Report No. 9006-ZIM

The Informal Sector in Zimbabwe: The Role of Women

August 1, 1991

Africa Country Department IV and Population and Human Resources Department, Policy, Research and External Affairs

FOR OFFICIAL USE ONLY

Document of the World Bank

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.
# Table of Contents

## Chapter 1: INTRODUCTION
- A. Purpose .............................................. 1
- B. The Informal Sector Defined ....................... 1
- C. Sources of Information ............................. 3
- D. Background ......................................... 3
- E. Prospects .......................................... 5
- F. Structure of the Report ............................ 6

## Chapter 2: STRUCTURE AND FUNCTIONING OF THE INFORMAL SECTOR: THE ROLE OF WOMEN
- A. Evolution of the Informal Sector .................. 7
- B. The Role of Women in the Informal Sector ........ 12
  1. Characteristics of Informal Sector Activities and Enterprises ............ 12
     a. Range of Activities .............................. 12
     b. Type of Workplace ................................ 13
     c. Business Practices .............................. 15
  2. Characteristics of Women Entrepreneurs ............ 21
     a. Historical Development .......................... 21
     b. Women in Formal Sector Employment ............. 22
     c. Characteristics of Women in the Informal Sector .......... 23
- C. Concluding Note .................................. 26

## Chapter 3: LEGAL AND REGULATORY ENVIRONMENT
- A. Background ........................................ 28
- B. Legislation Governing Enterprise Status .......... 29
  1. Registration as a Company ......................... 29
  2. Registration as a Partnership ..................... 30
  3. Registration as a Cooperative ..................... 30
- C. Central Government Legislation ................... 32
  1. Macroeconomic Measures ........................... 32
     a. Price Control ................................... 32
     b. Foreign Currency Allocation .................... 32
     c. Taxation of Formal Sector Enterprises ........... 33
     d. Labor Regulations ................................ 34
  2. Social Legislation ................................ 34
     a. The Public Health Act ............................ 34
     b. The Factories and Works Act ....................... 36
- D. Local Government Legislation ..................... 37

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.
Chapter 4: **FINANCIAL SUPPORT SERVICES FOR THE INFORMAL SECTOR**

### A. Financial Services

1. **The Structure and Functioning of the Financial Sector in Zimbabwe**

2. **Start-up Capital in the Informal Sector:**
   - Demand and Supply
   - **a. Credit Needs**
   - **b. Sources of Start-up Capital**

3. **Financial Institutions Potentially Relevant for the Informal Sector**
   - **a. SEDCO**
   - **b. Agricultural Finance Corporation**
   - **c. Commercial Banks**
   - **d. Post-Office Savings Bank**
   - **e. Zimbabwe Development Bank**
   - **f. Credit Guarantee Company**
   - **g. Informal Savings and Credit Schemes**

### B. Concluding Note

Chapter 5: **TRAINING AND BUSINESS SUPPORT SERVICES FOR THE INFORMAL SECTOR**

### A. Training Needs

### B. Training Opportunities for Informal Sector Entrepreneurs

1. **Public or Private Training**

2. **Public Sector Institutions**
   - **a. Training Programs of MCCD**
   - **b. SEDCO**
   - **c. National Handicrafts Development and Marketing Centre**

3. **Technical and Vocational Training**

4. **Apprenticeship Training**

5. **Private Training Programs**
   - **a. Ranche House College**
   - **b. Glen Forest Training Centre**
   - **c. Other Private Training Establishments**

### C. Business Services for the Informal Sector

1. **Role of Government**
# Chapter 6: SUMMARY AND RECOMMENDATIONS

## A. Findings

1. Legal and Regulatory Environment
2. Credit
   - SEDCO
   - Commercial Banks and the Credit Guarantee Company
3. Training
4. Small Business Information Centers
5. Appropriate Technology
6. Activities with Potential
7. Looking Ahead

## Bibliography

## ANNEXES:

<table>
<thead>
<tr>
<th>Annex</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td>Research Studies of the Informal Sector in Zimbabwe</td>
<td>90</td>
</tr>
<tr>
<td>II.</td>
<td>The ENDA (1990) Informal Sector Survey: Its Scope and Methodology</td>
<td>91</td>
</tr>
<tr>
<td>III.</td>
<td>Major Productive Activities Engaged in by Zimbabwean Women in the Informal Sector</td>
<td>99</td>
</tr>
<tr>
<td>IV.</td>
<td>Detailed Sources of Material Inputs for Informal Sector Activities</td>
<td>103</td>
</tr>
<tr>
<td>V.</td>
<td>ENDA (1990) Survey Findings</td>
<td>105</td>
</tr>
<tr>
<td>VI.</td>
<td>&quot;Building Wealth in our Villages&quot; - A Training Manual</td>
<td>113</td>
</tr>
<tr>
<td>VII.</td>
<td>Subcontracting Possibilities Between the Formal and the Informal Sectors</td>
<td>119</td>
</tr>
</tbody>
</table>
Text Tables, Figures and Boxes

Table 1.1: Index of Annual Average Real Wages in 1989 ........................................... 3
Table 2.1: Sectoral and Gender Composition of Gainful Employment in Zimbabwe, 1969, 1982 and 1986/87 ................................................................. 8
Table 2.2: Type of Workplace used by Informal Sector Women .................................. 13
Table 2.3: Relationship Between Income, Expenditure and Educational Attainment .................. 18
Table 2.4: Level of Literacy .......................................................................................... 25
Table 2.5: Highest Level of Education Attained ......................................................... 25
Table 2.6: Problems of Women in the Informal Sector Respondents ............................ 27
Table 4.1: Sources of Funds for Starting Informal Sector Businesses ....................... 43
Table 4.2: Number of Loans Approved by SEDCO, 1985 to 1990 ............................... 45
Table 4.3: Loans approved by SEDCO to Women Clients ........................................... 46
Table 4.4: CGC Loans Guaranteed, 1987/88 - 1989/90 ................................................... 52
Table 4.5: Loans Guaranteed by CGC by Sector ........................................................... 52
Table 5.1: Percentage of Respondents Interested in Additional Training and Who Would Contribute to the Cost of Training ........................................ 59
Table 5.2: Preferred Methods of Training .................................................................. 59
Table 6.1: Potential for Profitable Development: Selected Informal Sector Activities ............. 81

Figure 2.1: Distribution of Monthly Gross and Net Income in Harare, Masvingo and Murehwa ................................................................. 19
Figure 2.2: Median Monthly Business and Personal Expenditures ................................ 20
Box 1: Women in the informal sector in Zambia ......................................................... 9
Box 2: The Informal Sector in Niger ...................................................................... 11
Box 3: The Informal Sector in Kenya .................................................................... 12
Box 4: Characteristics of the Informal Sector in Nigeria ........................................ 14
Box 5: Subcontracting in Indonesia .................................................................... 17
Box 6: Educational Attainment in Niger's Informal Sector ................................... 26
Box 7: Training for Informal Sector Employment: The Case of Nigeria ................. 60

This report was prepared by Katrine Saito in collaboration with a local research group -- Environmental and Development Activities (ENDA), Zimbabwe, and Meine Pieter van Dijk, Consultant. The report is based on the results of a survey of informal sector activities in Zimbabwe conducted by ENDA in late 1989. The report was discussed with Government in April 1991. Contributions from many others - particularly L. Bennett, S. Chernick, B. Herz, N. Horenstein, H. Imam, G. Kajubi, L. McKay, C. Seibert, and W. Steel are gratefully acknowledged. M. Abundo and B. Patterson provided technical and production support.
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFC</td>
<td>Agricultural Finance Corporation</td>
</tr>
<tr>
<td>CDF</td>
<td>Community Development Fund</td>
</tr>
<tr>
<td>CGC</td>
<td>Credit Guarantee Company</td>
</tr>
<tr>
<td>CIDA</td>
<td>Canadian International Development Agency</td>
</tr>
<tr>
<td>CSFS</td>
<td>Collective Self Finance Scheme</td>
</tr>
<tr>
<td>IBDC</td>
<td>Indigenous Business Development Centre</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Office</td>
</tr>
<tr>
<td>MCCD</td>
<td>Ministry of Community and Cooperative Development</td>
</tr>
<tr>
<td>FIT</td>
<td>Foundation for International Training</td>
</tr>
<tr>
<td>PAID-ESA</td>
<td>Pan African International Development for Eastern and Southern Africa</td>
</tr>
<tr>
<td>POSB</td>
<td>Post Office Savings Bank</td>
</tr>
<tr>
<td>ROSCAs</td>
<td>Rotating Savings and Credit Associations</td>
</tr>
<tr>
<td>SEDCO</td>
<td>Small Enterprise Development Corporation</td>
</tr>
<tr>
<td>SIDA</td>
<td>Swedish International Development Agency</td>
</tr>
<tr>
<td>WWB</td>
<td>Women’s World Banking</td>
</tr>
<tr>
<td>ZDB</td>
<td>Zimbabwe Development Bank</td>
</tr>
<tr>
<td>ZIMBANK</td>
<td>Zimbabwe Banking Corporation</td>
</tr>
<tr>
<td>ZIMDEV</td>
<td>Zimbabwe Manpower Development Fund</td>
</tr>
<tr>
<td>ZWFT</td>
<td>Zimbabwe Women’s Finance Trust</td>
</tr>
</tbody>
</table>
Chapter 1: INTRODUCTION

A. Purpose

1.01 The purpose of this report is to analyze the structure and functioning of the informal sector in Zimbabwe and the role of women in it, so as to enhance the effectiveness of government and donor policies impinging on economic activity in that sector. Since women constitute a majority of those engaged in informal sector activities, these policies must at least be gender neutral, and at best compensate for the special constraints women face in maximizing their output and income.

1.02 The heightened interest in the informal sector in Zimbabwe stems from the fact that it is generating employment and income for many persons who have no alternative employment opportunities or income sources. This is because job creation in the formal sector -- historically a large source of employment in Zimbabwe -- has increased at a rate well below that of the labor force since Independence in 1980. As of 1990, the employment problem in Zimbabwe has reached a crisis; as much as one-quarter of the labor force is officially estimated to be unemployed. Moreover, the medium-term prospects for reversing this situation are bleak unless major policy reforms are introduced. Whatever the nature and scope of the reform measures, one thing is certain: the informal sector will have to be relied on to absorb an increasing proportion of the growing labor force. In these circumstances the challenge is to introduce policies, programs and projects which will facilitate the orderly expansion of the informal sector, help raise the productivity of those engaged in it and ensure a more equitable structure of employment.

1.03 The specific objectives of this report are to identify: (a) the impediments preventing women from maximizing productivity in their current activities; (b) those potentially favorable activities in the informal sector which can provide women with otherwise unavailable opportunities for gainful employment; and (c) a program of action for the consideration of the Government and donors, including the World Bank, to reform regulatory and institutional policies and practices and provide needed resources to enable the informal sector to expand and improve its economic performance.

B. The Informal Sector Defined

1.04 The informal sector is a collection of economic activities which defies a precise and universally acceptable definition. The standard approach in research studies of this sector is to adopt a country-specific definition by applying one or more indicators describing the size and nature of the economic activity. Among the indicators are: size of operation (turnover), number of persons engaged (mostly self-employed), capital investment, nature of employment status and income source, zero tax liability and legal status. But even here, the dividing line between formal and informal is essentially arbitrary and wherever it falls on the continuum of economic activity it leaves a grey area at the boundary. This is perhaps an intrinsic feature of the subject matter being studied. In characterizing the sector, researchers utilize such descriptive terms as "small-scale operation", "ease of entry", "labor intensive activity and primitive technology applied", "unregulated and highly competitive markets", "low
input costs and low inventory holdings" and "high mobility of operation". All of these terms have some relevance to the circumstances in Zimbabwe. As in other parts of Africa, the informal sector in Zimbabwe comprises self-employed entrepreneurs and micro-enterprises employing small numbers of paid full- or part-time wage workers and some contracting out for household production. Typically these activities entail labor intensive, low input cost economic activities and are subject to relatively easy entry.

1.05 In Zimbabwe there is an official designation of the informal sector. It appears in the Central Statistical Office's (CSO) Labour Force Survey as one of the employment categories under "paid or self-employed". The designation "informal sector" is based essentially on the legal status of the activity. All enterprises in Zimbabwe must be registered (by a prescribed statutory authority) or licensed (by a government authority). The distinction between formal and informal hinges, therefore, on whether the respondent to the Labour Force Survey is employed in a registered or licensed enterprise or an activity outside these categories. However, a complication arises with licensing, since many informal sector activities - hawkers, tuck-shops, for example - require a license to operate. Indeed, licensing is a form of government control over the informal sector and is imposed widely. This illustrates the difficulty of precise definition and the inevitable grey area at the margin.

1.06 For purposes of this report, the formal sector is defined to comprise those entities registered as either sole proprietorships, partnerships or limited liability companies. By the same token, the informal sector comprises entities which do not have the legal status of a sole proprietor, partnership or limited liability company, but they can have some kind of operating license. However, it is not proposed to limit this investigation into the informal sector to enterprises satisfying the above criterion. As entrepreneurs develop they are likely to seek to upgrade their legal status to one or other of the three formal categories listed above - a process of "formalization". This process, which bridges the formal and informal sectors, can best be understood by examining those small-scale enterprises which are seeking or have just attained the new legal status. For example, obtaining a hawker's license, or setting up as a cooperative can be considered as a first step in the formalization process. In the latter case, legal status upgrading is frequently sought in order to qualify for certain government services, such as training or better access to credit, or to provide an umbrella organization for a number of entrepreneurs working independently. On the other hand, seeking formal status is deterred by the cost (in terms of time and cash outlay) of registration and the consequent tax liability.

1.07 Primary producing activities, including crops, horticulture, cattle and small stock raising, fishing and gardening are not included in this study. Although these constitute important income-earning activities for women, on-farm support services (mostly from the Ministry of Agriculture) are generally available. Off-farm activities entailing transforming and marketing these primary products are included and come under the category of rural informal sector activities. In brief, the focus of this enquiry is on entrepreneurial efforts in productive activities in the urban and rural (off-farm) informal sectors. While rigorous data on the income distribution of informal sector entrepreneurs is not available, it is likely that the survey findings and other
information underlying this report refer more to those at the upper end of the informal sector income spectrum than those at the lower and poorer end.

C. **Sources of Information**

1.08 Since most, if not all, informal sector activity go unrecorded, special efforts have to be made to obtain information on the structure and functioning of the sector and the role of women within it. Apart from this report, five detailed studies of one or another aspect of the informal sector in Zimbabwe have been prepared since 1980. In all cases, the information base was a sample survey of establishments or those engaged in the informal sector. These studies are described in some detail in Annex I, and are briefly noted below. Brand (1982) studied a sample of 85 female and 160 male participants in the informal sector. The ILO/SATEP (1984) study examined a sample of 772 informal sector establishments, mostly run by male entrepreneurs. Horn (1986) undertook a detailed study of the informal fruit and vegetable market in Harare, usually a female-dominated activity. Jassat and Jirira (1987) interviewed 244 informal sector entrepreneurs. Helmsing (1987) reported on 288 non-agricultural enterprises of which 54 percent were female entrepreneurs.

1.09 This impressive amount of work has contributed to a better understanding of the informal sector in Zimbabwe. Nevertheless, a number of key elements were not addressed. First, these studies provide little sub-sector disaggregation. With the exception of Horn's work, the analysis is at the sectoral level rather than the specific activity level. Second, only two studies are specifically concerned with women and these do not fully analyze the constraints hindering the development of activities in which women are involved.

1.10 To address some of these deficiencies, the World Bank commissioned the Environmental and Development Activities group (ENDA: Zimbabwe) to undertake a survey of the informal sector in Zimbabwe, focusing on the role of women. A sample of 225 informal sector respondents were interviewed in the capital city Harare (82 respondents), in a secondary town Masvingo (76), and in a rural "growth centre" Murewa (67). (Survey details are presented in Annex II.) This report draws heavily on all the studies of the informal sector in Zimbabwe, but especially on the latter survey, which was the most comprehensive and gender-focused of all.

D. **Background**

1.11 Historical factors have strongly influenced the structure and functioning of the informal sector in Zimbabwe. The legacy of the pre-independence regime was a highly developed, but high-cost manufacturing sector, which together with mining and commercial agriculture gave employment to almost half the Zimbabwean labor force. The black members of the labor force were relegated largely to the unskilled occupations and casual labor category. About 12 percent of formal sector employment were women; they were largely employed as casual workers in food processing and in commercial agriculture. When Zimbabwe achieved Independence in 1980, the stated goals of the new government were to pursue growth with equity on the basis of socialist principles. But the pursuit of this goal has proven to be a difficult challenge; unanticipated internal and external adversities have diverted energies and resources to short-
to medium-term concerns, thus postponing the successful attainment of the longer term goals.

1.12 With respect to equity as it affects women, for example, the advent of Independence converted their legal status from that of minors to adults. But again, in terms of actual improvement in women's status, change has been slow. Attitudes, customs and traditional practices take time to change. However, there does seem to be a growing awareness of the economic and social necessity of enabling women to be more productive and contribute fully to the country's development as well as to family welfare.

1.13 In recent years, the informal sector has grown rapidly and, while still comparatively small, accounts for an estimated 7.4 percent of total employment. And what is of special interest for this report is that women constitute about 64 percent of those engaged in the informal sector. In broad terms, the origins of the growth in importance of the informal sector can be traced to a number of factors. One, is the slowing down in recent years in the employment generation of the formal sector. As already noted, formal sector employment in Zimbabwe is large compared to most other Sub-Saharan African countries. It accounted for almost half of total employment in 1982, and of this number, about 16 percent were women. Since Independence in 1980, however, formal sector employment has grown very slowly; over the ten year period 1980-1990, 160,000 new jobs (i.e. at a rate of 18,000 per year) were created, of which 115,000 were in the public service and primarily in education. The expansion of public sector services was a one-time phenomenon due to the initial post-independence increase in spending in these areas. If these jobs are excluded, total formal employment actually fell at an average rate of 0.5 percent per annum between 1980 and 1985. This employment growth experience has to be set against the growing number of job seekers. Over the period 1983 to 1989 net annual additions to the labor force (growing at an extremely rapid rate of more than 3 percent per year), rose from 20,000 persons to 100,000; this is to be compared with the 18,000 average annual rate of new job creation in the formal sector noted above.1 This large differential between the demand for and supply of jobs represents a potentially explosive situation, unless alternative sources of income generation are identified. Clearly, the informal sector has a critical role to play in providing new employment opportunities.

1.14 A second factor has been the decline in annual average real earnings in Zimbabwe from Z$2,227 in 1982 to Z$1,577 in 1985. Minimum real wages were Z$30 per month in 1980 and Z$33 in 1987 for domestic services; those for industrial workers declined from Z$71 per month to Z$61 per month over the same seven year period. A more recent calculation suggests that the index of average annual real wages fell between 1980 and 1989 in four of the five major activity sectors as follows:

---

1 Estimates are from the International Labour Office (ILO), 1989.
Table 1.1: Index of Annual Average Real Wages in 1989
(1980 = 100)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>112</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>89</td>
</tr>
<tr>
<td>Electricity and water</td>
<td>89</td>
</tr>
<tr>
<td>Construction</td>
<td>77</td>
</tr>
<tr>
<td>Distribution/Hotels/Restaurants</td>
<td>76</td>
</tr>
</tbody>
</table>


In these circumstances of declining real incomes, women have been impelled to take up new income-earning activities in the informal sector to help maintain family incomes.

1.15 A third factor is the increasing difficulties faced by the transportation system in Zimbabwe. A severe shortage of foreign exchange has meant a deterioration in transport vehicle capacity, so that rural towns and villages have been cut off from supplies from the main producing centers and thrown back onto their own resources. Bread, for example, which was previously supplied from the main urban centers, is increasingly being produced locally by small-scale local enterprises.

1.16 A fourth factor is the increased participation rate of Zimbabwean women in economic activity outside their traditional roles in agricultural production and household management. World-wide, this phenomenon is related to increasing levels of formal education and a heightened awareness of women's capacity to pursue non-traditional activities. Since employment opportunities for women remain limited in the formal sector because of a lack of skills and training, and because of an inhibiting cultural environment, women have turned to the informal sector for gainful employment. The evidence is that enterprises headed by women have grown rapidly in the past decade and everything points to a continuation of this trend into the 1990s.

