

Informal Cross Border Trade

A focus on Malawi, Mozambique, Swaziland and Zambia



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The Economic Justice Network

The Economic Justice Network of FOCCISA (Fellowship of Christian Councils in Southern Africa) is an ecumenical organisation working with 11 national councils of churches in the Southern Africa region, including Malawi, South Africa, Angola and Mozambique.

The Mission of the Network is to strengthen the commitment of the church in its advocacy work on economic justice and in acting as a catalyst for engaging people in the promotion of just economic and social structures. The Network will establish mechanisms to bring the experience and concerns of the marginalized and the poor people to the agenda of the church and society.

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Contents

EJN's ICBT project	6
Objectives of the research	7
Introduction to the impact of ICBT	8
Challenges	10
Policy and Legal Framework	10
Institutional Capacity Constraints of the ICBT Sector	12
Gender- related Dynamics	12
The regional policy instruments relevant to ICBT	14
Malawi	19
Mozambique	25
Swaziland	29
Zambia	34
Issues for Civil Society advocacy	38
General Pro-Informal Trade Policy Advocacy	38
Policies to Empower Women	39
Way forward	40
References	41

EJN's ICBT project

In light of the growing number of people depending on informal cross border trade as a means to make a living for themselves, EJN started the ICBT (Informal Cross Boarder Trade) project with the following objective:

“To help build capacity of cross border and informal trade associations in the SADC region. To lobby and advocate for change and improvement of policies that impinge of people who depend on informal trade for their livelihoods”

The project started with extensive research on the topic of ICBT in the region and specific focus was on Malawi, Mozambique, Swaziland and Zambia. All these countries have a high dependence on ICBT. The research focused on researching current policies and or attitudes towards ICBT and possible advocacy issues. The outcomes of this research are presented in this report.

6

After conducting the research and reviewing the outcomes, EJN in cooperation with the Southern Africa Trust organized a regional workshop on ICBT for all SADC ICBT associations in Lilongwe, Malawi. This resulted in an initiative to put together a regional ICBT association for advocacy towards SADC and to strengthen individual associations.

EJN will be assisting this regional ICBT platform in their advocacy efforts.

Objectives of the research

EJN, along with other civil society organizations that campaign for poverty reduction efforts, is caught up between two issues. Firstly, we need to provide an alternative to unfair trade arrangements and secondly combat neo-liberal policies of international finance institutions, which promote a minimalist role of government intervention. Hence, the objective of this research is to come up with a set of tools and support programme activities. We hope that these will enable cross boarder traders to benefit from trade. One suggestion of how this may be achieved is by having better regional and national policies. This would be crucial for the informal trade sector, as this is becoming a primary source of income for the unemployed.

Informal Cross Border Trade; Definition

Informal cross-border trade can be defined as consisting of those goods exchanged across borders either by-passing the official customs checks and recording points, or passing through these customs points while deliberately under-valued, mis-specified or unrecorded. It can also be defined as referring to registered or unregistered business activities undertaken across the borders based mainly on popular economy. One of the main characteristics of this trade is that it is not mandatory to submit tax returns at the end of the financial year hence not entered in national accounts.

Introduction to the impact of ICBT

8

The Southern African region has seen a significant growth in the informal trade sector due to successive years of; downward economic performance, increasing unemployment rates and retrenchments. Informal trade is a highly dynamic and fluid sector in the region. It is a sector in which many people in the region are being drawn due to the changing socio-economic environment. Opportunities for formal employment are shrinking and as a result, to sustain themselves, people have begun looking for alternatives. The majority of traders in this sector are women and issues of Gender Inequality aggravate the situation. It therefore contributes to the poverty problem as the greater part of poor households is headed by women (who can not fully exercise their rights).

However, the nature of informal trade has meant that it has not received the necessary attention from governments in the region. They have failed to create an environment that will enable the sector to function at full capacity. This research is therefore aimed at further investigating regional and national government policies with respect to informal trade. It will examine what policies exist and to what extent they are being implemented to strengthen this sector.

Challenges

The challenges that face the informal trade sector may be classified within three main categories, namely, policy and legal framework, institutional capacity constrains; and gender-related dynamics.

Policy and Legal Framework

Within this category, the key issues that impact negatively on informal trade are the following:

- Political will – governmental articulation and policy instruments have been put in place but gaps emerge with respect to implementation.
- The fragmented and disparate manner in which policy formulation occurs and the seemingly absence of coordination between the various Ministries of government. This is with respect to policy formulation and how implementation inhibits effectiveness.
- The absence of time bound and resource implementation or action plans that relate to the attainment of the strategies. Action seems to take place in an ad hoc manner without necessarily following any particular plan.
- It is also not clear to what extent monitoring occurs at the macro-development level. At the national level, there is a lack of specific government sector policy that gives a clear picture of how set goals will be achieved.

