterates the need for the strengthening of regional organizations, creating avenues for African people to participate within the regional integration process and the need to harmonize policies across the continent. This would require African leaders to take cognisance of the importance of the informal economy and informal cross border trade, facilitating a better environment in which informal traders can trade. All African states need to commit to fulfilling their objectives stipulated on paper, before contemplating the formation of a continental government.

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APPENDICES

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Appendix 1

AFRICAN UNION

الاتحاد الأفريقي



UNION AFRICAINE

UNIÃO AFRICANA

Addis Ababa, ETHIOPIA P. O. Box 3243 Telephone : +251-115- 517 700 Fax : +251-115- 517844

website : www.africa-union.org

ACCRA DECLARATION

We, the Heads of State and Government of the African Union, meeting at our 9th Ordinary Session in Accra, Ghana, from 1 to 3 July 2007,

RECALLING our decision Assembly/AU/Dec. 156 (VIII) adopted in Addis Ababa, Ethiopia in January 2007 on the need for a "Grand Debate on the Union Government" with a view to providing a clear vision of the future of the African Union and of African unity;

CONVINCED that the ultimate objective of the African Union is the United States of Africa with a Union Government as envisaged by the founding fathers of the Organization of African Unity and, in particular, the visionary leader, Dr. Kwame Nkrumah of Ghana;

ALSO CONVINCED of the need for common responses to the major challenges of globalization facing Africa and boosting regional integration processes through an effective continental mechanism;

RECOGNIZING that opening up narrow domestic markets to greater trade and investment through freer movement of persons, goods, services and capital would accelerate growth thus, reducing excessive weaknesses of many of our Member States;

FURTHER RECOGNIZING that the Union Government should be built on common values that need to be identified and agreed upon as benchmarks;

ACKNOWLEDGING the importance of involving the African peoples in order to ensure that the African Union is a Union of peoples and not just a "Union of states and governments", as well as the African Diaspora in the processes of economic and political integration of our continent;

HEREBY DECLARE AS FOLLOWS:

1. We agree to accelerate the economic and political integration of the African continent, including the formation of a Union Government for Africa with the ultimate objective of creating the United States of Africa.
2. We agree on the following steps to attaining the Union Government:
 - a) to rationalize and strengthen the Regional Economic Communities, and harmonize their activities, in conformity with our earlier decision, so as to lead to the creation of an African Common Market, through the stages set in the Treaty Establishing the African Economic Community (Abuja Treaty), with a reviewed and shorter timeframe to be agreed upon in order to accelerate the economic and, where possible, political integration;
 - b) to conduct immediately, an Audit of the Executive Council in terms of Article 10 of the Constitutive Act, the Commission as well as the other organs of the African Union in accordance with the Terms of Reference adopted by the 10th Extraordinary Session of our Executive Council held in Zimbali, South Africa on 10 May 2007;
 - c) to establish a ministerial Committee to examine the following:
 - i) identification of the contents of the Union Government concept and its relations with national governments;
 - ii) identification of domains of competence and the impact of the establishment of the Union Government on the sovereignty of member states;
 - iii) definition of the relationship between the Union Government and the Regional Economic Communities (RECs),
 - iv) elaboration of the road map together with timeframes for establishing the Union Government; and
 - v) identification of additional sources of financing the activities of the Union.
3. The outcome of the audit and the work of the Ministerial Committee will be submitted to the Executive Council, to make appropriate recommendations to the next ordinary session of our Assembly.
4. We agree on the importance of involving the African peoples, including Africans in the Diaspora in the processes leading to the formation of the Union Government.

Done in Accra, this 3rd day of July 200