E. Prospects

1.17 Looking ahead through the decade of the 1990s, Zimbabwe will continue to face an inordinately large unemployment problem; the unemployment rate in 1990 is estimated at 26 percent of the labor force. Given the sluggish rate of economic growth (exacerbated by the recent increase in imported energy costs) and the restrictive government labor market policies, it is highly unlikely that the past rate of growth in formal sector employment of 1 percent a year can be sustained; and since the labor force is continuing to grow at more than 3 percent a year (including an average annual rate of 155,000 entrants with secondary or higher education), more job seekers will have to be absorbed in agriculture and in the informal sector if the volume of unemployment is not to increase beyond the current high level. Since the employment capacity of the agricultural sector
is already close to its absorptive limit, the role of the informal sector as a generator of employment and income is critical. Over the past three years absorbed some 30,000 new entrants a year. With supportive public policies, it could absorb an average of at least 40,000 job seekers a year, over the next five years, many with secondary education. And while the productivity per worker in the informal sector is less than in the formal sector, the informal sector produces a net gain in economic and social welfare since there are no superior alternative opportunities available. This constitutes the rationale for a proactive policy in facilitating the efficient growth of the informal sector. Moreover, since women constitute the majority of those agents functioning in the latter sector, they can be expected to gain from a supportive, enabling environment. In the Government's "Framework for Economic Reform 1991-1995", the importance of small-scale activities was recognized, and the Government plans to improve their environment as part of the Structural Adjustment Program.

F. Structure of the Report

1.18 The structure of the report is as follows: Chapter 2 examines the structure and functioning of the informal sector in Zimbabwe, and traces its development in relation to the formal sector; Chapter 3 analyzes the legal and regulatory environment as it affects the informal sector; Chapter 4 assesses the availability of credit; and Chapter 5, deals with training and business advisory services to informal sector entrepreneurs. Chapters 3, 4 and 5 assess the extent to which the environment and facilities meet the needs of the informal sector, and those of women entrepreneurs in particular. The final chapter summarizes the findings and sets out an agenda for action for consideration by the Government and by donors, including the World Bank.
A. Evolution of the Informal Sector

Because of the nature of the informal sector in an economy, information on the scope and volume of its activities and those engaged in them are difficult to assemble. Piecemeal information is available largely from special surveys, as are estimates of employment in the "informal" sector of Zimbabwe provided by the CSO's Labour Force Surveys. While falling short of providing a comprehensive and robust data set on the structure of activity in the sector and changes in it over time, it is nonetheless possible to piece together a reasonably credible description of the evolution of the informal sector and the associated changes in the rest of the economy. Table 2.1, Part A below, draws on the population census and labor force survey data, and shows the changing structure of gainful employment in the broad activity sectors over the 1969-1986/87 period; Part B shows the changes in gender composition of gainful employment over the same period. The information contained in Table 2.1 shows at least four important changes in structure:

- Gainful employment in the formal sector grew rapidly over the 1969-1982 period, at a time when the Unilateral Declaration of Independence (UDI) was in full force and during the early period of Zimbabwe's Independence when public sector employment rose sharply, but has stagnated since then; and in recent years the sector accounts for only 35 percent of total productive employment in Zimbabwe as compared with 47 percent in 1982;

- The absolute number of males gainfully employed in the formal sector has declined in the recent period, while that of females has increased, reflecting the steadily rising participation rate of female labor and a shift in the structure of formal employment in favor of public administration and services generally;
### Table 2.1: Sectoral and Gender Composition of Gainful Employment in Zimbabwe, 1969, 1982 and 1986/87

#### Section A: Sectoral Composition

<table>
<thead>
<tr>
<th>Sector</th>
<th>1969</th>
<th></th>
<th>1982</th>
<th></th>
<th>1986/87</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
</tr>
<tr>
<td>Formal</td>
<td>716</td>
<td>44.6</td>
<td>1,044</td>
<td>47.1</td>
<td>1,102</td>
<td>35.3</td>
</tr>
<tr>
<td>Comm. Agr.</td>
<td>259</td>
<td>16.0</td>
<td>275</td>
<td>12.4</td>
<td>312</td>
<td>10.0</td>
</tr>
<tr>
<td>Non-agriculture</td>
<td>457</td>
<td>28.6</td>
<td>769</td>
<td>34.7</td>
<td>790</td>
<td>25.3</td>
</tr>
<tr>
<td>Communal and Small-scale Farming</td>
<td>868</td>
<td>54.1</td>
<td>1,041</td>
<td>47.0</td>
<td>1,789</td>
<td>57.3</td>
</tr>
<tr>
<td>&quot;Informal&quot;</td>
<td>34</td>
<td>2.1</td>
<td>131</td>
<td>5.9</td>
<td>231</td>
<td>7.4</td>
</tr>
<tr>
<td>Non-agricultural</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>100</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,618</td>
<td>100.0</td>
<td>2,216</td>
<td>100.0</td>
<td>3,123</td>
<td>100.0</td>
</tr>
</tbody>
</table>

#### Section B: Gender Composition of Formal and Informal Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>1969</th>
<th></th>
<th>1982</th>
<th></th>
<th>1986/87</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
</tr>
<tr>
<td>Formal</td>
<td>630</td>
<td>n.a.</td>
<td>86</td>
<td>n.a.</td>
<td>878</td>
<td>97.3</td>
</tr>
<tr>
<td></td>
<td>166</td>
<td>60.8</td>
<td>83</td>
<td>91.0</td>
<td>272</td>
<td>65.0</td>
</tr>
<tr>
<td>&quot;Informal&quot;</td>
<td>[34]</td>
<td>24</td>
<td>2.7</td>
<td>107</td>
<td>39.2</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>902</td>
<td>100.0</td>
<td>273</td>
<td>100.0</td>
<td>913</td>
<td>100.0</td>
</tr>
</tbody>
</table>

[Data in Part B shown in brackets are being reviewed by the Central Statistical Office of Zimbabwe with a view to providing the gender composition. Revisions will be made in the final report.]

**NOTE:** These data are drawn from different sources and are therefore not fully comparable. However, the direction of change indicated by the data is considered reliable. The estimate of "informal" sector employment, defined by the Zimbabwe Labor Force Survey as individuals working in non-registered establishments, is considered grossly underestimated.

there has been a sustained growth of employment in communal and small-scale agriculture as a major source of gainful employment in Zimbabwe due to the drying up of opportunities in urban formal employment on the one hand, and to favorable agricultural pricing policies on the other; and

there has been a rapid growth of the informal sector as measured officially through the census and labor force survey, and an increase in the predominant role played by women entrepreneurs in that sector. It is highly likely that the informal sector provides gainful employment to a larger number of Zimbabweans than that indicated in the official statistics.

2.02 Despite the rapid growth of the informal sector in Zimbabwe in the 1980s, it remains comparatively small, engaging less than 10% of the total active population employed.\textsuperscript{1} It also appears to be less diversified and less visible than in most other developing countries in Sub-Saharan Africa and outside this region. In the 1989 ILO African Employment Report, it is noted that in seventeen African countries, the informal sector averages 21 percent of total employment. In some Latin American countries, equivalent percentages as high as one-third are not uncommon. The atypical circumstances in Zimbabwe is mainly attributable to that country's economic and political history.

\begin{boxedquote}
Box 1: Women in the Informal Sector in Zambia

Surveys from four urban areas of Lusaka, Zambia show that out of total non-wage economic activities of women, up to 95 percent are in retail trading. This kind of informal sector activity takes different forms depending on the product sold and the location from where it is sold. Front yard stalls are stalls operated out of the home by women who are combining their economic activities with household chores. Although the profit margin from this kind of activity is low, it still provides much needed income for the households. Women operating from a fixed location predominate in the retailing of vegetables and prepared foods. In poor townships, women also sell fruits and vegetables, cigarettes, etc. on the streets. A few women also engage in activities such as sewing, knitting or embroidery. These latter activities tend to require a larger capital investment as well as training. Women also resort to beer brewing since it is a low-cost activity. Despite the small profit margins from most retailing activities, they are often the only practical strategy for survival for many urban women in Zambia.

\end{boxedquote}

\textsuperscript{1} Another estimate, whereby the informal sector is derived as a residual category, is presented in a recent World Bank working paper. This calculation suggests that informal sector employment represented only 2.1% of total productive employment in the economy in 1986/87. This would appear to be a gross underestimation of the size of the informal sector in Zimbabwe given other sources of information.
2.03 The experience of other countries at a similar level of industrial development shows that small-scale enterprises tend to be established by persons who have acquired their skills working for larger firms. In Zimbabwe, however, this process has been largely limited to white entrepreneurs, reflecting the fact that until recently the established businesses—predominantly white entrepreneurs—discouraged competition from black enterprises. Black Zimbabweans, particularly women, had little access to skilled and managerial positions, and little savings for start-up capital. Moreover, it was illegal for blacks to own establishments in the so-called first-class trading areas, which encompassed all major urban centers. Prior to Independence, most black Zimbabweans could not own property in rural areas because communal land, where most of the black population resided, is not privately owned. Women had an additional constraint; even in cases where blacks could own land, it was almost always in the name of the man. Without land as collateral, it was extremely difficult to get a bank loan and thereby acquire the necessary start-up capital to operate a business.

2.04 The growth of the modern industrial sector since the beginning of World War II, supported by an integrated network of financial, transport and marketing services, was also a factor in slowing, if not preempting the development and growth of viable informal sector enterprises. The structure of Zimbabwe's substantial industrial sector was shaped by the interruption of supply routes during World War II and subsequently, as noted above, by policies taken under UDI. At that time, the authorities established a pervasive system of economic controls and sought to overcome isolation from the world economy through a program of import substitution. As a consequence, more than 6,000 identifiable manufactured goods came to be produced locally by large firms (75 percent of manufacturing employees work in enterprises with more than 200 workers). Moreover, the industry is highly concentrated in terms of production (one-half of the 6,000 products are manufactured by monopolies) and in terms of location (Harare accounts for about one-half of total manufactured output). With this structure, start-up capital costs tend to be high and where this entails foreign exchange, the start-up costs can be prohibitive. Not surprisingly, these operating conditions were powerful deterrents to competition from small-scale and micro-enterprises. These barriers to entry are best described by the term "crowding out". Unlike other African countries, it has been difficult for new Zimbabwean entrepreneurs to find and exploit a "niche" in manufacturing. Thus, such transformation enterprises as have emerged are relegated to the informal category and serve a proscribed neighborhood market.
Box 2: The Informal Sector in Niger

The informal sector in Niger is highly diversified in terms of the level and type of activity. It is estimated that about 200,000 persons are employed in the urban informal sector in Niger, comprising 31,000 commercial or trading establishments either in a fixed location or itinerant and 21,000 goods and services producing enterprises many of which are in direct competition with the modern sector and have to be efficient to survive. The informal sector enterprises surveyed in Niger, contribute significantly to total production and generate a level of income that very often is equal in terms of employment, the informal sector has been growing faster than the labor force while the number of establishments in Niamey have been increasing at the rate of 8.9 percent per annum in recent years.

The growth and development of the informal sector in Niger can be traced to deficiencies of the formal sector. The weak absorptive capacity of the formal sector has impelled more and more labor force entrants to seek income opportunities - or supplementary income where women and children are concerned - from self-employment in activities which require a minimum of skill or experience. Beyond its traditional role, therefore, the development of the informal sector increasingly responds to the dysfunctions in formal markets.


2.05 Another factor constraining the development of the informal sector in Zimbabwe below its warranted growth rate has been the regulatory and legislative framework. (This environmental feature is examined in greater detail in Chapter 3 below). In part, a legacy of the colonial regime, but still largely retained, this framework frustrates potential entrepreneurs by making it difficult for an informal sector enterprise to operate profitably. Besides restrictive zoning policies, there exists a pervasive system of licensing. To establish a stall or workshop, for example, an entrepreneur has to get a piece of land designated for the specific economic activity planned, then obtain permission to build and subsequently secure a license to operate. As a result, it has been difficult for small entrepreneurs to develop their businesses legally. Without legal status, access to facilities such as government-sponsored training and credit from formal sector institutions are virtually foreclosed. This web of prohibitive laws and regulations exposes the petitioner to the whims of petty bureaucrats and are conducive to corruption; the result has been that many entrepreneurs have been driven to operating illegally.
Box 3: The Informal Sector in Kenya

The informal sector in Kenya has been able to absorb a large number of new entrants to the labor force, thereby cushioning the effects of rapid population growth and sluggish economic growth. Against considerable odds, tens of thousands of Kenyan men and women earn their livelihood from working in the informal sector in and around Nairobi. The bulk of employment in this sector, far from being only marginally productive, is in fact economically efficient and profit-making, although it is small in scale and limited by simple technology, little capital and lack of links with formal sector. Within the informal sector are found carpenters, masons, tailors and other people involved in trading, as well as cooks and taxi drivers offering a wide range of goods and services to a large, though often poorer segment of the population. Although income data is scanty, studies have shown that earnings in the informal urban sector appear to be substantially above earnings from rural non-agricultural activities, wage employment on small farms, or income in cash or kind from small plots.

Despite a lack of official encouragement and considerable harassment, this sector has survived and even expanded over the years. Essentially, this is because the informal sector supplies certain goods and services needed by low-income households and for which there are no readily available substitutes in the formal markets.


B. The Role of Women in the Informal Sector

1. Characteristics of Informal Sector Activities and Enterprises
   
a. Range of Activities

2.06 Although women constitute 64 percent of all those engaged in the informal sector, the range of activities they pursue is much more limited than that for men. Moreover, there is a striking gender division of labor - a division which to some extent mirrors that of the formal sector. Women are engaged in a range of less skilled and less capital-intensive activities. For example, of the 47 activities covered in the ILO/SATEP (1984) study on the informal sector, women were mainly involved in trumpet shops and food catering, knitting, vegetable growing and selling, firewood collection and selling, hairdressing, clothes selling and tailoring. No women were involved in building, metalworking, electrical repair, shoe repair, upholstery, and tinsmithing activities. The more recent study by ENDA (1990) found that almost two-thirds of the women surveyed in the informal sector in Harare, about one-third in Masvingo and Murehwa were involved in textile and garmentmaking activities (crocheting, knitting, weaving and tailoring). Other significant activities of women were hair dressing and food catering in urban areas, and pottery and beer brewing in the rural areas. Very few women were involved in activities such as carpentry, tinsmithing, metalwork and vehicle repair activities. (See Annex III for a detailed description of informal sector activities in which women are engaged.)

2.07 Apart from the gender distribution by type of activity, these differences in range of enterprise have a bearing on the location and structure of the workplace, business practices, and the nature of tools and capital
b. Type of Workplace

2.08 Most of the women in the informal sector operate out of their homes. This is because it is difficult to obtain suitable and affordable business premises and because of pressures of household management responsibilities. As a result, women in the informal sector are largely invisible, especially in the rural areas where they are also involved in agricultural activities. As may be seen from Table 2.2 the ENDA (1990) survey found that 64 percent of interviewees operated out of their homes, 17 percent from a modern workshop (made of bricks, asbestos or sheet metal), 7 percent from a traditional workshop (made of wood, thatch or scrap materials) and the remainder from kiosks, market stalls and sheds. Forty percent of the women who have business premises are renting, while 48 percent are using their own or family premises. Only 12 percent use public facilities provided by local authorities.

Table 2.2: Type of Workplace used by Informal Sector Women  
(As percent of total)

<table>
<thead>
<tr>
<th>Type of Workshop</th>
<th>Harare</th>
<th>Masvingo</th>
<th>Murehwa</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Open air</td>
<td>6</td>
<td>13</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Kiosk</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Market stall/shed</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>At home</td>
<td>61</td>
<td>62</td>
<td>67</td>
<td>64</td>
</tr>
<tr>
<td>Traditional workshop</td>
<td>11</td>
<td>3</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Modern workshop</td>
<td>18</td>
<td>16</td>
<td>17</td>
<td>17</td>
</tr>
</tbody>
</table>


2.09 These findings are in striking contrast with those of ILO/SATEP (1984) who found that 41 percent of those interviewed (the majority being male), operated in fixed or permanent structures, 30 percent in temporary structures, 2 percent in mobile structures and 24 percent outdoors (mostly the sellers in open markets). Almost 70 percent of those in permanent structures - 96 percent of whom, in turn, are involved in production activities - rent their premises. Those respondents operating from their homes were mostly in services (e.g., tuck shops, hair dressing) and craft-related activities (e.g., crocheting, tailoring), both predominantly female activities.

2.10 Most women entrepreneurs in the informal sector operate from their homes partly because of the cost of alternative locations. In Harare, women
entrepreneurs have the option of buying land (a "stand") on which to erect business premises or renting serviced premises. The average cost of purchasing a stand in Harare is Z$50 per square meter or Z$8,000 for a standard 160 sq. meter business premise. Such an outlay is well beyond the reach of most women entrepreneurs, and credit would be needed. Renting municipal stalls or sheds in Harare costs from Z$22 to Z$50 per month; while not a large expense in relation to an ENDA (1990) estimated median monthly net income of Z$243 for their respondents in Harare, it is more their availability than their expense that is the major bottleneck. Another deterrent to renting stalls or sheds is the inadequate storage space, and the lack of water and sewage facilities.

Box 4: Characteristics of the Informal Sector in Nigeria

**Size:** The informal sector in Nigeria accounts for three times the employment of the entire modern sector.

**Incomes:** In several trades, incomes are well above the lower scales of the modern sector. Some exceed professional salaries.

**Buoyancy and Innovation:** In contrast to ebbing confidence in the modern sector, the informal sector entrepreneurs demonstrate vibrancy, creativity in terms of new products, and imagination in terms of extending markets. This informal sector has responded rapidly and creatively to the changed macroeconomic conditions brought about by the Structural Adjustment Package. The retrenchments in the modern sector have not occurred to the same degree in the informal sector.

**Entry:** Contrary to popular belief, entry into many informal sector activities in Nigeria requires considerable training (see Box 7 on pg.80).

**Women in the Informal Sector:** Women in the informal sector in Nigeria are a more potent economic force than generally ascribed. As well as dominating low paid traditional areas such as market trading, cooking food and making soap, women are also leading entrepreneurs, establishing new businesses such as hairdressing, "modern" soap making, and garment manufacturing. Some, particularly those in the more modern informal sector trades, operate very successful businesses. Some also specialize in providing training to other informal sector entrepreneurs.


2.11 In secondary towns the cost of an undeveloped stand is much lower, averaging Z$5 per sq. meter in Masvingo. However, the local authorities require that the stand must be erected within 18 months of possession. Acquiring the finances to do this can be a serious impediment for potential entrepreneurs with little capital of their own and uncertain creditworthiness in the eyes of commercial banks. This is particularly troublesome for women who rarely have land title in their own name to be used as collateral.

2.12 Similarly, in the rural areas, the prohibitive cost of building or renting workshops or stalls impels women to operate from their own homes. In rural Murehwa, for example, ENDA (1990) found that two-thirds of the women interviewed in the informal sector operated from their homes, which were often at some distance from their markets. In Murehwa, the local district council's requirement for allocating a stand is that entrepreneurs show proof of liquid assets amounting to at least Z$ 15,000, a major deterrent for women entrepreneurs wishing to locate outside their homes.

2.13 Factors such as proximity to customers or raw material supply play
little or no role in the choice of workplace. The home entails low overhead costs and enables the woman simultaneously to fulfill her family responsibilities, particularly child care. Both time and money are needed to travel to and from the home to a workplace, and both are scarce commodities for a woman with children, a meager income and poor transport facilities. Women entrepreneurs would be willing to pay for creche facilities as is evident from the experience in Mufakose, Harare. There, a creche service facility has been established with the financial support of the Zimbank through its small enterprise unit. Charging Z$70-80 per month, it is successfully servicing the day care needs of women in that locality.

c. Business Practices

2.14 Purchase of Inputs. The informal sector is heavily dependent on the formal sector for the provision of both capital and raw materials. Most of the raw material inputs for six of the main informal sector activities surveyed by ENDA (1990) and shown in Annex IV were obtained from the formal sector; four of these activities were completely reliant on the formal sector. Intra-informal sector linkages are relatively limited. In urban areas, most inputs are available from retail outlets; in rural areas, however, this is not the case and entrepreneurs must incur additional transport costs to secure required inputs from urban centers. Most formal sector suppliers do not provide transport for raw materials. Neither do they provide trade credit so that transactions must be in cash. Even payment by bank cheque is rarely acceptable. As a consequence there is a heavy demand for working capital and ready cash.