- Information management systems. In particular data collection and the limited availability of gender and sex desegregated data. The Implications are that there is an inaccurate picture represented through the data – the data does not reflect the gender dynamics in a particular sector. Hence, the design of programmes may mean that certain important factors are not taken into cognizance. As a result, they fall into the cracks and are not considered. Therefore, programmes do not adequately respond to the reality on the ground.
- The general negative perception of informal trade, despite the recognition of this type of trade. The policy articulation seems to tend towards creating an enabling and empowering environment. However, in practice it seems to be perceived more as a threat needing control, rather than genuine economic activity that requires strengthening.
- Absence of an “informal trade-friendly” environment. Issues such as registration requirements, access to finance and credit as well as the necessity for compliance with business-related taxes are also impediments.
- Limited knowledge of procedures. These include customs and related charges and taxes. This is particularly relevant for importing the goods on which informal traders rely. Where knowledge does exist, the procedures are cumbersome.
- The vulnerability of traders to corruption by customs officials. They may take advantage of their lack of knowledge of certain customs procedures, and harass them with the aim of extorting money from them.

Institutional Capacity Constraints of the ICBT Sector

While the informal sector is not formally regulated, there are several informal traders associations that exist. We find that some of the people engaged in this type of trade are members. As discussed before, the profile of those involved in this sector tends to be those with lower educational qualifications, lower income status and hence lower exposure to issues of institutional governance and leadership. Therefore, there is a need to strengthen the informal trade associations that exist so that they can effectively and collectively address issues that affect their members. In this regard, areas of capacity-building would necessarily include training on leadership and governance, business management skills, legal procedures and other relevant competencies pertaining to informal trade.

Gender- related Dynamics

As discussed before, women are the majority of informal traders. As with other sectors, gender inequalities also manifest themselves in informal trade and affect the way in which women make their living. Some of the gender-related concerns are the following:

- **Minority status of women;** in terms of the legal framework. This in turn affects their ability to access and control resources. And causes a barrier on their ability to effectively start up business, access finance and credit and enter into binding contractual agreements.
- **Security:** Informal trade contains a large degree of travel both within the country as well as across the borders. When women travel to try and get these goods they are vulnerable in terms of their susceptibility to sexual harassment and abuse. Not only at borders but along the continuum of the activities they conduct while engaging in this

trade. Vulnerability exists during travel both to and from their home bases, at the point of acquiring goods, as well as at the point of sale. Research has shown that, often traders spend nights at the various markets such as Durban. Here they are not availed or cannot afford adequate accommodation. In addition, 'Women street vendors are continuously harassed by the police and civic authorities who regard their businesses as illegal.'

The regional policy instruments relevant to ICBT

At the regional level, there are a number of policy instruments and protocols that are relevant for the informal trade sector. In 1996, the SADC adopted a Protocol on Trade which addresses issues of relevance for informal traders. This included transport issues and transporting and storage requirements pertaining to certain goods; exemptions from customs; customs legislation; import and export restrictions; and competition. The protocol further commits SADC Member States to; raise awareness amongst their citizenry regarding the importance of trade to economic development; facilitate the strengthening of internal capacities to undertake trade effectively, strengthen national and regional infrastructure; involve the private sector in policy development, encourage SME participation; raise awareness of trade and to harmonise laws and practice, as well as simplify and harmonise customs procedures. While the provisions of the Protocol are relevant and important for informal traders, they do not seem to adequately take recognition of the sector. As a result, they do not respond to its needs effectively. It is unclear how informal traders or their associations can access the Protocol, in terms of being within the ambit of its provisions or whether they are considered as relevant actors in regional trade.

Another important regional instrument is the Southern African Development Community Regional Indicative Strategic Development Plan (RISDP). Despite the seeming non-presence of informal trade issues in the other SADC Protocols, according to RISDP, 'In developing policies for industrial and mining development, the question of the informal sector both in terms of trade liberalization and actual production should be taken on board. Although there are no statistics, it is known that informal cross border trade is substantial and is

thriving throughout the region. A large proportion of the population derives its livelihood from informal employment. ‘

One of the priority intervention areas in the Plan is “Trade Liberalization and Development.” The overall goal is to ‘facilitate trade and financial liberalization, competitive and diversified industrial development and increased investment for deeper regional integration and poverty eradication throughout the establishment of a SADC Common Market.’ The articulation of the areas of action in this regard are as follows:

Objectives	Enhance employment creation capacity of industry and the rest of the regional economies.	
Strategies	Development of small and medium enterprises (SMEs); regularize the operations of the informal sector and promote entrepreneurship and self-employment.	
Measures	Identify and amend all laws and regulations as appropriate to facilitate participation of SMEs in industrial production; develop a regional strategy on entrepreneurship promotion;	Train potential entrepreneurs in business management skills
Timeframes	2004-2008	2004-2005
Indicators	Amended laws and regulations to facilitate SMEs development	Increase in number of trained new entrepreneurs
Responsibility	Member States and Secretariat	

With respect to gender, and women’s economic empowerment, the Strategic Implementation Framework states:

Issues	The need for women to be equally represented in economic policy formulation, women’s lack of rights to own property and to inherit Lack of access to credit, capital, land especially in the rural areas; and The lack of support to women entrepreneurs.				
Actions	Engendering the SADC Trade protocol Lobbying and negotiating for gender quotas in all trade missions Customs modalities fro women cross-border traders Gender awareness training for customs officials				
Targets	Have gender balance in all economic policy decision-making structures	Establish strategies and action plans for gender mainstreaming in economic policy	End all discrimination against women in regard to property and inheritance	Increase equal opportunities for women	End occupational segregation and all forms of employment discrimination
Timeframe	2015	2008	2010	2015	2010

In terms of Gender Policy, the 1997 SADC Gender and Development Declaration, the aim was to improve the situation of women in the region. In 2005 it began to be reviewed with the intention of elevating it into a Protocol. This would enable SADC Member States to make a greater commitment to achieve its objectives. The Draft Protocol includes the need for gender mainstreaming in economic issues and the building of women’s capacity to be more effective in this area.

Story of an Informal Cross Border Trader

When Uganda faced turmoil under the Iddi Amin regime, Esther left Kenya for Zambia, in 2005, where part of her family has been living since the 1970s. She was a nursery-school teacher, but lacking necessary papers, she was forced to accept a lower wage than her colleagues.

She soon heard from other people that one could make a living from selling curios. Esther was inspired and she saved all the money she had. She got on a bus heading for Botswana, with very high hopes.

On her way to Botswana she encountered a number of officials. The first encounter was with the Tanzania Revenue Authority, it cost her a \$100,- bribe. She tried to explain her situation and that she did not have money. The reason being she was hoping to sell her Maasai sandals, earrings and key rings in Botswana and not in Tanzania. However, without any documentation to back her story, bribing was the only way through.

Fortunately for her, her Ugandan passport saved her further immigration checks. Her fellow traders did not have this luxury and repeatedly paid bribes at every check. However, with Customs Revenue Officials who constantly inspected the bus she was less fortunate. The bus conductors advised her to use them as point men, to handle the bribing for her curios - another \$50.

With most money lost due to payment of bribes, Esther and her colleges slept at the bus station. They had to group together whilst sleeping in order to avoid sexual harassment.

On day 3, she arrived at the Tanzanian/Zambian border, just before it closed at 17.00hr. In a process, now somewhat familiar, she had to pay a bribe. However, this time the bus conductors acted as her agents.

Her biggest challenge would be on the Zambian side. Just as before, she had to prove that the goods were in fact destined for Botswana. Unveiled by her first time appearance, immigration officers had no problems singling her out. “Why didn’t she sign her passport, it needed to be signed in front of a Uganda High Commission officer in Dar es Salaam?” Without this signature, the document would not be valid. Once more, a bribe did the trick. \$50 ensured her passage into Zambia.

Esther soon discovered that \$500 was stolen from her bag. With no money left, she had no choice but to sell her mobile phone for a lousy \$30. This would provide enough money for the bus fare and get to Lusaka where she could get help.

Being financially stranded, she decided to sell her goods in Lusaka instead of Botswana. She sold her curios at different markets at give-away prices to get enough money to get a bus back to Nairobi.

Despite the challenges she faced, the immigration officials kept harassing her. She considered getting a fake marriage to obtain a valid resident permit for Zambia. Nonetheless, she has found a way to make a living out of informal cross border trade.

Malawi

The Government of Malawi has set forth an Integrated Trade and Industry Policy that will support and encourage the development of the private sector in the country. The policy embraces the interests and needs of enterprises at all levels. These include small, medium and large scale enterprises so that they can become more competitive in their operations.

The policy goal of the government is to create a conducive environment in which the performance of the private sector will be efficient and market oriented. This will improve its competitiveness domestically and internationally with the aim of ensuring the sector's maximum contribution to the achievement of overall social-economic objectives. It is an integrated policy which will ensure that trade and industry policies complement each other. This study will concentrate more on trade policy.