2.15 Employment. Informal sector entrepreneurs are reluctant to reveal the number of employees that they have in fear of violating the Labor Relations Act, particularly those sections of the Act dealing with minimum wages, conditions of service and hiring and firing. In line with earlier research findings and a widespread perception that informal sector operators are predominantly self-employed single individuals, the ENDA survey found that the vast majority of their respondents are self-employed. Of the 224 enterprises surveyed, 77 percent were in this category. At the end of the range, 5 percent reported having 5 or more employees. (annex V Table 1) Women entrepreneurs in the informal sector employ both men and women, although women are preferred. While such activities as knitting and weaving, crocheting and food preparation are largely undertaken by self-employed individuals, hairdressing and food vending rely on hired help. This finding suggests that the employment potential of the informal sector in Zimbabwe lies more in the numerical expansion of enterprises, rather than in the expansion of enterprise size.

2.16 Apprenticeship. A limited amount of on-the-job training is taking place through some form of apprenticeship. Both the ILO/SATEP (1984) survey and the ENDA 1990 survey found that about 16 percent of firms had interns employed as trainees. Most were in such activities as tailoring, hair dressing and repair shops. Some paid for their employees' training. There is seldom any contract of apprenticeship in the form prescribed by law. In fact, the whole training process is characterized by a high degree of informality. (This is discussed in greater detail in Chapter 5.)

2.17 Start-up Capital. The ILO/SATEP survey (1984) found that the
average start-up capital for informal sector activities is relatively low at approximately Z$ 750 in 1989 prices. The use of formal credit, however, is minimal. Only 5 percent of the ENDA sample respondents reported obtaining credit from one or other of the established financial institutions, even though institutions such as Zimbank and Barclays have established special schemes to assist small-scale enterprises. Indeed, few entrepreneurs even attempt to obtain credit from financial institutions. ENDA (1990) found that 88 percent of those surveyed in the informal sector have never attempted to secure such credit, due to ignorance of how to apply, concern over ability to repay, or their husband not giving permission to contract it. In 75 percent of the cases surveyed, equity for the establishment of an enterprise in the informal sector was largely obtained from personal savings or family grants. Government assistance is not in evidence. (The issue of credit for the informal sector is more fully explored in Chapter 4 below.)

2.18 **Assets.** Related to the question of start-up capital is asset ownership. Almost all women entrepreneurs own one or other asset such as a machine, equipment or tools. Of the entrepreneurs surveyed by ENDA, only two reported "owning" a vehicle for use in their business. Interpreting this response poses some difficulties because of the uncertain meaning of "ownership", "vehicle" and "business use" attached to these terms by respondents. In response to the questions concerning the value of land and building assets, respondents gave the value of their houses, since this is the dominant work place.

2.19 Among the assets frequently mentioned were sewing and knitting machines. Since these machines are scarce in Zimbabwe, women entrepreneurs travel to South Africa and Botswana to purchase them and sell them at a handsome profit on their return to Zimbabwe. This is an example of an innovative entrepreneurial response to a unfulfilled market demand.

2.20 **Markets.** The vast majority of informal sector entrepreneurs sell their products and/or services directly to private and mostly low-income individuals and households. About 20 percent of the entrepreneurs sell their goods to wholesalers or retailers, and about the same percentage produce goods to order. Selling goods requires a hawker's licence issued by a District Council in rural areas and an Urban Council in urban areas. Typically, a hawker's licence costs Z$10 and is valid for a year. It stipulates the type of goods that can be sold and the areas in which the hawker can operate. The fact is that the majority of women entrepreneurs surveyed by ENDA - 63 percent - did not have a licence. This suggests a substantial number of informal sector entrepreneurs operate illegally.

2.21 **Sub-contracting.** Sub-contracting arrangements with formal sector enterprises are rare; about 14 percent of the women entrepreneurs surveyed by ENDA are engaged in this activity, but the contracts are almost all with enterprises in the informal sector. Most of the women in the informal sector do not know the mechanics of sub-contracting, nor do they feel they have the resources and capacity to undertake it. Although still small in number, there is some evidence that sub-contracting type arrangements are increasing. More loosely defined than sub-contracting, numerous economic relations exist between the formal and informal sectors. They include sales to middlemen of garments and crochet work which are then sold to department stores and supermarkets, and
various intra-informal sector arrangements such as upholstery enterprises purchasing wooden frames from carpenters. The Confederation of Zimbabwe Industry (CZI) believes that there is considerable potential for sub-contracting arrangements between large manufacturing enterprises and the informal sector. (See Annex VII for CZI's listing of products and services with the potential for subcontracting).

**Box 5: Subcontracting in Indonesia**

As concern grows over the small share of manufacturing in total employment and the considerable gap between the traditional small scale and the large modern manufacturing sector, Government planners and policymakers in Indonesia are reassessing the past performance and future role of the manufacturing sector in the country's economic development. The Government feels that it is necessary to encourage small-scale manufacturing activities and achieve more of a balance between the modern sector and the small-scale sector. The Third Five-Year Plan emphasizes the need to develop the cottage and small-scale industrial sector (CSI). Support to CSI will be in the form of promoting closer coordination among different assistance agencies, opening up new markets for CSI products through subcontracting with the Government, developing bulk procurement schemes, and strengthening various modes of delivering assistance.

Subcontracting as a means of expanding market outlets for CSI products is being emphasized in the Third Plan. Subcontracting arrangements will be encouraged both by a series of incentives such as credit and tax, and by the establishment of an agency that would procure orders for CSI products, allocate those orders among individual firms, and ensure that the orders are met on time and are of the right specifications.

### 2.22 Incomes, Business and Personal Expenditure

Details of earnings and expenditures are notoriously difficult to assemble from informal sector operators. There is a lack of written records, wide seasonal fluctuations and the tendency for entrepreneurs to consume earnings with little or no time lag, making estimation a highly unreliable undertaking. From the ENDA survey, it is possible to piece together an indication of income and expenditure flows. (See Annex 5, Tables 3 and 4, text Table 2.3 and Figure 2.1, below.) Based on the sample information, ENDA estimates the mean monthly turnover of women entrepreneurs at Z$ 853. For Harare, it is higher at Z$ 940. It is estimated further that in Harare, 74 percent of gross earnings goes towards covering business expenses, including utilities, rent, transport, wages and salaries and repairs; this yields an average monthly net income for Harare entrepreneurs of Z$ 243, a figure cited earlier in this Chapter. This is to be compared with the monthly minimum wage of Z$ 116 for women engaged in domestic service in the formal sector.

A number of cross-tabulations from the ENDA (1990) survey data and presented in Table 2.3, show a positive relationship between median monthly incomes of women entrepreneurs in the informal sector and level of educational attainment. In respect of gross incomes, the relationship is especially strong, suggesting that with a completed secondary level education, one can expect to earn double the monthly income of those with only some primary level education. While the relationship in respect of net monthly incomes\(^2\) is not quite so strong, nonetheless there is a significant difference in income earned between those

\(^2\) Net income, presumably is derived after deducting business operating expenditures. The data are not available to match expenditures to gross income flows.
entrepreneurs who have had some or completed secondary level education and those who have, at most, completed primary. These findings from the informal sector of Zimbabwe serve to confirm a fairly universal correlation between educational attainment and earnings.

2.24 The ENDA survey also obtained information on the composition of business expenditure and on personal or household expenditure. These are presented in Figure 2.2. It is of interest that transport was the largest single expenditure item, accounting for 26 percent of the total. Personal expenditure categories include food, clothing, education, health, rent, transportation and remittances to family members outside the household. The largest items of personal expenditure were food (Z$ 100), clothing (Z$ 50) rent (Z$ 49) and remittances (Z$ 46), followed by education (Z$ 30). It is also apparent from the survey data, that entrepreneurs located in Harare pay much more for their household and personal needs than do women entrepreneurs in Masvingo or Murehwa, as one would expect.

2.25 The cross tabulations relating median monthly household expenditures to educational attainment level (as shown in the last column of Table 2.3) or between the composition of household expenditures and education do not reveal a meaningful correlation. However, comparing the levels of monthly net income with those of household expenditure at each level of educational attainment shows that household expenditures exceed net income. This confirms a survey finding that women’s income from informal enterprise activity is a supplement - albeit an important supplement given the average size of family and dependents numbering eight all told - to incomes obtained from other sources. Since almost two-thirds of the respondents were "married" (see Annex Table 5) the other sources are likely to be mostly spouse earnings.

Table 2.3: Relationship Between Income, Expenditure and Educational Attainment

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>Median Monthly Gross Income (Z$ per month)</th>
<th>Median Monthly Net Income (Z$ per month)</th>
<th>Median Monthly Personal Expenditure (Z$ per month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Some Primary</td>
<td>172</td>
<td>110</td>
<td>152</td>
</tr>
<tr>
<td>II. Completed Primary</td>
<td>200</td>
<td>100</td>
<td>300</td>
</tr>
<tr>
<td>III. Some Secondary</td>
<td>300</td>
<td>180</td>
<td>315</td>
</tr>
<tr>
<td>IV. Completed Secondary</td>
<td>375</td>
<td>150</td>
<td>308</td>
</tr>
<tr>
<td>All Levels</td>
<td>250</td>
<td>125</td>
<td>305</td>
</tr>
</tbody>
</table>

Source: ENDA (1990) Survey
Figure 2.1: Distribution of Monthly Gross and Net Income in Harare, Masvingo and Murehwa (Z$ per month)

Gross Income for Harare

<table>
<thead>
<tr>
<th>Number</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200</td>
<td>7</td>
</tr>
<tr>
<td>$250</td>
<td>6</td>
</tr>
<tr>
<td>$300</td>
<td>5</td>
</tr>
<tr>
<td>$350</td>
<td>4</td>
</tr>
<tr>
<td>$400</td>
<td>3</td>
</tr>
<tr>
<td>$450</td>
<td>2</td>
</tr>
<tr>
<td>$500</td>
<td>1</td>
</tr>
</tbody>
</table>

Net Income for Harare

<table>
<thead>
<tr>
<th>Number</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200</td>
<td>7</td>
</tr>
<tr>
<td>$250</td>
<td>6</td>
</tr>
<tr>
<td>$300</td>
<td>5</td>
</tr>
<tr>
<td>$350</td>
<td>4</td>
</tr>
<tr>
<td>$400</td>
<td>3</td>
</tr>
<tr>
<td>$450</td>
<td>2</td>
</tr>
<tr>
<td>$500</td>
<td>1</td>
</tr>
</tbody>
</table>

Gross Income for Masvingo

<table>
<thead>
<tr>
<th>Number</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200</td>
<td>5</td>
</tr>
<tr>
<td>$250</td>
<td>7</td>
</tr>
<tr>
<td>$300</td>
<td>3</td>
</tr>
<tr>
<td>$350</td>
<td>2</td>
</tr>
<tr>
<td>$400</td>
<td>1</td>
</tr>
</tbody>
</table>

Net Income for Masvingo

<table>
<thead>
<tr>
<th>Number</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200</td>
<td>5</td>
</tr>
<tr>
<td>$250</td>
<td>7</td>
</tr>
<tr>
<td>$300</td>
<td>3</td>
</tr>
<tr>
<td>$350</td>
<td>2</td>
</tr>
<tr>
<td>$400</td>
<td>1</td>
</tr>
</tbody>
</table>

Gross Income for Murehwa

<table>
<thead>
<tr>
<th>Number</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200</td>
<td>4</td>
</tr>
<tr>
<td>$250</td>
<td>3</td>
</tr>
<tr>
<td>$300</td>
<td>1</td>
</tr>
</tbody>
</table>

Net Income for Murehwa

<table>
<thead>
<tr>
<th>Number</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200</td>
<td>4</td>
</tr>
<tr>
<td>$250</td>
<td>3</td>
</tr>
<tr>
<td>$300</td>
<td>1</td>
</tr>
</tbody>
</table>
Figure 2.2: Median Monthly Business & Personal Expenditures
(Z$ per month)

Part A: Business Expenditures

- Lights & Water 24.1% (Z$52)
- Wage & Salaries 10.6% (Z$23)
- Repairs 17.1% (Z$37)
- Transport 25.9% (Z$56)

Total: Z$216

Part B: Personal Expenditures

- Food 32.8% (Z$100)
- Clothing 16.4% (Z$50)
- Transportation 6.6% (Z$20)
- Remittances 14.8% (Z$45)
- Education 9.8% (Z$30)
- Health 3.3% (Z$10)
- Rent 16.4% (Z$50)

Total: Z$305
2.26 **Performance.** A number of women's activities in the informal sector have shown to be especially profitable. Food processing, bakeries, tuck shops (carry-out) and food catering have done well. Bakeries have become an increasingly popular activity for women's groups. Tuck shops and food catering have responded to a growing demand in urban areas, although the unavailability of credit and land are constraining factors. Grain mills have also performed well as a group activity, and further expansion appears possible provided adequate training and credit are provided. Production of sunflower oil and peanut butter has also been expanding to meet a growing urban demand.

2.27 In the area of cottage industries, wire, brickmaking and soap making have proven profitable, but the lack of working capital and technical business training are impediments to further growth. Other cottage industries such as vaseline and lotion making and handicrafts have not done particularly well. Tailoring and knitting/crocheting have been highly successful operations where they produce higher quality products that can be sold abroad or to local department stores. However, only a small minority of enterprises are able to supply these markets due to a lack of quality control, low design standards and poor marketing information.

2.28 In the category of trade and services, hairdressing appears to have been profitable, although a comparatively large capital investment is required to launch this business. There is a high demand for hairdressing services in urban areas. Firewood trading has had modest success; it is an activity that depends heavily on ready access to a means of transport. In any case, this activity faces stagnation, if not decline because of increasing environmental concerns with deforestation. Finally, in the area of agricultural products, beekeeping, fish breeding and poultry raising have been moderately lucrative, but could do better with proper training, technological input, and marketing assistance. The growth potential of informal sector activities is further discussed in Chapter 6, below.

2. **Characteristics of Women Entrepreneurs**

a. **Historical Development**

2.29 Women's current role in the formal and informal sectors is in large part a reflection of historical developments under colonialism. When colonial settlers appropriated most of the fertile land in the country, the native population was displaced to the peripheral, subsistence "Tribal Lands". Much of this land was in the poorest agricultural regions far removed from essential services and communication. Black "farmers" were male; females simply worked the land. There is no record of female ownership of land during this period. Even the most recent resettlement schemes have discriminated against women as landowners.

2.30 Through legislation (e.g., the Land Appropriation Act of 1930; the Maize Control Act of 1931; and the Tobacco Act of 1936) the white settlers not only transformed the most fertile lands into agro-industries producing cash crops for export, but also effectively prevented any indigenous competition.
With respect to both commercial farming and extractive mining, capital-intensive modes of production were employed. This, in turn, produced a large force of unskilled male wage-laborers and the associated marginalization of women in domestic subsistence units. As administrative posts and market towns developed, additional labor was required to service the white households as domestic servants. "It was nearly always the male laborers that were wanted. The white man's perception of African women was even lower than the one he had of his own women. He saw them as purchased chattel living in a backward society."\(^3\) The majority of women were thus left to take care of the young and elderly, as males became migrant labor on the farms and in the mines. This marginalized women into subsistence production and allowed the maintenance of low wage levels for male labor supported by female subsistence food production.

2.31 The advent of a monetized economy and the subsequent gender division of labor ignored women's economic activities and potential. The passing of measures in the 1920s calling for cash payment of taxes and other levies compelled African male labor into the monetized economy. At the same time, women found themselves ineligible for paid employment, although they often assisted their husbands in producing cash crops. More importantly, female-headed households now needed money for school fees for their children and to survive in a cash economy. There were few employment opportunities in the subsistence sector. "It was the ability to earn a wage that now conferred status. Although women had taken on many of the responsibilities previously held by men, it did not raise their status in the new economic order. In addition, women lost some of the security that they had previously held under traditional social organization. Family life was shattered with male migration, often with the men only able to return once a year to the reserves."\(^4\)

2.32 Even today, about 80 percent of women in Zimbabwe live and work in rural areas. With continuing male migration, women's workloads have increased as they take on tasks previously done by men, such as clearing the land. And while a small but growing number of women are taking up employment in the formal sector, two-thirds are in agriculture, mostly as casual laborers on commercial farms.

b. Women in Formal Sector Employment

2.33 Comparatively few women - only 17 percent of the female labor force - work in the formal sector. The formal sector activities in which women are most heavily engaged are paid agriculture - primarily as casual laborers on commercial farms, community and social services - particularly in health and education, and wholesale and retail trade. The large proportion of women in the health sector - - 64 percent of total employment in the sector -- reflects the traditional role of women in this activity, but it is also one of the two professions (the other being teaching) that was open to black women before Independence. The low

---


\(^4\) ibid. p.6.
proportion of women in the restaurant and hotel industry (17 percent) and in welfare institutions (28 percent), which are predominately female activities in other countries, indicates the extent of the marginalization of women in the Zimbabwean formal sector.

c. Characteristics of Women in the Informal Sector

2.34 Women constitute a majority in the informal sector in Zimbabwe, as shown in Table 2.1 above. Although reliable national data on informal sector employment disaggregated by gender do not exist, available survey data clearly show their preponderance. Using the advance 1982 Census Report, Brand (1982) estimated that approximately 90,000 women and 20,000 men were working in the informal sector. The ILO/SATEP (1984) study estimated that 90 percent of those working in the informal sector in Zimbabwe are women, while Jassat and Jirira (1987) estimated that as many as 92 percent of the women in Zimbabwe are engaged in informal sector activities. Official estimates from the Labour Force Survey for 1986/87 (and presented in Table 2.1 above) shows that of the 231,000 employed in the informal sector, 148,000 or 64 percent were women. However, as previously noted, the official estimate of the numbers engaged in the informal sector is judged to err on the low side. The same is true of the estimate of the proportion of females.

2.35 Why are women attracted in such large numbers to work in the informal sector? The short answer is that they work in such activities because of economic necessity; they seek a ready source of income which can be generated with very little capital, limited skills and few if any supporting services. For both urban and rural women, informal sector activities are very important contributors to their own welfare and that of their families. As the UNICEF Situational Report notes: "...for many, these activities are not simply a convenient means to useful household subsidies, they are a matter of life or death for families where the husband provides little or no income. Urban women who come from the divorced, separated, deserted and widowed categories are particularly vulnerable in this regard."5 Brand's study (1982) of informal sector activities in Magaba, Harare, also concludes that the income earned by women in this sector was crucial to their livelihood. In many ways, the situation of women in towns is more difficult than in rural areas since the former provides little to fall back on. The difficulty of survival in urban areas has forced women into illegal activities such as beer brewing and prostitution.

2.36 Women with little education and few opportunities for paid employment have turned to such activities as tailoring, crocheting, tuck-shops, vegetable growing and retail selling. These women lead a precarious existence, being subject to frequent police harassment in urban areas when found operating in unauthorized places. Rural women are at the mercy of some unscrupulous individuals and unemployed gangs of young men (makoronyera) who force them to sell their products at low prices which they in turn sell to city vendors at above normal profit.

2.37 **Age.** The ENDA survey of the vital statistics of women in the informal sector found that 62 percent are between the ages of 25 and 45 years as compared with the finding of the Labour Force Survey of 1986/87 which showed 42 percent in the same female age group. It would appear, therefore, that the informal sector has attracted a much higher proportion of females in their prime productive years than have other activity sectors. It is worth noting that the ILO/SATEP (1984) survey found that 60 percent of the informal sector interviewees—including both men and women—were between 25 and 45 years.