Policies Relating to the Trade Sector

Foreign Trade

Malawi is a member of both the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC). The objectives of COMESA and SADC include among others to; increase and promote intra-regional trade through the gradual reduction and eventual elimination of tariff and non-tariff barriers. They also aim at promoting cross border and foreign investment and to enhance the economic development, diversification and industrialisation of the region.

In order to fully benefit from these objectives, Malawi's government

has emphasized product diversification and export market development as a means of enhancing its export earnings. It acknowledges that countries which have become successful exporters of goods and services have not only built up the capacity to produce exportable goods and services, but have also put in place a supportive promotional and institutional framework. So, in addition to actions being taken on the supply side, the government has also taken necessary steps to make its export promotion policies and programmes more effective and dynamic. This has been done by targeting enterprises and giving them preferential treatment to their requirements. These include credit, purchase of raw materials and other inputs as well as final export products.

However, the package of incentives currently offered for production and export of Malawi products, does not compare favourably with those offered by other countries in the world. Government has undertaken the implementation of the Export Processing Zone Programme in an effort to diversify exports of manufactured products.

Domestic Trade

The Malawi Trade Policy recognizes that domestic trade is conducted in the formal and informal sub-sectors. It is handled by micro, small, medium and large enterprises dealing in imported and locally manufactured goods and agricultural produce. The distribution of consumer products is dominated by large-scale trading enterprises. Only recently has there been an increased participation in the distribution of goods and services by Malawian traders.

Domestic trade encompasses trade in goods services which include tourism, financial and recreational services. Many parts of the rural

areas are inaccessible, making the distribution of goods and services difficult. The government recognizes that the policy change towards trade liberalization has increased competition in the domestic market between locally produced and those imported. The government thus recognises the importance of the informal sector in domestic trade. It acknowledges that the growth of this sector has made a significant impact on the domestic market in terms of providing goods at affordable prices. However, it has also noted that informal trade has eroded the market for locally manufactured goods by making them uncompetitive.

In recognition of the importance of informal trade, the Malawi government is currently working on a policy of integrating vendors (informal traders) into the economy. This study has not been able to go into the details of the infant policy discussions because they are not public yet. However, ministry officials have indicated that the discussions are at an advanced stage.

Existing Policy Environment

As a member of both the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC), and as a member of the WTO (World Trade Organisation), Malawi's policy on informal trade cannot, and will not, be independent of the trade rules governing trade in the respective institutions.

Article 2 of the SADC Trade Protocol highlights that the trade protocol shall contribute towards the improvement of the climate for domestic, cross border, and foreign investment. For this to happen effectively and efficiently, policy and institutional reforms should be

undertaken to create an enabling environment. Table 1 below illustrates a few points

Table 1: Malawi Export and Import Trade; comparing formal and informal trade

Trading with	Exports		Imports			
	Formal	informal	%of formal to informal	Formal	Informal	% of formal to informal
Zambia	2.5	3.3	75.8	3.2	17.2	76.7
Mozambique	5.2	3.9	133	4.4	6.8	64.7
Tanzania	1.8	6.5	27.7	1.3	6.4	20.3
Total	9.5	13.7	69.3	18.9	30.4	62.2

Figures for formal trade obtained from the National Statistics Office, Zomba

A simple comparative analysis of formal and informal trade from Table 1 above shows that there is more informal trade going on between Malawi and her neighbours. Tanzania has the lowest level of formal trade with Malawi. This is an indicator that there is a great potential of increasing formal trade between these two countries, if transaction costs are/were lowered. If this argument is true, it would appear that transaction costs for carrying out formal trade with Zambia and Mozambique are/were lower, and that the Malawian economy is/was more integrated with the economies of these countries than with that of Tanzania. In the case of Mozambique, Malawi’s formal exports are/were about 1.33 times greater than the informal ones.

The gap between the formal and informal trade is quite large, implying that substantial transaction costs are a significant barrier to formal trade in the above economies. Reforming the tariff and non-tariff trade barriers, and reducing the excessive bureaucratic nature of formal trading within the four countries and between them is an

essential requirement for increased formal trading between Malawi and her neighbours.

From the above scenario, it is clear that the main instrument of trade liberalization is the elimination of customs tariffs and non-tariff measures on substantial intra-SADC trade. The design and modalities for the phased elimination of tariffs, the prevailing non-tariff barriers (NTBs) and the restrictive rules of origin undermine the potential gains of the SADC Trade Protocol. Lack of convergence in SADC Member States' external tariff and trade policies also reduces the establishment of a SADC Customs Union as envisaged in the Regional Indicative Strategic Development Plan (RISDP) to mere wishful thinking. Unless these shortcomings are redressed, the goal of attaining a SADC free trade area (FTA) by 2008 with 85 per cent of all intra-SADC trade duty free is likely to be missed. And yet, informal trade continues to be a source of livelihood for the majority (Table 1 shows).

Socio-Economic Implications for Malawi

One of the key defining characteristics of informal trade is that it does not appear in the national accounts. However, as shown above, informal trade is economically significant. It is an important employer of people. For example in the border regions and major cities like Lilongwe, Blantyre and Zomba - whose livelihoods depend on the flow of agricultural and non-agricultural commodities. Even the formal manufacturing sector and their employees are also beneficiaries of the expanded markets created by the informal traders. They can buy soft drinks, sugar and other commodities like clothes.

Used clothes are the largest informal import, and they serve the largest section of the urban and rural poor, who are unable to afford new clothes. Informal electrical imports, textiles and shoes are also indicators that this trade serves a different socio-economic stratum, from that served by formal imports of the same items. Most of the goods traded informally reach poor households in big cities in convenient small packages and at affordable prices. The savings in cost made by tax evasion are large enough to allow for reasonable profit margins for the informal vendors. Admittedly, the formal export trade (without limiting ourselves to the borders) is many times more the value of the informal trader. However, it is limited to a few large firms, and probably does not provide the type of equitable opportunities for entry and distribution of benefits that are possible under informal trade.

Preliminary findings, from the study, show the need to find a way in which the dynamic energy, spontaneity, and agility of informal cross-border traders can be formalized without stifling or killing the activity. For this to happen, the governments have to confer a legal and economic legitimacy to the informal cross-border trading. At the same time, the informal traders have to acknowledge the legitimate revenue collection and regulatory rules of the government. In other words, how can the overall trading environment be reformed so that it is able to provide all participants with maximum benefits of the informal trade, while at the same time providing the government with a legitimate role that allows for it to raise revenue and provide an enabling regulatory framework?

Mozambique

Specific policy on informal trade does not exist in Mozambique, but it does have some elements for its definitions which are:

- Social and economic Plan oriented to sustainable development
- Internal and Foreign Investments programmes to promote the employment creation;
- Principles of equity and right of opportunities
- Promote capacity building.

However, the element mentioned above is practice of the Mozambique government. They work as mediator between the interests or needs of private sector and syndicalism bodies, which represents the formal workers. Thus, government policies conduct result in the exclusion of interests of the majority of citizens, in particular for those who do not have formal jobs; it is for those who are in the informal trade.

The current government policies on the one hand are favourable to the formal sector, in particular the public sector. On the other hand, the policies are harmful to the informal sector and to revenue of informal workers. As a result, unemployment will increase, the competitiveness of Mozambique within SADC will decrease and a decrease in the growth of the agricultural and commercial sector can be expected.

In addition, due to the conquest of the major space of the informal traders, on the economic dynamic of the country, the government is now pretending to implement policies that protect the formal sector in contrast of the informal commerce. An example of how they have done this is through the imposition of duty. To further illustrate this point, the Ministry of Finance in Mozambique is committed to take the informal sector to pay the fees, just like any other revenue sector. They are facing challenges like fiscal overweight and financing inspection simultaneously. This is pushing many enterprises in the formal trade into the informal trade.

Implications of ICBT in Mozambique

As other informal activities, the ICBT has both positive and negative implications. The positive implications of ICBT are its contribution to; food security, employment, provision of income and poverty alleviation. This complements the formal commercial network and the opening of new market for domestic products. The negative aspects are the potential the potential loss of tax revenue, corruption and illegal trade promotion, violation of health and sanitary requirements.

Implications on income, employment and poverty alleviation

All characteristics of ICBT in Mozambique reveal a positive impact on employment. According to empirical evidence and the baseline of INE (Instituto Nacional de Estatística) many people are engaged in this activity in response to unemployment. Another important implication of ICBT in Mozambique is related to income. Thus, these issues combined play a positive role on poverty alleviation by providing employment and income.

Implication on Food Security and Agriculture

Food security is defined by the Food and Agriculture Organization (FAO) as, “encompassing the ability of all consumers to have both physical and economic means of access to food requirements at all times” (Macamo, 1999:46) and according to the UN the most important ingredients of food security include:

- (i) ensuring adequacy of food supply
- (ii) maintaining supply stability
- (iii) ensuring supplies for all consumers.