2.38 **Marital Status.** In her survey, Brand (1982) found that 32 percent of the respondents were married and the rest unmarried, but many of the latter were heads of households. However, the more recent 1990 survey by ENDA, contradicts this finding and its implication that widowed and divorced women were seeking a living in the absence of a stable family support system. According to the ENDA study, 64 percent of the respondents are involved in monogamous (59 percent) or polygamous (5 percent) marriages, while only 11 percent are widowed women entrepreneurs and 10 percent divorced. Thus, female-headed households (i.e., where the women is single, divorced or widowed) appear to be less numerous than suggested by earlier research, but still constitute 31 percent of the combined sample total and 38 percent in Harare alone. (See Annex V, Table 5). The ENDA survey also reveals that the average family of women entrepreneurs in the informal sector comprises four children and two dependents other than the immediate family.

2.39 **Education.** Earlier research findings indicate that women in the informal sector are highly literate, many completing primary school. These findings are confirmed by the ENDA survey which found that:

- 86 percent of all respondents were literate and 61 percent can read and write in both vernacular and English. Literacy was particularly high among Harare respondents at 91 percent (see Table 2.4); these figures are well above the nationally estimated literacy rate;\(^6\)

- 86 percent had completed 7 years of primary schooling as compared with a primary school completion rate for all Zimbabwean females in 1988 of 56 percent. Further, this can be compared to a primary school completion rate of 85 percent for all (i.e. male and female) informal sector employees, Labor Force Survey 1986/87;

- for a further 22 percent of respondents, the highest level of education attained was Junior certificate and further 14 percent had completed 4 years of secondary school, the latter compared to a national average of 31 percent in 1989 for adult women.

- 1 percent had attained post 0-level education (see Table 2.5).

---

\(^6\) The estimate of female literacy in Zimbabwe for 1982 was 67 percent (World Bank 1986a).
Table 2.4: Level of Literacy  
(Percent of Respondents)

<table>
<thead>
<tr>
<th>Harare</th>
<th>Masvingo</th>
<th>Murehwa</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cannot read and write (illiterate)</td>
<td>9</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td>2. Can read and write vernacular but not English</td>
<td>17</td>
<td>23</td>
<td>36</td>
</tr>
<tr>
<td>3. Can read and write both vernacular and English</td>
<td>74</td>
<td>60</td>
<td>48</td>
</tr>
</tbody>
</table>

100 100 100 100

Source: ENDA (1990)

Table 2.5: Highest Level of Education Attained  
(Percent of Respondents)

<table>
<thead>
<tr>
<th>Harare</th>
<th>Masvingo</th>
<th>Murehwa</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below Grade 7</td>
<td>4</td>
<td>17</td>
<td>23</td>
</tr>
<tr>
<td>Attained Grade 7 Certificate</td>
<td>51</td>
<td>39</td>
<td>61</td>
</tr>
<tr>
<td>Attained Junior Certificate</td>
<td>34</td>
<td>19</td>
<td>10</td>
</tr>
<tr>
<td>Attained &quot;O&quot; Level Certificate</td>
<td>11</td>
<td>21</td>
<td>6</td>
</tr>
<tr>
<td>College or more</td>
<td>-</td>
<td>4</td>
<td>-</td>
</tr>
</tbody>
</table>

100 100 100 100

Source: ENDA (1990)
These findings suggest that the informal sector in Zimbabwe has not yet begun to provide employment opportunities for girl school leavers. But given the comparatively high degree of literacy confirmed by these statistics, it should be easy for these women entrepreneurs to benefit from training to upgrade their business skills and managerial capacity.

Box 6: Educational Attainment in Niger’s Informal Sector

Entrepreneurs in Niger’s informal sector have had little or no formal education. About 60 percent of the entrepreneurs have never been to primary school, while only 14 percent have completed primary school. For all the entrepreneurs surveyed, the average number of years of schooling was only two (the median was 3.7 years) and the number reporting having had some standard vocational training was negligible. It emerges that apprenticeship and/or on-the-job training in the household or family business are the two main sources of acquiring professional skills in the informal sector. On average the informal sector entrepreneurs have had almost 4 years apprenticeship training or 7 years as family assistants in such activities as leatherwork, food processing, metalwork, and meat cutting. Given these techniques of learning, it is not surprising to find that there is a strong intergenerational influence in choice of occupation or activity.

2.40 Employment Experience. Earlier research into the informal sector had led to the assumption that upon leaving school, men would be more likely than women to have attended courses related to their field of work. It was also found that most men in the informal sector had had previous employment experience in the formal sector and had opted for work in the former because of greater and more secure income earning potential. It was commonly assumed, moreover, that women had had little or no formal sector work experience and hence, limited skill training and exposure to the world of work and business.

2.41 The ENDA study presents new evidence that questions the conclusions from earlier research. ENDA’s survey finds that women, especially from the urban areas of Harare and Masvingo, have had some previous experience in the formal sector. Almost 70 percent of the respondents in Harare and Masvingo had either been dressmakers, domestic workers, salesladies, hairdressers or factory workers prior to their entering the informal sector. The respondents in rural Murehwa had much less prior experience. These results suggest that the qualifications of women entrepreneurs in the informal sector have improved significantly in recent years and can be expected, therefore, to show up ultimately in the form of a strengthened entrepreneurial capacity.

C. Concluding Note

2.42 Appearances notwithstanding, operations in the informal sector are characterized by a high level of organization and a system that functions on the basis of its own implicit rules and internal mechanisms. More than half of the women entrepreneurs keep track of their financial affairs using an order book, and about half maintain a register of expenditures and revenues or equivalent bookkeeping system of accounts.

2.43 It is evident from the above description of activities and operator characteristics that the informal sector comprises typically, a motivated and
dynamic entrepreneur committed to their enterprise and determined to make it grow and prosper - a goal that is universally accepted by private business large and small. Moreover, most entrepreneurs in the Zimbabwe informal sector are women who face a number of gender-specific impediments in starting up and operating their businesses. Among the more important impediments reported by the ENDA and other surveys of women entrepreneurs are the restrictive legal and regulatory environment, the lack of access to credit and training and the difficulties in marketing their goods and services. The severity of these impediments have been ranked by ENDA survey respondents, as shown in Table 2.6. A similar ordering of impediments has been found in studies of informal sectors in other countries. Inadequate access to credit, training and marketing and problems stemming from the regulatory environment are clearly priority areas for action. Chapters 3, 4 and 5 which follow, address these impediments and Chapter 6 outlines the policies and programs needed to overcome them.

Table 2.6: PROBLEMS OF WOMEN IN THE INFORMAL SECTOR RESPONDENTS (As of % Total)

<table>
<thead>
<tr>
<th>Problem Area</th>
<th>HARARE</th>
<th>MASVINGO</th>
<th>MUREHWA</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>51</td>
<td>47</td>
<td>19</td>
<td>40</td>
</tr>
<tr>
<td>Marketing</td>
<td>23</td>
<td>20</td>
<td>29</td>
<td>24</td>
</tr>
<tr>
<td>Other</td>
<td>13</td>
<td>9</td>
<td>29</td>
<td>16</td>
</tr>
<tr>
<td>(essentially laws and regulations)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor</td>
<td>4</td>
<td>9</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Management of business</td>
<td>1</td>
<td>3</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Keeping records</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Shortage of w/place</td>
<td>7</td>
<td>8</td>
<td>5</td>
<td>7</td>
</tr>
</tbody>
</table>

|        | 100 | 100 | 100 | 100 |

3.01 This chapter examines the legal and regulatory environment in Zimbabwe as it affects the establishment and operation of enterprises in the informal sector. The laws and regulations emanating from the central government and implemented at the national level exert an indirect impact on informal enterprises. These include the legal status of enterprises and the procedures for changing status from an informal to a formal enterprise, macroeconomic policies, and social legislation affecting the conditions of work. There are also local government laws and regulations which impact directly on informal enterprises. The discussion in this chapter draws heavily on the findings of the ENDA survey (1990) and the Imani Report (1990).

A. Background

3.02 Prior to Independence, government policy discouraged petty-trading and small-scale manufacturing which competed with the production and marketing activities of the formal sector. The discouragement was not through specific legislation directed at the informal sector but by default, informal activities came under the control and, in fact, were discouraged by an extensive system of central government laws and local council by-laws and regulations which targeted formal urban and rural sector activities. Principle among these were the Companies Act of 1973 and the Cooperative Societies Act, Chapter 193, which defined the types of formal enterprises that could do business in Zimbabwe and the manner in which such entities should be managed, the Labour Relations Act, 1985, the Public Health Act and the Factories and Work Act, Chapter 283. At the local level, the Urban Councils Act, Chapter 214 and the District Councils Act empowered local authorities such as municipalities, towns and rural councils to regulate informal sector activities.

3.03 After Independence, the Government's policy statements recognized the important role of the informal sector in providing employment and income opportunities. However, this was accompanied by very few measures in support of the informal sector. The current environment, therefore, is largely an inheritance of pre-Independence laws and regulations, which, as already noted, were designed primarily for the formal sector. There have been some sporadic efforts to assist small scale and micro-enterprises and cooperatives towards this end. The Small Enterprise Development Corporation (SEDCO) Act of 1984 seeks to provide financial and some technical assistance to small-scale enterprises while the Cooperative Society Bill is intended to simplify the process of informal groups registering as a cooperative - currently a slow and cumbersome process. Once registered, cooperatives have access to various support services.

3.04 In the absence of a legal/regulatory environment designed specifically for informal sector enterprises, the latter have had to face a frustrating web of controls and regulations, which are largely irrelevant to their operations, but which must be adhered to nonetheless. One example of irrelevancy and inconsistency concerns bakeries. In January 1989, the Bulawayo City Council announced that it was relaxing restrictions the amount of bread that could be produced by small-scale bakeries in Bulawayo. Previously, production was restricted to 200 loaves a day. However, the remaining restrictions on small bakeries allow them to operate only from 6am to 6pm and the number of employees
was limited to four. The bakeries are only allowed three ovens or 36 Kw. of power and the bread they produce must be sold only at the bakery or an ancillary retail shop. Wholesaling of bread is not allowed.

3.05 To maneuver one's way through such regulations clearly involves considerable cost and time for entrepreneurs. It also discourages them from expanding and thereby becoming more visible, since this would attract the attention of officials responsible for ensuring that the law is observed. It also discourages informal enterprises from becoming formal since they would then have little choice but to obey the laws, some of which, as discussed below, have little relevance for micro and small enterprises and indeed are inimical to them.

3.06 The principle laws and regulations affecting the informal sector can be grouped into three categories:

- those rules governing the establishment of formal enterprises or companies;
- those implemented at the national level, such as macroeconomic measures and social legislation; and
- those implemented at the local level, particularly the regulatory by-laws of local Councils.

B. Legislation Governing Enterprise Status

3.07 To operate as a formal enterprise in Zimbabwe requires registration as a company, a partnership enterprise or a cooperative society.

1. Registration as a company

3.08 Securing company status entails registering in accordance with the Company Act. To register under this Act, a company or association must have more than 20 persons and provide a Memorandum of Association and Articles of Association which set out the company's constitution and the rules for its management. These latter documents are complex and need qualified legal expertise. It costs Z$ 67 to register the company with the Registrar of Companies, and preparation of the registration papers usually costs about Z$500 for professional services. The procedure for their submission and for the registration of the company is cumbersome and can often take as long as six months. The company must also pay for subsequent professional services to maintain books of account and annual submissions. Once the business is registered as a company, the entrepreneur must obtain a trading license from the local council - also a complicated process. In Harare, for example, for the license application to be considered, a notice of intent to carry out a business in a specified locality must first be published in the local newspaper. The notice must be published in two separate issues -- the first must not be more than six weeks or less than four weeks before the date of the meeting at which the application will be considered. The second publication must not be less than one week or more than two weeks after the first advert.

3.09 This type of association is normally chosen by large-scale business
operators with considerable capital, and who are familiar with accounting practices, and can keep their books in order for taxation purposes. As noted in Chapter 2, most informal sector entrepreneurs, especially women, have little formal education and little or no training in running a business and lack the resources to hire the necessary legal expertise. Registering a company, therefore, can be quite formidable for informal sector entrepreneurs.

2. Registration as a Partnership

3.10 A partnership is established by contract between two or more persons. The main difference between a partnership and a company is the fact that a company has corporate status and offers limited liability for its members, while a partnership makes the members jointly and severally liable to its creditors. While somewhat simpler to establish than a company, a partnership requires considerable capital contribution from its partners. It is also regulated in the same way as other formal businesses, requiring accounts to be kept in order by qualified accountants. In practice in Zimbabwe, partnerships are usually family businesses. Provided they have sufficient start-up capital, and can manage the bookkeeping, a partnership offers a less complicated option for informal entrepreneurs to become formal than a company.

3. Registration as a Cooperative

3.11 A cooperative is another option. The Government of Zimbabwe has strongly promoted the formation of cooperatives throughout the country. Over three-quarters of all registered cooperatives were established after Independence. The Cooperatives Societies Act specifies three types of cooperative societies: primary cooperatives, which are associations of at least ten people; secondary societies, which are associations of primary societies; and apex organizations. Membership of all societies is voluntary and open to all aged 18 and above, or who have legally become a major, and all citizens or residents who meet the requirements of the society's by-laws. Cooperatives must register with the Ministry of Community and Cooperative Development (MCCD), which has the responsibility for promoting cooperatives and training its members.

3.12 The Cooperatives Bill offers a registered society corporate status and limited liability for its members. Like a company, a registered society enables its members to carry on a business enterprise while divorcing the company's liability from that of its members despite the fact that members retain control and share the profits of the company.

3.13 For a society to be registered, it must have as its objectives the promotion of its members' economic and social interests and submit to the Registrar a copy of its by-laws prescribing the minimum number of shares in the society to be held by each member, how shares in the society can be redeemed and how shares of an ex-member will be disposed of. Failure to abide by these laws makes the society liable to deregulation.

3.14 The track record of cooperatives in Zimbabwe has been mixed. Cooperatives "continue to be plagued by management deficiencies, under-capitalization and poor operational and financial involvement" (IBRD, 1989, p.8). Of the 1,832 registered cooperatives only a handful have proven
successful, with over 600 now defunct, and many others heavily dependent on donors financially (ENDA, 1990). Most of the registered cooperatives are engaged in services (1144) - particularly agricultural marketing cooperatives (632). Of those involved in manufacturing (277), only 56 percent were "functioning." Despite this poor performance, the Government of Zimbabwe believes that cooperatives have the potential to productively absorb large numbers of people (accurate data on cooperative employment are not available) and provide training effectively to cooperative members. It has become apparent, however, that training programs are not sufficient and must be accompanied by considerable guidance and support. In particular, the failure to identify products or services with good market potential has been a major problem for many new cooperatives.

3.15 Many of the more successful cooperatives -- particularly in manufacturing -- are those which have developed sub-contracting arrangements with larger, established enterprises. The Ministry of Cooperatives and Community Development (MCCD) as well as the Confederation of Zimbabwe Industry (CZI) are presently trying to identify manufactured components required by formal sector enterprises which could be produced by cooperatives on a sub-contractual basis.

3.16 There are several advantages for an informal sector group to be registered as a cooperative. First, it opens up various training opportunities. The Act mandates the MCCD to carry out educational and training programs for members of cooperative societies in order to raise their general and technical knowledge. The Ministry is also expected to assist in the proper utilization and management of the funds of the societies. Second, it enhances the likelihood of obtaining credit from a formal financial institution which is more likely to give credit to a registered cooperative than an unregistered entity. There is also a small financing scheme - the Collective Self Finance Scheme (CSFS) - recently set up by cooperatives to help them obtain bank loans and technical and managerial advice. (Chap. 4 paras 4.49-4.53). Third, it improves the chances of obtaining assistance from local authorities. The Government directive to its departments to assist the informal sector was largely targeted at registered cooperatives. One result of this directive was the Masvingo Town Council setting aside land for market stalls which informal sector entrepreneurs can rent for selling their produce. Fourth, registered cooperatives have purchasing advantages, being able to buy inputs at wholesale price, and being exempt from the 15 percent sales tax.

3.17 To register as a cooperative, however, takes considerable time and effort. Groups may not be registered as a cooperative until they have attained a level of business skill approved by MCCD. For many groups, this requires extensive training in management skills, bookkeeping and knowledge of how to run a business. It also requires considerable time. An official from MCCD must visit groups seeking to register as a cooperative to assess viability. Because of limited resources, staff turnover and inadequate transport, this can take some time. All the cooperatives surveyed by ENDA (1990) complained about the length of time to register -- some citing up to two years. The pending Cooperatives Act aims to simplify and speed-up the registration process. Since registration takes both time and money, MCCD has introduced what are called pre-cooperatives. Pre-cooperatives are entitled to some of the benefits offered a cooperative while waiting registration as a cooperative. Most of the women's groups interviewed
for the ENDA survey were in the pre-cooperatives stage.

C. Central Government Legislation

1. Macroeconomic Measures

   a. Price Control

3.18 Zimbabwe's extensive price control system attempts to reduce the cost of basic foodstuffs and the scarcity rents that could arise from the foreign exchange allocation system or the high degree of concentration spawned by investment controls. However, in trying to solve these problems, price controls have created other anomalies, some affecting informal sector operatives.

3.19 Price controls are enforced in at least five different ways. For many of these basic consumer goods - items which are producible by women entrepreneurs in the informal sector - the tendency has been to set the controlled price at or near the supply price of formal sector firms which benefit from scale economies in production and preferential arrangement in the purchase of inputs. Thus, even when supply bottlenecks emerge in outlying rural areas, the inappropriate controlled price level prevents local women suppliers from taking advantage of this market opportunity.

3.20 Bakeries provide a good example of how price control can adversely affect informal sector activity. Bread prices are controlled by the Government at 68 cents a loaf and failure to sell at the controlled price leads to a fine of at least Z$100. However, for most small informal sector bakeries it is unprofitable to sell at this price. Since formal sector bakeries are having considerable difficulty meeting the local demand for bread, particularly in areas outside the formal marketing outlets, the options have been to go without or to violate the price controls. There is evidence that women bakers in rural areas are producing the bread and selling it at more than the controlled price. One study in the Chimanimani area found that bread produced by women's groups was being sold at least 5-10 cents more than the controlled price.

   b. Foreign Currency Allocation

3.21 Foreign exchange is strictly allocated in Zimbabwe, first to "priority imports" such as fuel, medicines, and tires and the remainder to industry and commerce using historical shares as a basis for the enterprise allocation. Shares are modified to meet the needs of new entrants and in response to changes in the needs of existing firms. In effect, the foreign exchange allocation system acts as a variable quota system whereby the amount of goods imported into the country is determined by quotas assigned by the Government. As in all quota systems, it protects existing firms from international competition. In Zimbabwe, this protection is virtually absolute. First, importation of goods that would compete with domestic production is not permitted, thus allowing firms to operate in the domestic market without competition from abroad. Second, foreign exchange is denied to entrepreneurs wishing to start new firms that would produce goods already produced domestically, thereby also protecting established firms from domestic competition. This is a critical problem for informal sector enterprises which
wish to import needed machinery e.g. knitting and sewing machines, spare parts for such machines and chemicals for tie and dye. These items are often in short supply in Zimbabwe, and while they are available in South Africa and Botswana, foreign exchange is needed to purchase them. For informal enterprises, or new formal enterprises, obtaining such foreign exchange is virtually impossible. As a result, there is allegedly considerable illegal cross-border trade in these items.

c. **Taxation of Formal Sector Enterprises**

i. **Registered Companies**

3.22 Taxation of formal sector enterprises is governed by the Income Tax Act (Chapter 181). Under this Act, all registered companies are required to pay a corporate tax of 50 percent of taxable income. However, actual taxes paid are a relatively modest 28 percent of profits, because of full allowance for new investment expenditure and the treatment of interest as a deductible expense. Combined, these tax provisions constitute a very generous investment incentive (especially loan-financed investment) - one that could result in subsidizing inefficient activities.

3.23 While the larger firms are able to take advantage of these tax deductions, and hence pay a much lower effective tax, this is not the case with informal sector entrepreneurs. The ENDA survey revealed a widespread ignorance about such deductions among informal sector entrepreneurs; for them, the 50 percent tax rate is the effective rate and hence the source of apprehension to becoming formal entities and liable to the high tax rate.

ii. **Partnerships**

3.24 Because they do not have corporate status, partnerships are taxed differently even though they are business ventures. Partners are taxed in their individual capacity and thus liable to personal income tax. The personal (individual) tax regime introduced in Zimbabwe in 1989 operates on a progressive tax rate system for taxable incomes above Z$ 2,251 per annum. The marginal tax rate ranges from 1 percent at the minimum taxable amount to a flat rate of 60 percent for taxable incomes above Z$ 50,000. All individuals are taxed as single, but subject to tax credits awarded for marital status and number of dependents. No deduction other than pension contributions are allowed to individual taxpayers. Partnerships have generally been favored by professionals such as lawyers, doctors and accountants. In comparison with other formal sector entities, partnerships are easier to form, requiring only a basic partnership agreement. The disadvantages that their liability is not limited, and, being subject to the personal income tax regime, they are not able to readily take advantage of tax incentives.

iii. **Cooperatives**

3.25 At present cooperatives, although a formal mode of association, are not taxed. However, the pending Cooperatives Bill has aroused considerable debate over whether cooperatives should be taxed and if so, to what extent. The issue remains unresolved, although the impending Cooperatives Bill implies that
cooperatives, like companies, will have a legal personality independent of its members.

"Every society shall on registration be a body corporate with perpetual succession and, in the name under which it is registered, be capable of holding property, entering into contracts, of suing or being sued and subject to this Act, of performing all other Acts that bodies corporate may by law perform." (Section 21)

3.26 According to the above, once the Bill becomes enacted, cooperatives will thus be liable to corporate taxation but probably at rates lower than those of registered companies.

d. Labor Regulations

3.27 For many employers, the Labour Relations Act No. 16 of 1985 has been highly controversial. The Act sets down the minimum wages for employees in different industries, as well as the conditions under which an employee can be discharged. The law requires that before an employer can discharge an employee, he/she must first obtain the approval of the Minister of Labour and go through a series of appeal offices, including the labour relations office, regional hearings office, and the Labour Relations Board. This can be a lengthy and cumbersome process. It is important to note, however, that this Act is not intended to apply to all industries, but only those where collective bargaining is still undeveloped. Section 6 of the Act stipulates that no employer shall pay a wage lower than that specified for such employee by law. Monthly minimum wages range from Z$ 116 for domestic workers to Z$293 for skilled artisans. While these amounts may be low for those in the formal sector, they constitute a serious impediment to hiring additional labor in the informal sector. From the ENDA survey it is clear that many informal sector firms wanted to hire additional labor, but were discouraged from doing so by the cost involved as well as by the difficulty in discharging workers. The flow of work in the informal sector is not steady. On the contrary, because the workload fluctuates, the informal sector needs the flexibility to hire during peak times and fire when the workload is low. The Labour Relations Act does not accommodate for this work pattern.

3.28 Another aspect of the Labour Relations Act which reduced the maneuverability of entrepreneurs is the barrier discouraging which are impelled to close down. The requirement is that an employer must produce the financial accounts and statements to prove to the Minister of Labour that it is essential to close down the business.

2. Social Legislation

a. The Public Health Act

3.29 The Public Health Act defines the general public health standards that local authorities must adhere to. In terms of Section 10:

"... every local authority ... shall appoint one or more competent health inspectors to assist in carrying out the provisions of this act within its
3.30 The local authorities thus have the responsibility to ensure that the general health standards stipulated by the Act are adhered to through specific regulations. The primary duty of the local health inspector is to maintain public health standards including sanitary standards of his district and report on this to the local authority. In maintaining public health standards, the local authorities have considerable powers of enforcement.

3.31 The Act covers a wide spectrum of activities, affecting most informal sector activities. For example, local authorities enforce regulations in such areas as the washing of clothes to prevent contamination of local water supplies. There are also stringent measures concerning the preparation of food to guard against contamination. Failure to take adequate precautions can result in a fine of Z$ 500. Public health standards must also be met in the construction and maintenance of buildings. The Act also lists conditions defined as "nuisances" and injurious to people's health. Among these are improperly constructed premises, a stream or pool of water which may be a breeding ground for mosquitoes, any premises used for keeping animals or birds and which is not properly constructed and any trade premises not kept in a clean state and free from offensive smells arising from drains or sanitary conveniences, etc. (section 103).

3.32 From discussions with informal sector entrepreneurs and the ENDA survey it is clear that public health regulations are enforced haphazardly. The Municipal Police, sometimes serving as health inspectors, may not be fully knowledgeable about the regulations and hence may demand more from the entrepreneurs than necessary. As the survey shows, the lack of systematic enforcement has meant that some informal sector entrepreneurs are harassed, while others are not. The key question is whether these regulations are excessive in terms of maintaining adequate health standards in the informal sector. There are indications that enforcement easily lends itself to harassment to the point where it becomes very difficult for entrepreneurs to run their businesses.\(^1\)

---

\(^1\) For example, one newly-established tuck-shop owner in a high density area on the outskirts of Harare was clearly of this view. Her small, freshly-painted shop sold local snacks (sadza) mainly to factory workers. She had to have three restrooms - one for men, one for women, and one for workers. Since the shop opened four months ago, local health inspectors have visited the shop, on average, about twice a week. On one visit he came to check for dirt under the fingernails of her two employees. Another time he observed that the proprietor had already taken out meat to discard, fearing it was spoiled. On his next visit, the following week, he informed the proprietor that she was remiss in destroying the meat herself; that, in fact, she should have given it to him to destroy. Eventually, the proprietor visited the Harare offices of the Ministry of Health to enquire what exactly were the health conditions she had to meet. In this case, it seems that the vigilance of the local health inspector was excessive. The obviously unsanitary conditions of other tuck-shops in the area suggests at the minimum an inconsistent enforcement of health standards. The inspector was not insisting that these shops maintain similar health standards.
b. The Factories and Works Act

3.33 The Factories and Works Act defines a factory as follows: "Any premises on which any person performs work in connection with any business, undertaking, or institution, whether as an employer or employee, pupil or inmate of an institution...", but it does not include: "any premises on which fewer than 5 persons perform work in any activity unless mechanical power is used."

3.34 The Act stipulates that any person who intends to erect or use a building as a factory must possess a factory license. Application is made to the Factories and Works Department of the Ministry of Labour, Manpower Planning and Social Welfare. Once the application is submitted, factory inspectors are sent to the site of the factory to ensure that the building is suitable for the purpose for which it is proposed to be used, and that it conforms to the building regulations, particularly in regard to its drainage and sanitary facilities and ventilation systems. These inspectors work closely with the Building Inspectorate of the local council, and they visit the site at four stages of construction. Non-compliance with the approved plan can result in costly adjustments. Delays can arise when the building inspectors fail to visit the site promptly. The Act also requires the factory owner to take precautionary measures against accidents to persons employed on structural work.

3.35 The ENDA survey reports that informal enterprises -- even those with less than 5 employees -- complained of being harassed by the municipal police (who's duty it is to enforce the local authority by-laws) about the condition of their place of work or machines they operate. Dressmakers and tailors, for example, complained of being instructed by the police to link up with other dressmakers and construct a "proper" factory for their place of work. To do business as a tailor or dressmaker, requires a license (costing Z$ 300 a year) under the Shop Licenses Regulation, No. 40/76. Thus when women are harassed by municipal police for making clothes at home, it is partly because the law requires them to set up their sewing machines in a shop and produce and trade under license. There may also be the concern that using electrically powered sewing machines out of their home could be hazardous. Similarly, women involved in soapmaking in Masvingo were instructed by the police not to cook their soap at home but to do this in a "properly constructed factory." The reason cited was concern over the potential danger of using chemicals such as caustic soda in the home. The non-economic reasons impelling women to work out of their homes have already been noted in Chapter 2 above, but a likely additional economic deterrent for the typical women entrepreneur in the informal sector is the cost of a shop license.
D. Local Government Legislation

1. Urban Councils, District Councils and Rural Councils Acts

3.36 Passed by the Central Government prior to Independence, these Acts govern many aspects of informal sector activity. They divide the country into urban/town areas, district/communal areas and rural or commercial farming areas. The Urban Councils Act, Chapter 214, empowers Town Councils and/or Municipalities to regulate formal and informal activities in the urban areas. The District Councils Act empowers District Councils (under which growth points and communal areas fall) to regulate formal and informal activities in their respective districts. The Rural Councils Act, Chapter 22, on the other hand, empowers Rural Councils to regulate land distribution in the rural areas - primarily the commercial farming areas. Since pre-Independence policy did not encourage petty trading in the commercial farming areas, the Rural Councils were left to deal primarily with land distribution and not informal sector business.

3.37 Empowered by these Acts, local councils have enacted by-laws which generally embody the conditions expressed in the Acts. Council by-laws regulate the informal sector in three ways: i) they regulate the types of goods produced and services which can be undertaken, the conditions under which they are produced, and, on occasion, the size and characteristics of the product; ii) they control street hawking through licensing; and iii) they control land use.

a. Regulation of Goods and Services of the Informal Sector

3.38 Through the enactment of by-laws, the Councils set down the public health and building standards required for the production of a specified good. They also stipulate the terms under which an operator can sell products. The coverage and terms of these by-laws differ among Councils. The Harare Licensed Premise By-law, for example, states that the Council will issue a license for a food-handling business only if that business complies with the health and building standards established by the By-law. These standards include such requirements as connecting to Council water supply (or a supply approved by the Council), floors of the premises constructed of cement or concrete, walls constructed of brick, concrete or other approved material, adequate storage facilities and sanitary accommodation for both men and women.

3.39 The same By-law stipulates the types of businesses for which licensed premises are required. Among those listed are bakeries, hairdressing, laundry, and food-related businesses - all predominantly female activities. While the commodities or types of business allowed differ from council to council, as do the by-laws regulating their production, the conditions required for the production of foodstuffs are uniform throughout the country.

3.40 The Masvingo Licensed Premises By-laws are particularly stringent on those aspects pertaining to the health standards of premises where food products or food related products are produced. For example, premises which are intended to be used as a bakery must have a "badehause" (bathroom with washing facilities), a storeroom, and changerooms; the total area of windows in each room must be equal to at least 1/70 of the total area of the floor; etc.
Similarly, hairdressing premises must provide every wash basin with an operating chair and an adequate supply of hot and cold water connected to the basin, a serious constraint for many of the hairdressers interviewed by ENDA.

3.41 These by-laws have an extensive list of requirements which, in practice, are beyond the capacity of many informal sector entrepreneurs. Moreover, many are unnecessary and nonsensical. While adequate public health standards obviously have to be met, the issuing of specific guidelines to entrepreneurs on what they need to do to meet such standards, and also to local health inspectors to help restrain excessive vigilance bordering on harassment on their part, would be extremely beneficial. Hawkers must obtain a licence from the local authority entitling them to sell specified goods in a specified area for a period not exceeding one year. Fees, varying from one local authority to another, are charged for hawkers' licenses. The range of goods which are permitted to be sold differs widely depending on the local authority. In Harare, for example, the Second Schedule of the Harare Hawkers and Street Vendors By-Laws, 1978, permits licensed hawkers to sell foodstuffs, such as bakery products, raw fruit, vegetable and fruit juices. In Murehwa, on the other hand, the District Council By-Laws do not allow the sale of grocery items and foodstuffs, but allow such items as clothes and kitchen utensils. Locations also vary depending on the local jurisdiction. In Harare, for example, hawking is not allowed within 100 meters of any shop or store or within specified areas. The Murehwa District Council also prohibits hawkers from operating within 5 kms. of the Murehwa Business Centre, thereby distancing hawkers from potential customers.

b. Control over Land Use

3.42 Zoning regulations are governed by the Regional, Town and Country Planning Act No. 22 of 1976. Their main objective is to ensure an orderly development of cities, towns and districts in Zimbabwe. The local councils formulate plans for all areas falling under their control ("state land"). The councils own this land under a Deed of Grant signed in 1890, and have the power to plan and allocate its use. They can also acquire land by purchase or expropriation. City councils are empowered to appropriate land in urban areas, rural councils oversee land in the commercial farming areas and district councils can appropriate land in the communal areas and growth points. What most councils in fact do is to subdivide their designated land for residential, industrial and commercial purposes. Construction of complexes or use of any building in these areas must strictly observe the stipulated regulations. Contravention of the law can result in eviction or prosecutions. Land set aside for informal sector operations is often used for erecting market stalls where the informal sector entrepreneurs can sell their goods. Land is also set aside for such informal activities as car repair, wiremaking, etc. Most councils, other than Harare, have considerable land under their jurisdiction.

3.43 The new Rural District Councils Act No. 8 of 1988, abandons the distinction between commercial and communal farming areas and amalgamates these under what are called Districts. This Act, therefore, does not affect urban land nor the Urban Councils Act. Although this new Act was passed in 1988, the areas constituting the new rural districts have not yet been demarcated. Neither have the rural district councils been established by the Minister of Local Government, Rural and Urban Development. When this new Act comes into force, rural district
councils will have considerable power to alienate or expropriate all land falling under its jurisdiction.

3.44 Despite Government directives to the various Councils to assist informal sector activities and cooperatives, few have done so. One notable exception is the Masvingo Town Council which has allocated land to registered cooperatives, particularly women's cooperatives, and provided them with managerial training programs.

3.45 An additional point worth noting concerns title deed. Land acquired under the Urban Councils Act is transferred under a title deed which gives the purchaser exclusive rights over the land. However, not all land acquired under the new Rural District Act is automatically entitled to a title deed. Steps are being taken by the Government to provide title deeds to land in growth points. For example, in a recent proclamation by the Minister of Local Government, Urban and Rural Development, several growth points were granted title deeds. Possession of title deed not only gives security of tenure, but also helps in getting a loan from a bank, since title deeds are the most common form of collateral. It is not clear at this point whether women will be given an equal opportunity to secure title deeds to land, although clearly this will be extremely important.

3.46 The Councils also have the power to set aside land or premises for markets and sub-divide such land into stalls or stands. For example, under the Harare (People's Markets) By-Laws of 1983 an application must be made and appropriate fee paid before a permit is issued for use of a stand/stall for a specified period of time. Permits are usually issued for a year and can be renewed on expiry. The fees charged differ; the Harare Council, for example, charges Z$22 per year for a market stall while the Murehwa District Council charges only Z$5.50 a year for use of a market stall. Throughout Zimbabwe, the stall users are mostly women. Stalls are generally in short supply, particularly in Harare. As a result, women vendors resort to street hawking or, at times, illegal shelter vending.

3.47 It is both expensive and difficult to purchase land for business purposes. Again, each local jurisdiction has its own conditions, and small scale entrepreneurs are often excluded by the amount of capital needed to purchase land and by conditions imposed on its development. The Murehwa District Council, for example, requires a minimum capital of Z$ 15,000 before it will lease land to an applicant. The Council also stipulates that the land must be developed within two years - developed in the sense that a building is erected and sewage and health conditions observed. Ownership of the land is not conferred until it is developed and development must have commenced within 9 months of the contractual agreement.

E. Concluding Note

3.48 To legally operate a business in Zimbabwe -- even one in the informal sector -- is not easy. An intricate web of laws and regulations must be met. These laws and regulations are in large part a hangover from the pre-Independence era, and are not designed to encourage small-scale and micro enterprise activity. Indeed, they seem designed more to discourage competition
for the established business sector. Some of these laws and regulations emanate from the central authorities, while others are from local authorities. The latter differ widely both in terms of charges for licenses, coverage of regulations, and interpretation of central authority laws and regulations. Furthermore, local laws and regulations lack clarity and therefore provide law enforcement officials the opportunity for excessive vigilance that borders on actual harassment. Under such conditions, the potential for corrupt practices is obvious.

Clearly, laws and regulations are needed for an orderly development of economic activities, to promote safe practices, and to generate revenue for both central and local authorities. But a balance needs to be struck between such objectives and that of enabling businesses -- particularly small and new businesses -- to flourish. The challenge for the policymaker and implementor is to strike the correct balance so as to promote growth with equity, and the recent appointment by Government of a committee to review local government and other regulations should help meet this challenge.
4.01 Among the most serious problems faced by informal sector entrepreneurs, especially women, is their limited access to the finance needed to start up and efficiently operate a business. That such problems present themselves in Zimbabwe is anomalous given the comparatively advanced stage of development of the private financial sector on the one hand, and the commitment of the Government soon after Independence to support the growth and development of the informal sector, on the other. This Chapter addresses this anomaly. First, it describes the financial services currently available in Zimbabwe; second, it assesses their potential for assisting the informal sector; and third, it proposes ways and means of realizing this potential.

A. Financial Services

1. The Structure and Functioning of the Financial Sector in Zimbabwe

4.02 The financial sector in Zimbabwe is unusually deep and well-developed for a Sub-Saharan African country. It has a highly sophisticated financial intermediation system with a broadly based institutional structure spanning banks, finance companies, pension funds and insurance companies. The British influence is strong; the commercial banking sector is dominated by branches and subsidiaries of British banks, and the structure of financial intermediaries and the capital market is similar in the two countries. In terms of the overall degree of financial intermediation, Zimbabwe's financial sector performance compares very favorably indeed with other middle-income countries.

4.03 Prior to Independence, the financial sector developed mainly to serve the interests of the commercial farmers, large mining companies, and the urban-based industrial and commercial interests. In the first few years after Independence, this role remained unchanged. However, since the mid-1980s the financial sector has increasingly concentrated on mobilizing private savings to meet the borrowing requirements of the public sector. By the same token, formal sector enterprises have increasingly had to rely on self-financing (i.e. retained earnings and depreciation allowances) for their long-term capital requirements; short-term financing, however, is still provided by the financial sector.

4.04 The financial system has played little or no role in providing credit to the informal sector. As noted above, the main clients of the financial sector, apart from the Government, have been the commercial farmers, the mining industry and the larger industrial and commercial enterprises. Very little credit has been extended to small-scale enterprises in the formal sector, and hardly any to the informal sector. The latter have had to rely almost entirely on their own or family resources.

4.05 This is not surprising. For any financial institution, lending to small and micro enterprises -- particularly those newly-established -- is not particularly attractive. These enterprises often have no track record, few securable assets, and limited managerial and technical skills. This means that the financial institution has to devote more of its time and other resources to
checking the viability of the proposed project plan as well as the viability of the enterprise. This is both more costly and more risky than lending to larger companies. Earlier research has estimated the transaction costs of lending to small enterprises to be around twice that of medium and large scale enterprises.¹

2. **Start-up Capital in the Informal Sector: Demand and Supply**

   a. **Credit Needs**

   Entrepreneurs in the informal sector require credit to invest in fixed assets such as land, buildings and equipment, and to finance working capital needed for labor and raw materials. The amounts needed vary according to the activity, but are generally relatively small. Of the activities surveyed by ENDA, the largest start-up costs were for grinding and milling, requiring around Z$ 30,000; hairdressing, needing imported equipment amounting to Z$ 12 - 15,000, and dressmaking/tailoring for which imported sewing machines cost up to Z$ 20,000. Other activities required considerably less start up capital. For example, knitting machines, imported from South Africa, cost around Z$ 5,000; to establish an emergency taxi service, second-hand cars can be obtained for between Z$ 5,000 and 8,000; initial investment for beekeeping requires about Z$ 5,000 for up to 200 hives.

   b. **Sources of Start-up Capital**

   Of the small amount of formal credit extended to the informal sector, that lent to women entrepreneurs has been insignificant. Survey results clearly show that the main sources of funds for informal sector enterprises are own personal savings and gifts or loans from family members. ENDA, for example, found that 57 percent of the surveyed informal sector entrepreneurs financed start-up capital for their businesses from personal savings. This is shown in Table 4.1 below. Jassat and Jirira (1987) found that the main source of start-up capital was loans from household members (41 percent of total entrepreneurs surveyed) with personal savings the second most important source (24.6 percent of those surveyed). Very few women entrepreneurs surveyed obtained start-up finance from formal financial institutions - only 3 percent in the ENDA survey and 0.4 percent in the Jassat and Jirira survey. It may also be noted that only 1 percent of all respondents reported getting help from the Government. Interestingly, the survey reveals that informal financial systems play a relatively modest role in financing start-up capital, unlike the situation in many other developing countries. For example, private money lenders are illegal in Zimbabwe and given the authorities' ready capacity to enforce compliance, the development of private money lending has been deterred. Similarly, rotating savings and credit associations (ROSCAs) also do not constitute a main source of start-up capital, due to the small size of the savings in these schemes, and the common practice of using such savings for purchasing household durables rather than enterprise investment. This is discussed further in paras 4.54-4.60 below.