Therefore, taking into consideration the definition above, the implication of ICBT in Mozambique can be assessed by looking at the contributions made by ICBT in terms of food supplies. As we know, informal imports of food fill the food deficits that are not met by local producers, food aid and formal imports. This is particularly in the south of Mozambique where the bulk of food is imported through Informal trade. In contrast, the central and northern region of Mozambique sees the diminishing of food imports and increasing exports. This difference is determined by the potential of food production between the southern and central part of Mozambique.

Nevertheless, there are important roles played by ICBT in relation to food. There is the issue of food availability. This has been made possible through informal imports and increased agriculture productivity driven by informal exports. Another is its role in the adequacy of food supply. This has been achieved by driving food from surplus to deficit areas. The third issue is food supply stability, which has occurred through a combination of ICBT and informal internal trade. And finally, ICBT has provided accessibility to supplies to all

consumers - by providing goods at lower prices or undertaking bulk breaking of food commoditising into appropriate packages.

Complementarity to formal commercial network

According to Macamo(1999:49), 60% to 70% of commercial network were destroyed during the war period in Mozambique. As a result, informal traders are playing an important role in the circulation of goods from areas with excess supplies to those deficit areas. In this period, informal cross-border traders serving rural areas provided agriculture inputs and industrial consumer goods to farmers and contributed in the commercialization of the farmer's produce.

Swaziland

National policy instruments relating to informal trade

Informal trade is a sector that is acknowledged in terms of its existence and operation. It has not necessarily received a great deal of attention, in terms of its regulation for purposes of protecting those people who are engaged in its activities. Nonetheless, there are some critical national policy instruments that do recognize the need to address the gaps about informal trade. This is with respect to the needs of the sector as an important contributor to the economic growth of the country. Amongst these policy instruments at the national level, are the following:

- National Development Strategy (NDS) Vision 2022
- Constitution of the Kingdom of Swaziland
- National Policy of the Kingdom of Swaziland on the Development of Small and Medium Enterprises

National Development Strategy (NDS) Vision 2022

In 1999, the Government of Swaziland adopted the National Development Strategy (NDS) Vision 2022 which articulates the national vision for development as follows:

“By the year 2022, the Kingdom of Swaziland will be in the top 10% of the medium human development group of countries founded on sustainable economic development, social justice and political stability”

The proposed strategies to achieve this vision were articulated with- in three broad macro strategic areas, namely,

- Sound Economic Management
- Economic Empowerment
- Human Resource Development
- Agricultural Development
- Industrialisation
- Research for development; and
- Environmental Management

Within the area of Economic Development, the ‘strategic consider- ations’ include; the ‘orderly promotion of informal sector activities, assisting disadvantaged groups and mainstreaming of gender re- lations in project formulation.’ Further, amongst the empowerment strategies to be employed towards promoting economic growth, is the ‘Design [of] programmes for promoting the informal sector.’

In terms of empowerment within economic and financial services, the NDS states the following respectively:

Economic Services: Commerce and Industry

- Design policies and corresponding measures to enhance the pro- motion of small and medium scale enterprises.
- Design viable programmes for the economic empowerment of na- tionals.

Financial Services: Credit

- Viable means of satisfying the excess demand for credit, especially from indigenous entrepreneurs, should be found and implemented. The obstacle against omen should be removed. ‘

Constitution of the Kingdom of Swaziland

A new national constitution for Swaziland was adopted in 2005 and began operating in 2006. It contains a number of provisions that would necessarily have an impact on issues pertaining to informal trade. In particular, the constitution contains a number of provisions – the directive principles of state policy - that articulate the aspirations of government. These are in terms of the development in pursuit of various objectives in the spheres of law enforcement, politics, economic, social development and foreign policy.

With respect to economic objectives, section 59 states the following:

59. (1) *“The State shall take all necessary action to ensure that the national economy is managed in such a manner as to maximise the rate of economic development and to secure the maximum welfare, freedom and happiness of every person in Swaziland and to provide adequate means of livelihood and suitable employment and public assistance to the needy.”*

(2) *“The State shall, in particular, take all necessary steps to establish a sound and healthy economy whose underlying principles shall include”*

b) “affording ample opportunity for individual initiative and creativity in economic activities and fostering an enabling environment for a pronounced role of the private sector in the economy;”

(5)“The State shall afford equality of economic opportunity to all citizens and, in particular, the State shall take all necessary steps so as to ensure the full integration of women into the mainstream of economic development.”

In this regard, the constitution also specifically recognises the rights and freedoms of women in all spheres. This includes the economy and commits the state to providing opportunities, where resources exist, for women to realise their full potential and advancement.