Table 4.1: Sources of Funds for Starting Informal Sector Businesses  
(Percent of Sample)

<table>
<thead>
<tr>
<th>How did you get the money to start</th>
<th>Harare</th>
<th>Masvingo</th>
<th>Murehwa</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal savings</td>
<td>64</td>
<td>58</td>
<td>47</td>
<td>57</td>
</tr>
<tr>
<td>Helped by family/grant</td>
<td>17</td>
<td>25</td>
<td>11</td>
<td>18</td>
</tr>
<tr>
<td>Helped by government</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Inherited the enterprise</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Loan from the bank</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Borrowed from a friend</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>12</td>
<td>11</td>
<td>35</td>
<td>19</td>
</tr>
</tbody>
</table>

100 100 100 100

Source: ENDA, 1990

4.08 As these survey results show, entrepreneurs in the informal sector use very little credit from formal financial institutions. In fact, women are particularly disadvantaged in access to credit for two reasons. First, because women rarely have land title in their name, they lack the collateral generally needed by commercial banks for a loan. Second, they have very limited experience in dealing with formal financial institutions, especially in borrowing money in their own right; it was only in 1982 that women were legally recognized as adults and hence able to enter into legally binding contracts without the consent of a husband or male relative. Nor is this right universally accepted throughout Zimbabwe; as recently as 1989 it was challenged in the courts. The Agricultural Financial Corporation (AFC), for example, was recently sued by a man who claimed that the AFC breached the law by providing his wives with credit. He claimed that since he owns the land, he also owns its produce, and therefore the women do not have the right to use the produce of his land to repay a loan. While the suit was unsuccessful, it indicates the difficulties women have in applying for credit.

3. Financial Institutions Potentially Relevant for the Informal Sector

4.09 Among the financial institutions -- both private and public -- now operating in Zimbabwe, none have focused their activities on the informal sector. Some specialize in lending to small scale and micro enterprises, but essentially confined to the formal sector. There is, however, considerable potential for expanding their terms of reference to include financing small-scale and micro enterprises in the informal sector as well.
4.10 The exclusive objective of the Small Enterprise Development Corporation (SEDCO) is to provide financial and management assistance to small-scale enterprises (SSEs). Established in 1984 as a development finance institution under the Ministry of Trade and Commerce (now the Ministry of Industry and Commerce), with a capital of Z$ 5 million, it has since grown in experience and activity. Although the objective is to foster productive investment in all activities in Zimbabwe, SEDCO has so far confined its lending to the formal sector. In the financial year ended 30 June, 1989, the Corporation had approved loans worth Z$ 11.3 million to 267 clients. It provides packages of loans, entrepreneurial and managerial training, and management counseling to existing and potential entrepreneurs. SEDCO's Head Office is in Harare, with branch offices in Harare, Bulawayo, Gweru, Mutare, and Masvingo. SEDCO's total staff numbers 84 -- 57 professionals and 37 support staff.

4.11 SEDCO provides loans for financing fixed capital such as land and/or buildings, pre-operational interest and working capital. The loans are either short-term (repayable over 3 years), medium-term (repayable over 5 years) or long-term (repayable over 5 to 10 years). SEDCO's interest rates are 16 percent for projects in rural areas and 18 percent for projects in urban areas - slightly less than commercial interest rates but higher than the rates set by the Reserve Bank for bank lending to SSEs (15.5 percent). SEDCO's loan application cycle comprises five major stages: enquiry, application, review, appraisal/evaluation and approval. The loan applicant is required to call in at any of the regional offices, where an interview will be conducted. The applicant will be told of the loan requirements which can differ from project to project and the applicant may be issued with an application form.

4.12 Among SEDCO's loan requirements are:

- fully completed application form
- copy of registration certificate of organization
- memorandum and articles of association/partnership agreement/constitution
- copy of lease agreement/title deeds
- proof of ownership of assets offered as collateral security
- operating permit/license
- proof of availability of guarantor and proof of guarantor's ownership of assets offered as security
- proof of demand for product or service
- performance record of business - profit/loss accounts and balance sheets, etc. - or projected performance of new business
- proof of availability of equity contribution or proof of past investment into business
- agreement of sale where proposition involves ongoing concern
- any other documentation considered helpful.

4.13 SEDCO has eight criteria to evaluate a project. These are:

- commercial profitability
- creation of employment and skills development

44
4.14 SEDCO promotional materials are available from the Head Office in Harare, the Branch Offices and they are also available from some major financial institutions. Clients have to pay for insurance, legal, training, consultancy and SEDCO administration. A minimum equity contribution of 10 percent for loans up to Z$ 20,000 and 15 percent for loans over Z$ 20,000 is required.

4.15 Plans are underway for the Research and Development Division to carry out feasibility studies to establish possible investment opportunities. Identified projects would be offered to beneficiaries interested in setting up in that line of business. A comprehensive business support and management company consultancy service is also offered. This is discussed in Chapter 5.

i. SEDCO and Women Clients

4.16 As Table 4.2 shows, the number of female clients has increased over the last five years and they currently represent 11.2 percent of the total number of loans made. Most of these loans have been for commercial purposes (Table 4.3).

Table 4.2: Number of Loans Approved by SEDCO 1985 to 1990

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Loans approved to women</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>1985/86</td>
<td>78</td>
<td>5</td>
</tr>
<tr>
<td>1986/87</td>
<td>115</td>
<td>16</td>
</tr>
<tr>
<td>1987/88</td>
<td>184</td>
<td>17</td>
</tr>
<tr>
<td>1988/89</td>
<td>267</td>
<td>29</td>
</tr>
<tr>
<td>1989/90*</td>
<td>188</td>
<td>21</td>
</tr>
</tbody>
</table>

* First three quarters.

Source: SEDCO
4.17 Since only a small number of women approach SEDCO for information, SEDCO is encouraging women to apply for assistance over the public information radio channel (Radio 4).

Table 4.3: Loans Approved by SEDCO to Women Clients
(As of March 1990)

<table>
<thead>
<tr>
<th>By sector</th>
<th>Number</th>
<th>Value (Z$)</th>
<th>(as % of total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>53</td>
<td>633,200</td>
<td>47.7</td>
</tr>
<tr>
<td>Industrial</td>
<td>20</td>
<td>348,600</td>
<td>26.3</td>
</tr>
<tr>
<td>Service</td>
<td>8</td>
<td>345,700</td>
<td>26.0</td>
</tr>
</tbody>
</table>

Source: SEDCO

4.18 In the report from SEDCO's last strategic planning meeting "Managing Organizational Strategy and Culture at SEDCO" at which the subject of women in development was discussed, it was agreed to make a stronger effort to lend to female clients. It was agreed at the meeting to set a goal for loans to women in 1993 at 25 percent of the total value of lending. It was also agreed to review the strategic focus on women, set terms of reference and select a team to implement the new policy.

4.19 SEDCO presently processes about 700 small loans annually, approving about one-quarter. The average loan approved by SEDCO has been increasing from Z$ 39,000 in 1987/88 to Z$ 46,229 for the first three quarters in 1988/89. The average approved loan going to women in the period 1985-1988 was Z$ 16,491 while the average approved loan to women in the second quarter 1988/89 was Z$ 35,625 which is very close to the overall average. SEDCO's typical client is engaged in a relatively small, formal enterprise. The projects financed had a potential of creating 811 new jobs at an average cost of Z$ 13,900 per job. This can be compared to an estimate of Z$ 86,500 for each new job created in medium to large-scale enterprises (CZI, 1989). It can also be compared to the range of start-up capital for various informal sector enterprises presented in paragraph 4.06 above.

11. Assessment of Performance

4.20 Although a liberal interpretation of SEDCO's incorporating Act would allow it to encompass informal sector enterprises in its operations, in fact, it has not benefitted the informal sector in any significant way. Women, in particular, have not benefitted much. The institution has been facing serious problems that have prevented it from effectively anticipating and addressing the needs of its clientele. These problems have been:

- inadequate capital resources to build up its loan operations rapidly
and respond effectively to demand;
- staff shortages and high turnover rates, particularly among operational staff; and
- slow processing of loans, resulting in a growing backlog of projects under review and a deteriorating public image.

In terms of its portfolio, as of end March, 1990, 15 percent of its total portfolio was in arrears, and its average collection ratio was 85 percent.

4.21 To resolve these problems, a major restructuring of SEDCO is underway. Within the last six months, capital has increased to Z$25.3 million, and the Government has promised the remaining Z$10.7 million in the next twelve months. With the additional capital, SEDCO has been able to reduce its backlog of undisbursed commitments and to take an additional professional staff, particularly in the areas of projects and debt recovery. In addition, the SEDCO Board has recently approved pay increases for the staff, which should reduce staff turnover.

4.22 The principal task now facing SEDCO is that of becoming self-sufficient. This process will require careful planning on SEDCO's part. Earlier calculations of the capital base needed for SEDCO to be self-financing need to be revised. In doing this revision, SEDCO and Government will need to have separate credit services from client assistance. As a recent World Bank mission noted, SEDCO can and should be self-financing in the provision of credit, but client assistance services may not be an expense that can be recouped through user fees. The Government and SEDCO will need to determine and agree on the degree to which SEDCO can be self-financing in this area and upon a program of support for those activities which SEDCO cannot finance on its own. SEDCO recognizes the need to develop a sound restructuring program; as a first step, the Finance Department is putting together a full set of financial projections, including sensitivity analyses for the next five years.

4.23 Several donors are providing support to SEDCO. Besides the World Bank, CIDA is active in strengthening SEDCO to make it a more effective institution, particularly for women entrepreneurs. A consultant's report has been submitted, and CIDA's documents for the institution-building project are being finalized. One of CIDA's recommendations, supported by UNIFEM, is to set up a women's desk in SEDCO. This recommendation has merit; it would help focus the institutions attention on the particular problems faced by women entrepreneurs; perhaps even more importantly, it would encourage women to approach SEDCO, and not be inhibited by a seemingly male dominated institution.

4.24 With continued efforts by SEDCO's management and donor support, SEDCO should be able, in time, to better fulfill its mandate and provide more effective assistance to small scale enterprises. Its recent efforts to target more women entrepreneurs should be encouraged. Setting up a women's desk would also help create a less inhibiting environment for women clients. Over the short-term, however, it is realistic to expect only limited improvement in the effectiveness of the institution. Other means of providing early financial assistance to the informal sector need to be identified. An overriding consideration to bear in mind, however, is that unless SEDCO's credit operations are financially viable and repayment is high, then SEDCO's efforts in the
informal sector is not sustainable.

b. **Agricultural Finance Corporation (AFC)**

4.25 In the rural areas, the Agricultural Finance Corporation (AFC) is by far the largest supplier of loans to communal and resettlement area farmers, providing between 80 to 90 percent of all short-term farm credit. However, AFC credit has not been reaching small producers. In 1984/85 about 13 percent of communal and resettlement area farmers received AFC loans, but in the 1988/1989 season only about 8 percent received such loans.² While precise data on the gender of AFC borrowers is unavailable, it is estimated that around one-third are women.³

c. **Commercial Banks**

4.26 The five commercial banks in Zimbabwe have 119 branches and 75 agencies throughout the country. Four of the banks - Barclays Bank Zimbabwe Ltd, the Bank of Credit and Commerce Zimbabwe Ltd, Grindleys Bank and Standard Charter Bank of Zimbabwe Ltd.) are privately owned, and the locally incorporated bank, Zimbabwe Banking Corporation (ZIMBANK), is jointly owned by private investors and the Zimbabwe Government.

4.27 The main activities of the commercial banks are to accept deposits of all types and supply short-term credit and overdraft facilities to businesses in commerce, industry, mining and commercial farming. It is common practice for short-term loans to be rolled over for 2 to 3 years.

4.28 As noted above, the commercial banking sector has had little interest in providing financial assistance to either micro or small-scale enterprises. Instead, they have concentrated on security and ability to pay rather than potential growth. Servicing of small loans involves high transaction costs, making such loans unattractive for commercial banks. However, towards the end of 1989, the Reserve Bank of Zimbabwe announced performance targets for commercial banks to lend at least five percent of their total lending to small scale and newly established black-owned enterprises. The Reserve Bank also set the interest rate ceilings on these loans at 14.5 percent for "productive sector" loans and 17.0 percent for "non-productive sector" loans. The commercial banks are embracing this new mandate with varying degrees of enthusiasm. Some, such as ZIMBANK, Barclays, and Standard Finance, have started special schemes for small enterprise development. Grindley's, on the other hand, does not have a special unit and does not plan to set one up.

i. **ZIMBANK Small Enterprise Scheme**

4.29 The ZIMBANK scheme, begun at the end of 1989, consists of a small-scale business services division in the Advances Department. This is presently being expanded into a small-scale enterprise unit to handle the scheme. The unit

---
³ Ibid.
plans to have a staff of 10, with three sections: one to deal with cooperatives; one to handle normal business (mostly with limited liability companies, partnerships, and proprietorships); and the third to provide consultancy services to clients. While the service sector would not be excluded, loans would mostly be in support of enterprises in the productive sector.

4.30 For operational purposes, ZIMBANK has segmented the market into three tiers: (i) village-based industries, particularly those involved in craft activities; (ii) professionals, such as electricians and mechanics, who are trying to set themselves up in business; and (iii) small-scale manufacturing activities, particularly those using local materials. A special fund is to be set up to finance these activities. Lending would be done by the bank branches, of which there are 30, but the funds would come from headquarters. Loans will be for 3 to 5 years for capital items, with overdraft facilities and short-term credit available for working capital. Nominal fees would be charged for these services. Borrowers would be encouraged to save in ZIMBANK: "no saving; no development" being the slogan. When setting up their business, borrowers must put up 30 percent of the assets themselves, either in the form of physical assets or deposits. ZIMBANK is also expanding its credit to cooperatives, each of which must maintain three accounts: loan, saving and checking. Project assessment and client creditworthiness would initially be the responsibility of the branches, concentrating on those enterprises within their geographic territory. Assistance would be given in identifying markets.

4.31 Among enterprises who have already benefitted from the scheme are: (a) a women's-run bakery in Chitungwiza, with 10 employees; (b) a women's group in Murehwa with diversified projects (including market gardening and making of school uniforms); (c) a creche service in Mufakose - which is apparently highly successful, serving the needs of working mothers in the area. (This enterprise received a loan for Z$10,000); (d) laboratory services, which provide laboratory testing. Harare presently has only two such labs, so the demand for services is strong. The loans for this activity have been in the order of Z$90,000. One of the borrowers has paid off their loan within one year.

4.32 When fixed assets are not available, the integrity of the borrower is usually accepted as collateral for the loan. Assets created by the loan (such as the laboratory equipment) would also be used as collateral. With these borrowers, the local branch of ZIMBANK receives at the end of each month a report on the enterprises' activities, an actual budget, and an explanation of variations between this and the planned budget.

4.33 Together with ZIMBANK, the Swedish Savings Banks' Association (SSBA) plans to assist income-earning projects run by women-dominated groups. A grant of US$ 75,000 from the World Bank was given to SSBA for training purposes in a savings and credit project for rural women. Following training of women's groups, a savings and credit project is planned together with ZIMBANK. A feasibility study has been carried out with ZIMBANK to determine the needs of such groups in three areas, with some 40 groups of women already interviewed. A project manager has been recruited, funded by the Swedish International Development Agency (SIDA).
ii. Barclays Bank Small Business Unit

4.34 In August 1988, Barclays Bank also set up a Small Business Unit; its lending operations began in August 1989. The main objectives of this unit are to provide:

1. an appropriate and more accessible package of financial assistance to small businesses, including assistance in preparation of their ideas into bankable proposals;

2. financial assistance, monitoring and counselling small business entrepreneurs;

3. advice on business management through training seminars; and

4. marketing assistance.

4.35 As of end-April 1990, this unit had received more than 500 loan applications, of which 116 had been approved and about Z$ 2 million lent. Most loans have been in the order of Z$ 20,000, but there have been some considerably larger. Around one-third of recipients were women. The main activities financed have been general dealers (retail general stores), bottle stores, and butcheries; clothing enterprises, particularly those making women’s and children’s clothes; carpentry shops, particularly those making furniture; and enterprises producing building materials, especially bricks and cement, which are in short supply. To receive a loan, an enterprise must have less than 20 employees. The estimated default rate for loans from this unit is insignificant at less than 1 percent. Of course, this in part reflects the short duration of operations.

4.36 The application forms presently used by Barclays for this scheme are complex and difficult to complete, particularly for clients with little education. A business plan, a profit budget and a cash flow form all need to be completed. Moreover, all are presently in English. Plans are underway to simplify these forms and to print them in Shona and Ndebele. Meanwhile, a guide in presently available in local languages on how to fill out the forms. These forms are available in all branches of Barclays.

4.37 Public response to the scheme has generally been good. Advertisements in local newspapers have solicited many enquiries. Training seminars in major towns and some of the growth points on business practices have been well attended. An important development was the recent relocation of the management of the unit from the head office in downtown Harare to Highfield, a high density area on the outskirts of Zimbabwe.

4.38 While these efforts by the commercial banks to reach out to the small and micro entrepreneurs are commendable, it should be noted that the size of these activities is very small in relation to the total operations of these institutions. Moreover, the main beneficiaries have been small-scale enterprises - often with formal status, rather than the micro-enterprises of the informal sector. Nevertheless, the activities of these units are expanding, and should be supported.
d. **Post Office Savings Bank (POSB)**

4.39 Although only a deposit institution, the POSB has an extensive branch network, and considerable savings deposits. There are benefits in a financial institution having both a savings and lending function, but the present policy of POSB investing 80 percent of its deposits with the Government was likely to continue at least until the budget deficit was further reduced. Once this occurs, then POSB may be able to channel its considerable savings deposits elsewhere. For the POSB to engage in lending activities, however, its staff would need appropriate training. The experience of the Post Office Savings Bank in Kenya extending credit could be a possible model.

e. **Zimbabwe Development Bank (ZDB)**

4.40 ZDB was specifically set up to provide finance for medium- to large development projects. It rarely considers lending for less than Z$ 200,000, and was thus never intended to compete with SEDCO for the business of the small scale sector. Since its inception, ZDB has been very cautious in its activities in order to build up a viable portfolio and resource base. This has, however, led to criticism that ZDB is not doing enough to support new enterprises. In response to this criticism, ZDB is considering to establish core factory buildings in industrial estates which will be let predominantly to new enterprises.

f. **Credit Guarantee Company (CGC)**

4.41 Among the most promising schemes to extend credit to the informal sector is the CGC. Formerly known as FEBCO Ltd., CGC was incorporated in September 1978 as a loan guarantee company. It is 50 percent owned by commercial banks and 50 percent owned by the Reserve Bank of Zimbabwe. Its function is to reduce the risk to commercial banks on loans made especially to small-scale enterprises by guaranteeing 50 percent of the value of approved loans. The remaining 50 percent is then approved by the commercial banks. It seeks to assist small and emerging entrepreneurs who are unable to obtain sufficient security for normal bank lending. Loans are made available at an interest rate one percent above prime. A "raising fee" of one percent of the value of the loan is collected by the CGC from commercial banks. The loan amount ranges from a minimum of Z$500 to a maximum of Z$70,000, with larger amounts requiring special approval. CGC makes follow-up visits to clients twice a year, and loans are from six months to three years. CGC's security requirements are negotiable. They include: pledge of fixed deposit, pledge of savings account, pledge of shares, mortgages (i.e., first and second mortgage bonds, cession of insurance policies, guarantees, and notarial general collateral bond). CGC will issue a notarial general collection bond on fixed assets purchased through a loan for individuals who are unable to meet security requirements.

4.42 The number of loans guaranteed by CGC was 152 in 1989/90, a sharp increase from 39 in 1987/88. (Table 4.4) To date, only one loan has failed; this was in 1989/90, and CGC paid half the legal recovery costs. The total value of guarantees issued since 1978 is Z$11,099,137 for 1,453 applicants, with an average loan of Z$7,638. The rejection rate has been around 60 percent. The
main sectors supported by amount of loan are shown in Table 4.5.

Table 4.4: CCC Loans Guaranteed 1987/88 - 1989/90

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Value of Loans</td>
<td>363.4</td>
<td>1,439.3</td>
<td>2,531.4</td>
</tr>
<tr>
<td>Approved (Z$'000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Number of Loans</td>
<td>39</td>
<td>103</td>
<td>152</td>
</tr>
<tr>
<td>Approved</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Size of Loan</td>
<td>9,317</td>
<td>13,973</td>
<td>16,650</td>
</tr>
<tr>
<td>Guaranteed (Z$)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CGC

Table 4.5: Loans Guaranteed by CGC by Sector (Z$ '000)

<table>
<thead>
<tr>
<th>Total Value of Loans Guaranteed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
</tr>
<tr>
<td>Manufacturing and Mining</td>
</tr>
<tr>
<td>Services</td>
</tr>
<tr>
<td>Building and Construction</td>
</tr>
<tr>
<td>Transport</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

Source: CGC

4.43 The activities supported include florists, poultry, fisheries, hair salons, publishing, export/import trade, plumbing, export/import trade, plumbing, retail outlets and service stations.

4.44 CGC's staff of six professionals have been seconded to CGC from commercial banks at no charge. The General Manager is seconded from the Reserve Bank. The Treasury presently provides an annual grant of Z$ 90,000 for operating costs. Approximate interest payments at 13 percent amounts to an annual income of Z$ 325,000, with no defaults. The annual operating deficit thus amounts to Z$ 215,000, covered by Treasury. CGC has an unlimited asset base guaranteed from Treasury.

4.45 According to the Confederation of Zimbabwe Industry (CZI), CGC appears to have overcome its earlier difficulties with the commercial banks.
concerning poor appraisal of projects. It has also adopted a more aggressive advertising policy so that its facilities have become more widely known. Several of the commercial banks are using the guarantee scheme. Barclays Bank's Small Business Unit, for example, has used this scheme extensively to guarantee its loans; in fact, all of the 116 loans (amounting to about Z$ 2 million) approved by this unit as of April 1990 had been guaranteed by the CGC. With almost two years' experience in small enterprise lending, Barclay's are now preparing to "go it alone" and provide all the loan guarantees itself. CGC thus provides a vital function of assuming half the risk on loans with which commercial banks in Zimbabwe have had very little experience. Once they develop such experience, banks can be expected to rely more on their own resources to provide the loan guarantee.

4.46 With adequate financial and technical support, the CGC could usefully expand its services and encourage the recent initiatives of commercial banks to extend credit to the informal sector. By sharing the risks involved in such lending, commercial banks are likely to be less reluctant to lend to small and micro enterprises. It is crucial, however, that the guarantee scheme be sufficiently attractive to encourage the banks to participate. The evidence from most developing countries -- and to some extent from developed countries -- indicates that banks are never very enthusiastic about guarantee schemes. As Levitsky and Prasad have noted, "They may either lack the confidence that their claims will be met if default takes place or they may fear that satisfaction of their claims will involve considerable delay and costly administrative work. They also tend to regard any increase in their default rate as an indication of poor banking practice even if the defaults are covered by credit guarantees, and they generally prefer more conservative lending practices." (Levitsky and Prasad, 1987). The fact that CCC guarantees only 50 percent of the loan may be a deterrent to commercial banks. In other countries, most schemes cover 75 to 80 percent, the banks thus bearing only 20 to 25 percent of the risk (ibid). To encourage bank participation in the CGC scheme, the guarantee coverage should be increased. This is discussed further in Chapter 6.

g. Informal Savings and Credit Schemes

4.47 As noted above, commercial banks are making efforts to provide financial services to small scale enterprises. Beneficiaries, however, have tended not to be at the micro end of the spectrum. A useful partnership, tried successfully in other countries, is to extend the outreach of the banks through linkages with appropriate informal schemes operated by NGOs. NGOs generally have a much better grass-roots network and this outreach system is just what the commercial banks lack, and could not realistically develop and support. NGOs, on the other hand, lack the financial resources and expertise necessary to provide financial services on any meaningful scale.

4.48 Unfortunately, while there are several NGOs involved in providing financial services to the informal sector in Zimbabwe, there are none that could obviously fulfill this role. Most are rotating savings and credit associations (ROSCAs) operating in a prescribed local area. These are described below. Of the few national NGOs offering financial services to informal sector enterprises, the following are the most important:
i. The Zimbabwe Women Finance Trust

4.49 The Zimbabwe Women Finance Trust (ZWFT) was created in 1989 as an associate affiliate of Women's World Banking (WWB), which is an independent international financial organization. According to ZWFT officials, no funds have yet been received from WWB. ZWFT seeks to promote the direct participation of women in Zimbabwe's economic development, and to provide credit and technical assistance to women entrepreneurs. To date SWFT has not been particularly active. It cites a membership of 100 women, and has received some CIDA funding to set up its office. ZWFT has recently commissioned the Foundation for International Training (FIT) to prepare and help ZWFT implement a two-year project "Support for Women in Micro Enterprise Development." Barclays Bank has agreed to provide Z$100,000 for a revolving loan fund for this project. Women's groups will be the main beneficiaries. The project will be in the rural district of Chirorodzira and in the high density suburbs of Harare. The maximum loan size will be Z$ 2,000, with a one year term. Commercial interest rates are expected to be charged. To fund the project, an additional Z$ 200,000 is needed. While this project may be an interesting pilot, the amounts involved are small. Moreover, ZWFT's staffing and financial capacity are presently quite limited and the organization would need organizational and management changes before it could become effective.

ii. Collective Self Finance Scheme (CSFS)

4.50 CSFS is a small financing scheme set up in January 1989 by eight cooperatives. The scheme is planned, organized and controlled by member cooperatives. The eight cooperatives work in differing types of production, including agriculture, printing, security services, fencing, shoe and garment making, retailing and cosmetic manufacture. Despite working in different sectors, they face common problems in obtaining finance and relevant technical support.

4.51 The objectives of CSFS are to organize and strengthen viable cooperatives by providing access to bank loans and technical and management advice to ensure the best use of the loan funds. CSFS has set up a small technical support team to work with a maximum of 10 cooperatives in each 6 month loan cycle. Each CSFS cooperative pays an annual subscription and buys shares in the scheme. Each member cooperative nominates a representative to sit on the Scheme's Council which elects a Board to approve loan applications and directs the work of the Technical Support Team.

4.52 Member cooperatives cannot apply for a loan until they have been members for 6 months. A grading system has been developed to assess the strength of the cooperative, covering financial management and planning, production performance and the involvement of members in decision-making. The grade decides the size of the loan the cooperative can apply for. Cooperatives graded 1 (the weakest grade) can only apply for a loan of Z$ 2,500 while cooperatives graded 5 (the highest grade) can apply for loans of Z$ 50,000 or more.

4.53 There are four sources of funds for the CSFS. These are:

(a) Members' subscription and shares;
(b) Collateral deposits and letters of guarantee. A consortium of NGOs has agreed to provide financial assistance to CFSC;
(c) Commercial banks;
(d) Development grant from NGOs (particularly the Dutch organization HIVOS). CSFS has a three-year grant from NGO funders to establish the Technical Support Team. This grant has enabled the CSFS to recruit staff for the team and offices in Harare which opened in January 1989.

4.54 Although a new and small organization, CFSC has the potential to be a useful source of finance and technical assistance to cooperatives on Zimbabwe.

iii. Rotating Saving and Credit Associations (ROSCAs)

4.55 Historically rural women, particularly those who received cash remittances from spouses involved in wage employment, have participated in ROSCAs. Male labor outmigration left women with the responsibility of providing for their families, and they had to ensure household food security, availability of school fees, uniforms, books and other cash requirements. Although most spouses remitted cash or household items, their contributions were not sufficient to meet all household requirements. Women had to develop coping strategies in pursuit of a better future for their children. ROSCAs -- created primarily by and for women -- have proven to be an important part of such strategies.

4.56 ROSCAs operate in a simple manner. A group of people with some common link, from the same village, extended family, church group or organization, get together and each agrees to pay a certain amount every month, every two months, or whatever period is agreed upon. The pooled money is then advanced to one member of the group as a lump sum in rotation. This process is repeated until all members in the group have received a distribution. Each member receives, by the end of each rotation, an amount equal to her contributions. Generally no interest is charged. The procedures for carrying out these transactions are simple. In the majority of cases all members of a group meet, pay in their contributions, which is, in turn, paid out to one recipient. Hardly any transaction costs are thus incurred. This money is commonly used to purchase household items or school uniforms, books, and pay school fees for children. ROSCAs are thus a form of voluntary "forced" savings: membership motivates members to generate more cash income so that they do not default on their ROSCA contributions and each member is "forced" to set aside the agreed upon amounts regardless of any other demands.

4.57 This is the pattern followed in most ROSCAs in Zimbabwe. Some have modified their operations so as to generate cash income from group activities. This is an important recent development that has strengthened the financial base of ROSCAs in low-income areas. It also contributes to the sustainability of this informal finance program; since a stable or regular in-flow of funds is essential for the sustainability of these schemes.

4.58 ROSCA funds are rarely deposited in formal institutions, except when

---

4 This section draws heavily on Chimedza (1989).
the item that the recipient wishes to purchase is not readily available. In some cases, excess money after purchasing one's requirements may be saved but not necessarily in formal financial institutions. In fact, with respect to rural ROSCAs, which are predominantly women's schemes, dealings with banks or building societies are minimal. This is partly because it is not common for women to have personal bank accounts. Another reason is the inaccessibility of these formal financial institutions, especially in rural areas. On the whole, ROSCA funds are saved for a specific future expenditure. Thus in many cases, by the time a member receives her payment, she has already planned her purchases or even committed her money.

4.59 While ROSCAs in urban areas operate along similar lines, they are generally formed by groups of working people who are either friends, relatives or colleagues at work. As one Zimbabwean authority has noted: "Unlike rural ROSCAs, members in urban areas do not always spend their money on some durable or capital item. They may do so occasionally, but frequently they use some of the money to alleviate their cash flow problems and then save the balance. Cash needs, which include housing rentals, electricity bills, and transportation, can sometimes be so pressing that ROSCA members end up allocating their payout to some of these expenditures. An important role of ROSCAs in urban areas is thus to stabilize fluctuating cash flows" (Chimedza, 1989).

4.60 As one of the most common informal mechanisms for saving for women in the informal sector in Zimbabwe, ROSCAs clearly have an important function in the finances of informal enterprises. More generally, they have other useful attributes. They tend to reinforce savings behavior through social pressure, they can substantially reduce transaction costs, they have flexibility to meet women's needs, and are sometimes used as vehicles for the delivery of new technology and information through links with the agricultural extension service. They do, however, have limitations. First, they can only raise a limited volume of funds unless outside funds are made available; and credit demand is seasonal, particularly in rural areas, where it peaks during pre-harvest times. ROSCAs are unable to accommodate such seasonality of credit demand.

4.61 These problems can be lessened by developing a linkage with a formal financial institution which would provide a basis for money creation and for bridging seasonal variations in credit demand. With adequate strengthening and support, ROSCAs provide ideal groups for such lending. The Ministry of Community and Cooperative Development (MCCD) is presently involved in strengthening women's groups -- including savings groups -- at the community level. While success has been mixed, prospects appear to be good. An excellent training manual "Building Wealth in Our Villages" has been prepared for MCCD and published by the Community Publishing Programme of MCCD, will be distributed widely through the 7000 Village Development Workers. The manual provides information on how to apply for credit, how to use credit and other advice on running a small business (See Annex VI for sample pages). Moreover, the manual can be used by semi-literate men and women. With adequate support, MCCD may be able to train selected ROSCAs to enable them to have access to the commercial

5 This use of ROSCA savings for cash flow is unusual, and may reflect frequent (and hence small) payments and predictability of bills due.
banks through their small business schemes. This is discussed in more detail in Chapter 6.

B. Concluding Note

4.62 This review of credit needs and available supply suggests that the informal sector entrepreneurs are prevented from either launching new businesses or expanding or improving those already established because they have little or no access to the main sources of credit. The irony in this condition of supply failure is that Zimbabwe has a highly developed financial intermediation system, but neither the private nor the public financial institutions are geared to providing credit to very small enterprises, even where their economic and financial viability and creditworthiness for small loans can be established. There is also evidence, however, that a more vigorous and concerted effort is now underway by both private and public financial agencies to try to remedy this anomalous situation. Chapter 6 below, suggests a number of specific ways in which existing institutions and procedures can be adapted to meet the needs of the informal sector.
5.01 Research into the informal sector in Zimbabwe has established that its entrepreneurs -- both male and female -- are mostly literate, with 86 percent having completed primary school. However, it has also been established that among the entrepreneurs in the sector, there is a pervasive lack of skills in production and servicing and an ignorance about basic business management procedures and practices. If productivity in the informal sector is to be raised, this skills and knowledge gap will have to be narrowed if not closed. The universally accepted maxim that education/training is a necessary condition for output and productivity growth should be readily applicable to the informal sector in Zimbabwe. Interestingly enough, the ENDA survey found that three-quarters of the women entrepreneurs sampled responded positively to the question as to whether they want to upgrade their skills in their respective lines of activity. And what is more, given the degree of literacy among informal sector women operators, as noted in Chapter 2, it should be relatively easy to secure large benefits from training designed to upgrade their skills. The prospective rapid increase in the general educational level of women should enhance the benefits from new and upgrading skill training even more over the next decade.

A. Training Needs

5.02 The ENDA study shows that entrepreneurs in the informal sector would benefit from basic business training, particularly in topics such as project planning, scope and content of a feasibility study, financial management (simple cash flow, budgeting, demand projections etc.), record-keeping and marketing. Entrepreneurs in dressmaking, hairdressing and crocheting were particularly keen to have such training. There was also a strong expression of need for courses helping build or strengthen skills in specific areas. Many of the respondents had learnt their skills from a short period of informal apprenticeship with a friend or family member, but wanted additional technical training in their activity. Such training was particularly needed by dressmakers/tailors -- to improve quality and design, hairdressers -- especially in using chemical products, soap, lotion and vaseline making -- to improve product quality, food catering and bakeries -- to improve quality and meet health regulations, and food processing, especially peanut butter making and grinding and milling of grains to ensure proper functioning and maintenance of equipment.

5.03 The survey (see Table 5.1) clearly demonstrated the willingness of entrepreneurs to pay for such training. Almost two-thirds of the women sampled were ready to contribute part of the training costs. Entrepreneurs in dressmaking and tailoring were particularly enthusiastic, with 84 percent ready to contribute to training costs. The reason can be attributed to the high degree of competition among entrepreneurs in these activities in producing well-designed products of good quality. Those involved in hairdressing and handicrafts also expressed a strong desire for training and a readiness to pay for it. In the crochet business, because of the lucrative "barter" market in South Africa, demand for training and readiness to pay for it was strong. About 75 percent of the respondents were willing to pay part of the fees if the training were to be provided through organized classes or workshops or through an apprenticeship arrangement. Such training could greatly enhance the quality of output through the introduction of new innovative designs.
Table 5.1: Percentage of Respondents Interested in Additional Training and Who Would Contribute to the Cost of Training (By Sector)

<table>
<thead>
<tr>
<th></th>
<th>Interested in Additional Training</th>
<th>Would contribute to Training Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dressmaking</td>
<td>96</td>
<td>84</td>
</tr>
<tr>
<td>Hairdressing</td>
<td>86</td>
<td>70</td>
</tr>
<tr>
<td>Crocheting</td>
<td>84</td>
<td>75</td>
</tr>
<tr>
<td>Knitting and Weaving</td>
<td>78</td>
<td>65</td>
</tr>
<tr>
<td>Soap, lotion and vaseline making</td>
<td>86</td>
<td>60</td>
</tr>
<tr>
<td>Pottery</td>
<td>58</td>
<td>39</td>
</tr>
<tr>
<td>Handicrafts</td>
<td>50</td>
<td>80</td>
</tr>
<tr>
<td>Beer brewing</td>
<td>67</td>
<td>20</td>
</tr>
<tr>
<td>Food catering</td>
<td>83</td>
<td>44</td>
</tr>
<tr>
<td>Food processing</td>
<td>100</td>
<td>50</td>
</tr>
<tr>
<td>Other</td>
<td>60</td>
<td>49</td>
</tr>
</tbody>
</table>

Source: ENDA Study, 1990

5.04 According to the Ministry of Cooperatives and Community Development there is considerable potential for craft industries in Zimbabwe and other SADC countries. But three vital areas of expertise need to be introduced: marketing, financial management, and improved designs geared to what the tourist wants.

Table 5.2: Preferred Methods of Training (as percent of total)

<table>
<thead>
<tr>
<th></th>
<th>Radio</th>
<th>Television</th>
<th>Organized classes</th>
<th>Workshops</th>
<th>Short courses</th>
<th>Apprenticeship</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dressmaking</td>
<td>3</td>
<td>3</td>
<td>29</td>
<td>28</td>
<td>31</td>
<td>3</td>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>Hairdressing</td>
<td>4</td>
<td>-</td>
<td>28</td>
<td>20</td>
<td>24</td>
<td>20</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Crocheting</td>
<td>6</td>
<td>-</td>
<td>50</td>
<td>25</td>
<td>6</td>
<td>13</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Knitting &amp; Weaving</td>
<td>-</td>
<td>-</td>
<td>14</td>
<td>43</td>
<td>29</td>
<td>14</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Soapmaking</td>
<td>17</td>
<td>-</td>
<td>33</td>
<td>17</td>
<td>33</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Pottery</td>
<td>-</td>
<td>-</td>
<td>29</td>
<td>29</td>
<td>43</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Handicrafts</td>
<td>20</td>
<td>-</td>
<td>20</td>
<td>-</td>
<td>40</td>
<td>20</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Beer brewing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25</td>
<td>75</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Food catering</td>
<td>6</td>
<td>-</td>
<td>50</td>
<td>13</td>
<td>25</td>
<td>6</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Food processing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>50</td>
<td>50</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Other*</td>
<td>3</td>
<td>-</td>
<td>18</td>
<td>39</td>
<td>36</td>
<td>4</td>
<td>-</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: ENDA Study, 1990

NB:* The "Other" activity category includes poultry, tie and dye, vaseline and lotion making, firewood traders, floor polish making, wiremaking, upholstery and carpentry, fish-breeding, emergency taxis and laundry services.
5.05 As indicated in Table 5.2, 28 percent of all the respondents would prefer furthering their skills through organized classes, 28 percent through workshops and 30 percent through short courses offered by various public and private institutions. As one would expect, television was not a popular mode of instruction and, surprisingly, radio was also not commonly preferred. Clearly, radio and television are not an appropriate media of instruction since not many people, especially those in the rural areas, have access.

B. Training Opportunities for Informal Sector Entrepreneurs

1. Public or Private Training

5.06 The kind of training needed by the informal sector is quite distinct from that of the formal sector. Its principle features are that it needs to take place outside working hours, close to the home (particularly important for women), its pace needs to be in the control of the client rather than the institution offering it, and short courses are preferred. Informal sector entrepreneurs may only be able to afford - in both money and time - a few weeks of training in bookkeeping, or tailoring, or business skills. Moreover, women, in particular, need training at a time and place which accommodates their many responsibilities. For them, it would be very difficult to participate in residential courses in Harare. Rather, evening courses in sites close to home - for example, in local schools -- would be much more accessible. As King has observed: "Paradoxically, the very things which the public sector institutions find hardest to deliver - tuition in the evenings or at weekends, are the very things that the private vocational training centers and the correspondence schools often find easiest. In the current crisis of instructors at technical colleges, the hardest slots to fill are those for the evening classes".1

Box 7: Training for Informal Sector Employment: the Case of Nigeria

Contrary to conventional wisdom, entry into a wide range of occupations in the informal sector in Nigeria is only possible after a lengthy and surprisingly formal and certificated program of training. Since there is no formal training or support system for informal sector entrepreneurs, training has been organized by entrepreneurs in the informal sector, and is usually in the form of apprenticeship. In Ibadan, for example, there are tens of thousands of such apprentices in small informal sector "colleges". These "colleges" are operated by informal sector enterprises which have moved to training as an activity. The main method of instruction is observation, followed by trial and error. No printed or professionally developed training material is used. Apprentices generally pay for their training - the propensity to pay being in direct relation to the expected activity earnings on completion of the training offered. These informal sector training enterprises have thus taken the place of formal training institutions, at much lower cost, with close employer l'nkages, and with considerable effectiveness.