National Policy of the Kingdom of Swaziland on the Development of Small and Medium Enterprises

The Policy defines various small businesses in the following manner:

	Micro	Small	Medium
Value of Assets	Under E50 000	E50 001 to E 2 million	E2 million to E5 million
Staff employed	1 to 3 people	4 to 10 people	11 to 50 people
Turnover	Up to E60 000	Up to E3 million	Up to E8 million

The policy also recognises the importance of the SME sector, stating that SMEs are important to Swaziland because:

- In most countries, most jobs are created by SMEs, not government or big business;

- SMEs offer people with no income source the potential to develop one;
- SMEs provide a route where the Swazi nation can own a larger percentage of the economy;
- SMEs offer a way in which a larger manufacturing base can be established in Swaziland. And more SMEs mean that more of the wealth generated in Swaziland will stay in the country.’

The Policy also includes a number of policy objectives, namely to:

- Make it easier for potential entrepreneurs to enter into business;
- Ensure the existence of specific support measures for established entrepreneurs;
- Monitor the implementation of the SME sector;
- Facilitate increased coordination;
- Increase the flow of capital to the SME sector;
- Facilitate a national information management system; and
- Maintain consistent dialogue and discussions [amongst stakeholders]

On examination of the provisions of the policy, a number of challenges emerge. This is with respect to its application to the informal trade sector. It is mainly because of the definitions which are applicable and which may not necessarily be suitable for those involved in informal trade. This in turn has the potential to exclude these traders from accessing whatever beneficial initiatives that may arise from the Policy’s implementation.

Zambia

Only slightly over half a million Zambians are in formal employment. It is therefore vital that government sets out clear policies governing and supporting informal trade, to be able to raise more income through taxation. One challenge facing the country is that the taxation base for the government is too low and thus, those in formal employment pay high taxes averaging about 35%.

The challenge with governing informal traders is that they always want to remain informal or in the margins because of fear of the unknown. The government has attempted to put in place policies to encourage them to formalize their businesses. For example, through the business name registration where one can walk into the Registrar of Societies, and for a small fee of about \$10 dollars, register a business. However, because of fear of the unknown and due to corruption by some government officials, traders shun to be registered. Yet this is one way to ensure that they are protected by the law and they can avoid being harassed by the police, corrupt Zambia Revenue Authority (ZRA) and immigration officers.

Zambia's first Poverty reduction Strategy Paper (PRSP), for the period 2002-2004, was extended to 2005 to align with the Transitional National Development Plan. Zambia's PRSP focused on measures to achieve strong sustained economic growth. They argued that 'a growing economy that creates jobs and tax revenues for the state will be a sustainable powerful tool for reducing poverty. This growth should be broad based, as much as possible. Thereby promoting income-generation, linkages and equity.

Zambia's PRSP recognizes that 70% of the Zambian population operates in the informal economy, where wages are lower than in the formal economy. The government feels that people should be taken out of the informal economy by encouraging the expansion of the mining and manufacturing sector. People in the informal economy need to be supported by making available micro credit schemes, provision of marketing and technological information and the development of infrastructure.

The Civil Society for Poverty Reduction (CSPR) network published an evaluation which concluded that; "The level of achievement of the PRSP implementation can best be described as modest. Since implementation of the programmes has been considerably slow, due to a number of bottlenecks such as; weak capacities in the implementing agencies and slow and intermittent flow of funding to PRSPs. Even with this modest level of achievement, the approach of the PRSP has led to a sharper focus on poverty reduction and a more open participatory process by the government and donors than was previously the case".

A successor to the PRSP is the Fifth National Development Plan (FNDP) 2006-2011, published in June 2006. The FNDP identifies informal economy workers as one of the most vulnerable groups, and is encouraging the government to develop a comprehensive social security system which will include informal sector workers.

The government of Zambia commits to align its policies with the decent work agenda through the promotion of workers' rights, harmonious industrial relations and labour standards - in order to enhance productivity and reduce poverty. The Zambian government has also

developed an employment and labour market policy which intends to incorporate programmes targeting the informal economy.

Key informative interviews, with officers from the Ministry of Commerce and Trade, reveal that there is still a lot that needs to be done. In terms of coming up with clear government policies on Informal Trade as steps are made towards integrating it into the formal trade. The formation of a National Working Group on Trade Facilitation is a key step towards reaching this goal. The CBTA has three seats in this Working Group. They aim to build their capacity and sensitization on various issues such as; how to deal with smuggling for both government and cross border traders. DFID and COMESA are funding pilot programmes in 6 border posts in Zambia on Trade Facilitation.

Social dialogue in the Informal economy

In Zambia, an institutional framework for social dialogue in the formal sector was introduced in 1993. It formalized consultations among social partners through the establishment of the Tripartite Consultative Labour Council (TCLC). The role of the TCLC is 'to advise the government on all issues relating to labour matters, manpower development and utilization and any other matter referred to the council by the government'. The TCLC plays a purely advisory role and the government is not legally bound by the decisions of the TCLC.

The voice of the trade union movement, in social dialogue, has been severely weakened in the past decades due to internal divisions and fragmentation of the labour movement. Currently, the Federation of Free Trade Unions of Zambia (FFTUZ) established in 1998 operates alongside the older Zambia Congress of Trade Unions (ZCTU). The ZCTU remains the largest federation with about 90% of the total trade union membership base.

As a result of the retrenchments caused by liberalization, privatization and public sector reforms, trade union membership has declined sharply. In 1990 ZCTU had a membership of 477,000 members but this halved by 1995. In 1996, ZCTU amended its constitution to be able to accommodate the growing number of workers in the informal economy.

In partnership with the Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA), ZCTU established the Centre for Informal Sector Employment Promotion (CISEP) in 1998 to provide training in business and leadership skills to informal economy operators.

In 2004, ZCTU also accepted the Alliance for Zambia Informal Economy Association (AZIEA) as an associate member. AZIEA was established in 2001 as an umbrella body of 13 organisations. They represent; street traders, market vendors, tailors, tinsmiths, visual artists and other workers in the informal economy. The membership of AZIEA to ZCTU has given it a public profile and visibility. The ZCTU now has a direct platform with the government through, for example, the TCLC and other means, and is therefore able to put issues on the agenda.

Recently there has been a move by the Ministry of Local Government to clear the streets of Lusaka of Street Vendors and Traders. This led to street battles with vendors clashing with the police. The Street Vendors continue to resist their removal from the streets and continue with business though they still face harassments from city council officials. They are thus forced to play cat and mouse games with the local authorities.

Issues for Civil Society advocacy

Informal trade is an important contributor to economies in the region. Its magnitude cannot be over-emphasized. As the SADC region is progressively succumbing to the neo-liberal open market policies, CSOs in the region have a crucial role to play. They need to ensure that the governments in the region have in place policies that will uphold human dignity, by aiming at reducing poverty. Therefore CSOs will have to campaign for the general pro-poor policies, and specific policies that will empower women. In this light, the first issue to be advocated should be the recognition of ICBT as a significant and promising part of regional and national economies.

General Pro-Informal Trade Policy Advocacy

Civil Society Organisations have to advocate for further deregulation of the economy. This study has the following recommendations:

- Trade barriers such as the registration and licensing of traders and semi-liberalised foreign exchange regulations need to be reformed. The idea here is to eliminate those that are redundant and reducing to a minimum those that must be retained for good governance.
- The reduction of duties and elimination of surtaxes is recommended, as well as the rationalization of tariffs on agricultural commodities. For example, why should government levy 25% duty on beans, and none on maize or fertilizer?
- The reduction and rationalization of tariffs and elimination of unnecessary bureaucratic hurdles. This would go a long way in increasing the level of formal trade.

- There is need to harmonise the trade policy and internal market deregulation processes regionally. This is to ensure that all regional markets are in tandem. Regional cooperation is also needed. Especially in areas of double taxation, quality and health standards, common approach or law to contract enforcement and dispute arbitration
- The criminalization of informal trade should be stopped to create a better and enabling environment for the assemblers (street vendors), couriers and money changers, usually tolerated at the discretion of the customs officers and the police.

Policies to Empower Women

Looking at the specific gender-related problems, Civil Society Organisations have the responsibility of fighting for the welfare of women by doing the following, among the several other interventions:

- Mobilise women into small groups (clubs) that would, amongst themselves, act as security for some high street banks to give them small loans.
- Form some groupings that would look after the interests of women informal traders so that they can be educated and empowered to fight for their rights.

Way forward

As mentioned before, EJNI and SAT organised a regional workshop on ICBT in November 2008. At the closing of the workshop, participants agreed to be responsible for carrying forward messages from this workshop and appointed an interim steering committee that would ensure the development of the regional ICBT strategy and implementation of the roadmap.

Key messages to be carried forward include:

- ICBT is an important economic sector in the SADC region given its central role in poverty alleviation, employment creation and economic growth
- Well coordinated, integrated multi-sectoral, inter-association action is needed
- Policy and accountability support is needed from the highest levels of country governments and the SADC Secretariat
- Collaboration with the private sector is essential
- Provide training and appropriate, compassionate services to ICBTs
- Implement realistic strategies addressing short-term situational factors and long-term sustainability of the ICBT sector

For any thoughts, enquiries, contributions on the issue of ICBT, please feel free to contact EJNI.

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