5.07 It is also important to emphasize the need for better collaboration and interaction between public and private efforts in training. Systematic consultation would improve resource utilization, enable sectors to learn from each other's successful training programs, and foster linkages between the private sector bodies and public sector training institutions. Such collaboration would be particularly beneficial in the area of apprenticeship training.

2. Public Sector Institutions

5.08 Training opportunities offered by public sector institutions for informal sector entrepreneurs are relatively limited. Those with the most extensive programs are described below.

a. Training programs of the Ministry of Community and Cooperative Development (MCCD)

5.09 This ministry is quite active in the field of training. Over 3000 income-generating groups are registered by MCCD with a total membership of over 60,000; more than 80 percent of the members are women. MCCD provides funds through the Community Development Fund (CDF) - valued at approximately Z$ 100,000 per year and launched in 1984. Village Community Workers are the grassroots functionaries of MCCD, offering advice and guidance to people engaged in these projects. The most common group activities are uniform making, bread baking, vegetable gardening, poultry keeping and craft work.

5.10 The Ministry is also responsible for training members of cooperatives. More than 1500 primary cooperatives with 130,000 members are registered under the Cooperative Societies Act. Of these, 250 are industrial producer cooperatives aimed at entrusting workers with decision-making power. They include a wide range of manufacturing activities such as carpentry and metal work, canning, textiles and leather work, bakeries and tailoring.

5.11 The track record of both the cooperatives and the training programs for members has been mixed. Of the 1,832 cooperatives registered with MCCD in late 1988, only 60 percent were "functioning". Moreover, no more than 50 of the 166 functioning manufacturing and building cooperatives were considered by senior MCCD officials to be "viable" enterprises (Bennell, 1990). Despite the poor performance of cooperatives, the Government believes that they have the potential to productively absorb large numbers of people and provide training effectively to cooperative members. It has become apparent, however, that training programs are not sufficient and that they must be accompanied by considerable guidance and support. In particular, the failure to identify products or services with good market potential has been a major problem for many new cooperatives.

5.12 Many of the most successful cooperatives -- particularly in manufacturing -- are those which have developed sub-contracting arrangements with larger, established enterprises. MCCD as well as CZI are presently trying to identify manufactured components required by formal sector enterprises which could be produced by cooperatives on a sub-contractual basis. A list, compiled
by the Confederation of Zimbabwe Industries (CZI) of potential sub-contracting activities is contained in Annex VI.

5.13 The Building Cooperatives Project established in 1988 by Bulawayo City Council (BCC) is a good example of how vocational training and cooperative development can be effectively integrated. BCC has its own two-year vocational training programs for school leavers. As part of the building course, trainees receive comprehensive training in management skills for a building cooperative (including cooperative theory and practice, financial management, and issues specific to builders such as planning, permission, building regulations etc.) Upon completion of training, trainees are encouraged to form their own cooperatives. Support from the BCC Cooperative includes technical building and management supervision and advice on a continuous basis, six-months loan of tools, a rudimentary site-shed to enable the cooperative to get started immediately, a revolving loan fund and other credit facilities for plant and materials, and shared use of the project truck on a rental basis.

5.14 Eight of these building cooperatives with a total of 95 members have now been established. It is hoped to start a new cooperative every three months. Most of the work done by the cooperatives is in the Nketa Area of Bulawayo under the World Bank Urban Development Project. Project and building society funds are available for the local inhabitants to take out loans for low cost housing. They are free to choose their own contractor. The council-sponsored building cooperatives have already established a good reputation in the community so there is no shortage of work. The objective of the project is to help support cooperatives to become fully independent building contractors after about 4 years.

b. SEDCO

5.15 Besides providing credit to small-scale enterprises, SEDCO also provides management and business training to both clients and non-clients. Its most important program is the Entrepreneurship Development Programme (EDP). This program, funded by CIDA with technical help from the Manitoba Institute of Management, was begun in 1987. It involves:

- identification of potential entrepreneurs through a systematic recruitment and selection procedure;
- training of potential entrepreneurs to increase their motivation and equip them with skills in project preparation and management;
- post-training assistance in the areas of management, marketing, finance and technology.

5.16 SEDCO conducted the first EDP (EDP I) in 1987/88 in the Mashonaland Provinces. The program was then extended to other provinces: EDP II was conducted in the provinces of Midlands and Matabeleland, and EDP III was conducted jointly for Masvingo and Manicaland. The EDP is divided into three stages. The first stage is a one-day workshop where the applicants discuss their projects and themselves. The selection of the participants is based on the trainers' impressions from the workshops. The second stage is a two-day workshop where the participants are instructed on how to draw up a business plan, where
to obtain the necessary information, and how to undertake a market investigation. The third stage consists of a six-week course where the participants construct a business plan based on the information they have compiled. Attendance in the EDP is free since funding for the programs has been provided by CIDA. The range of female participation has been 35 to 40 percent. While the programs appear to be very useful, the number of participants has been limited (30 in EDP I and 19 in EDP II).

c. **National Handicrafts Development and Marketing Centre**

5.17 Set up as a parastatal under MCCD, this craft center has a shop, design studio and a marketing service. It provides training, quality control and markets to makers of handicrafts. Its staff visit rural areas to buy crafts and provide advice. It emphasizes the upgrading of skills to enable a better quality good to be produced. The activity-specific training offered has been in knitting and crocheting. Planned training programs are in wood and stone-carving, pottery and jewelry. The training facilities of Harare City Council are used. The Government has recently invested over Z$1 million in the Centre to cover operating costs for three years and the cost of the building complex. From July 1990, the Centre must cover its own operating costs. It expects to be able to do this, although the margin will likely be small. It is particularly seeking out export markets, but prospects do not look good. Many of the crafts produced are more expensive than in other African countries, particularly Kenya, and crocheting faces tough competition from Asian products. Last year's export earnings by the Centre were small (Z$ 40 - 50,000). Tourism is growing in Zimbabwe and offers an additional source of demand, but the Centre is at a disadvantage in that it is situated far from downtown Harare.

3. **Technical and Vocational Training**

5.18 Very little prevocational training is available in the school system in Zimbabwe. Pupils must therefore look to post-school institutions for training. The Government's training system has not experienced the large expansion associated with the school system due largely to the fact that the main form of industrial training was apprenticeship, which was, in turn, predicated upon in-service arrangements with employers. As a result, vocational training opportunities have remained quite limited. There has been a tendency by the Government to associate urban vocational and technical institutions with the urban industrial sector and the rural vocational centers (such as the 14 belonging to the Ministry of Youth, Sports and Culture) with cooperatives or self-employment in the rural areas. With the shifting of much of the formal sector training from the Ministry of Labour to the Ministry of Technical and Vocational Training, there is likely to be more consolidated planning of the post-16 sector.

5.19 As noted by K. King, cited earlier, there is a need to involve local community funding in the provision of post-school training similar to what was done for the massive expansion of schooling itself. Providing these local resources will help accelerate post-school vocational training beyond the pace which depends on external donor support alone. With local support, the chances are better that vocational training can be extended to the informal sector. What is needed are low cost community-based and skill training centers to provide
training to school leavers for employment or self-employment. (The rural polytechnic schools in Kenya may be a useful model for Zimbabwe. These schools, established and often constructed by the community, offer skill training to rural people with little education. The training subjects differ depending on the interests of the community, but would typically cover the range of activities of the respondents in the ENDA survey).

4. **Apprenticeship Training**

5.20 A five-year craft apprenticeship scheme was originally introduced in Zimbabwe in the late 1950s. This training was the exclusive preserve of whites, and produced sizeable numbers of high quality, versatile journeymen. Major changes following Independence opened up the apprenticeship system to all Zimbabweans and it operated in seven fields: printing, hairdressing, building, automotive, electrical, mechanical and aircraft. Firms in such activities are most likely to be formal enterprises, although some may start on an informal basis. There is very little information about what has happened to the apprenticeship system since Independence. Between 1000 and 2000 new entrants were registered annually by the Directorate of Industrial Training in the beginning of the eighties. Unpublished data from the Ministry of Higher Education, however, imply that there has been a decline of around 20 percent in the number of craft apprentices between 1980 and 1989. Of the seven categories of apprentice training, only electrical apprentices increased, while those in the fields of mechanical, printing and hairdressing declined by 36, 57, and 26 percent, respectively. Part of the problem seems to have been a general lack of awareness among potential apprentices of what was available and how to apply.

5.21 Whatever the reason, there is little doubt that the craft apprenticeship scheme has lost much of its dynamism and efficiency. In fact, as King has noted, apprenticeship training as a whole is in a state of crisis in Zimbabwe. No gender breakdown is available of the apprentices, but from the types of training, and the distinct gender differences in activity discussed earlier, it is clear that a very small percentage of participants are women.

5.22 No formal system of apprenticeship has developed for those in the informal sector, though ad hoc arrangements are common with family members or friends. Interestingly, the ENDA survey did not find any example of payment for such training, as is common in some West African countries. This may be because of labor legislation since officially, apprentices have to be placed through the Directorate of Industrial Training and employees would have to receive the minimum wage.

5.23 There is little doubt that the informal sector's potential clientele for in-service training is large and diverse. To the limited extent that this demand is being met, it is through private, community and NGO training centers. However the State urgently needs to develop its own apparatus of evening courses in all its major teaching institutions, from university to college to vocational training centers.

---

2 K. King, ibid., p. 19.
5.24 Established in 1983, ZIMDEV is a conventional levy-grant training incentive scheme. The training levy is a one percent payroll tax paid by all of the 11,600 registered enterprises in Zimbabwe. On the basis of CSO Quarterly Earnings Survey data, an estimated Z$55 million was collected in 1989. Two types of training are eligible for grant funding. By far the largest is the reimbursement of over half of all apprenticeship costs - that is, all wages for the first two years and all direct training costs. At current minimum wage levels, this amounts to Z$5,000 - 6,000 per annum for each apprenticeship sponsored. Total ZIMDEV funds committed to apprenticeship training was between Z$8 - 10 million in 1989, well under 20 percent of the total levies collected.

5.25 The second type of training grant under ZIMDEV is for approved training by individual enterprises (individually or collectively). Stringent criteria have been applied by government in vetting these mainly short-term training courses, professional associations and other training institutions. In 1986 only 80 grants were awarded covering just 663 trainees. In addition, however, most employers do not believe it is worth the bureaucratic hassle of trying to obtain ZIMDEV funding for their own training activities.

5.26 The significant decline in craft apprentices during the 1980s is clear evidence of ZIMDEV's failure to stimulate increased levels of training. As with other levy-grant schemes, most employers treat the levy as an additional tax -- in this case on employment -- which they generally pass on to consumers. Moreover, the small group of enterprises which account for the bulk of apprentice training would have probably sponsored much the same number of apprentices even without ZIMDEV. They are therefore being needlessly subsidized.

5.27 Declining levels of apprenticeship training has meant that ZIMDEV funds have continued to accumulate. Recent data are unavailable, but these unused funds are probably in excess of Z$100 million. The Ministry of Higher Education has committed Z$74 million to expand and equip technical institutions (Second University Commission, 1989). Many employers are dissatisfied with the Ministry's lack of accountability in the use of ZIMDEV resources.

5. Private Training Programs
   a. Ranche House College

5.28 Ranche House College was established in 1961 as a non-governmental organization concerned with adult education. Its objectives are to equip adults with practical skills which may be shared and transmitted to members of their community. Training is offered in business management, dressmaking, Shona language, academic subjects, women's leadership development and business management programs. The business management program was begun two years ago and consists of one week's elementary training in business management. Ranche House College is also developing some particularly interesting training programs for women entrepreneurs. The first of these is a pilot training program funded by ILO for potential female entrepreneurs. It is a "training of trainers program". Training facilities, instructional materials and training manuals are
5.29 A second program is being implemented in cooperation with SEDCO and consists of participating in the UNIDO-funded project: A Women in Business Program. Begun in 1986, the course has been developing in phases. The first - a one day's program -- was extremely well received. There were four times as many applicants as could be accommodated. Subsequent phases are being discussed with ILO as part of ILO's regional project on the Promotion of Entrepreneurship and Self-Employment for Women. This project assists women entrepreneurs in urban or semi-urban areas in Botswana, Lesotho, and Zimbabwe. Through this program, an entrepreneurial development program has been mounted for potential and existing women entrepreneurs who run micro and small businesses. The program is comprised of six modules, covering identification of business opportunities, carrying out feasibility studies, constructing a business plan, and growth and diversification. The modules are intended to be flexible, and adaptable for different levels of participants. They can be also be delivered over an extended period of time which can accommodate women's time constraints. The modules were drafted in March 1989, and tested later that year.

5.30 To carry out this program, Ranche House is seeking funding for three years, costing approximately US$1.2 million. The project will provide training support for 30 to 60 trainers who would train about 100 women per year. The program would also provide some institutional strengthening support for Ranche House College. A project proposal should be available shortly.

5.31 Future programs planned by the College include a four-day National Seminar for Established Business Women and training of women from the communal areas in food production. Until 3 years ago all training courses were held at the College but courses are now also held outside Harare. By the end of 1989, it is expected that 2000 people -- 30 percent of which are women -- will have been trained in this field.

b. Glen Forest Training Centre

5.32 Glen Forest Training Centre (GFTC) was established in 1983 with the objective of providing rural people with skills in agricultural and technical subjects such as carpentry, metal work, blacksmithing, dressmaking, etc. to improve their income generating potential of both on- and off-farm activities. At the same time, it was envisaged that the acquisition of such skills would enable rural dwellers to contribute to the reconstruction and development of their own communities. The Centre thus provided basic skill courses to trainees from rural areas. However, since the training took place at the Centre in Harare, it was offered in a kind of "vacuum". Training thus became an "intervention" rather than part of the process of longer-term development of human resources.

5.33 New management in 1985 brought about a change in training approach. The objective of providing training in basic skills needed to earn income in rural areas remained, but training was conceptualized more as a process, with pre-course visits and follow up courses than as a one time effort. The management also instituted a new system of internal management. With assistance from Canadian University Service Overseas (CUSO) the accounting and budgeting
system was revised; each department and major activity within each department is treated as a separate cost center. It is thus possible to identify the full costs of training activities, enabling a more efficient budgeting and more meaningful cost/benefit analysis.

5.34 By 1989, six departments had been set up: coordination; board and lodging; maintenance; agriculture; and pre-school. Charges for board and lodging are presently Z$25 per day. The agriculture department has a dual function - direct training activities and production. Similarly the pre-school department not only serves as a demonstration unit but also is a service department where children of staff and trainees are looked after on a fee-paying basis.

5.35 As noted above, initial training activities of GFTC centered on basic and advanced vocational courses. Over the last five years, emphasis has been placed on improving these courses and to adopt appropriate training techniques for adult learning, including practical and demonstration work. Vocational subjects offered include agriculture, blacksmithing and metalwork, bread oven, building, carpentry, catering, dressmaking, fence making, pre-school, and soap and vaseline making. The Centre has also been involved in rehabilitation craft courses for the blind.

5.36 Pre-course visits are undertaken to assess needs and clarify expectations of both trainers and trainees. The trainer is also directly exposed to the socio-economic environment of the trainee. Vocational courses are generally short, with an emphasis on practical work. Almost half of all vocational training courses are now run in situ. This has been facilitated by the establishment of another training center in Mwenezi, a joint-venture with the local District Council. The final step in the process are follow-up visits to evaluate the impact of the training.

5.37 Follow-up visits across the range of vocational courses have consistently highlighted two major problems faced by ex-trainees: the lack of tools and equipment with which to establish productive activities; and the lack of organizational skills to develop production to a level where the potential for long-term income and investment security is realized. In response to the first problem, GFTC has incorporated a toolmaking component in all applicable vocational courses. At the same time, specific toolmaking courses have been introduced, and a tool bank has been established where ex-trainees can borrow needed tools. GFTC has tried to address the second problem through the introduction of organizational workshops. These workshops have been developed with assistance from the Dutch NGO, HIVOS. Two to three such workshops are held each year, involving a range of trainees. Follow up visits however have highlighted the continued constraints of external factors - particularly lack of equipment and capital.

5.38 The number of courses run by GFTC and the trainees participating has risen steadily since 1985. By 1989, some 300 courses per year were being run at the Centre, in addition to 120 in situ courses and 3 organizational workshops. The Centre currently has a staff complement of 41, of whom 30 are trainers.

67
c. Other Private Training Establishments

5.39 There may be as many as fifty non-profit training institutions run and/or supported by the main churches and non-governmental organizations. VOICE and MCCD intend to conduct a national survey during 1990 of all institutions offering training assistance and other support for job creation among school leavers. Some of the better-known mission and NGO training institution are listed below.

5.40 Zimbabwe Project, Harare. Established in 1981 mainly to train ex-combatants and others with training and other help in creating employment opportunities. A staff of 20 is actively involved with some 200 cooperatives. Its Adelaide Acres Training Centre runs courses in building, carpentry, welding, small agriculture, bookkeeping and cooperative theory.

5.41 Danhiko Project, Harare. The following three technical and vocational training courses are available at Danhiko: cabinet making, 18 students, 2-3 year course, City and Guilds (C&G) examination; electronics, 20 students, 2-year course, C&G examination; garment making, 45 students, 2-3 year course, local examination. In addition, a Rural Training Programme has recently been established to provide extra skills to graduates who wish to become self-employed in the rural areas. Program components include carpentry skills, welding and extra management and bookkeeping.

5.42 Mulfure College Cheguttu. Established in 1986, the College offers two year courses in agriculture, building, carpentry and textiles. The intention is that graduates will form cooperatives. Students are sent on three to five week industrial attachments.

5.43 OXFAM supports two training centers near Bulawayo and near Kariba. Red Banna runs a training center in Harare. The Silveira House runs over 100 training courses at its center particularly in civics, nutrition, youth programs, some practical skills training, industrial relations (run with the Zimbabwe Congress of Trade Unions) and some agricultural training. The Silveira House is funded from NGOs in Germany and Holland. In addition, the Catholic Church runs rural training centers at Chinhoyi and Driefontein Mission.

C. Business Services for the Informal Sector

1. Role of Government

5.44 The Government has quite explicitly stated its intention to improve the access of the informal sector, and particularly women to financial resources and technical services. One of the cited problems, however, has been that the government body or bodies responsible for accomplishing these intentions have not been clearly specified. A number of ministries are involved with the informal sector, including the Ministries of Trade and Commerce, Industry and Technology, Cooperatives and Community Development, and Local Government. There is, however, no one Ministry responsible nor any evident coordinating authority.

5.45 There has been a tendency to assign issues relating to women to the Ministry of Cooperatives and Community Development (MCCD), particularly when
women's affairs were still part of that ministry. However, the Ministry's mandate to improve the economic status of women clearly goes beyond their human and financial resources, as well as beyond its decisionmaking powers. In fact, a number of ministries are involved with the informal sector. These include the Ministries of Trade and Commerce, Industry and Technology, Cooperatives and Community Development, and Local Government. The Ministry of Trade and Commerce (MTC) is primarily concerned with the promotion of exports, providing licenses, trade measures, establishing and monitoring price controls and allocation of foreign exchange for commercial businesses. It does not have a specific policy in relation to small scale enterprises, does not provide any financial support or foreign exchange allocations for small businesses, and lastly, has no particular focus on women.

5.46 MTC houses a Rehabilitation and Development (R&D) Section with a staff of six which has some responsibilities for small business, primarily in relation to SEDCO. While the staff of the R&D section have begun to visit small scale enterprises and identify problems and constraints faced by entrepreneurs in general and women in particular, this does not appear to be part of a strategy to support small scale enterprises.

5.47 In 1986, the Ministry of Industry and Technology (MIT) created a section to work with small scale enterprises. This section currently has a staff of three with the responsibility for processing license applications for small businesses requiring foreign exchange, and monitoring these businesses. It also has some responsibilities for promoting small scale enterprises throughout Zimbabwe. The Ministry, however, lacks extension officers, and financial support for small businesses. Like MTC, MIT does not have any specific foreign exchange allocation for small businesses, which would allow for the importation of much needed tools and machinery for small-scale operations. Such items are not produced in Zimbabwe. The hand-operated drills, small cutting tools and machines, finishing tools such as sanders and polishers and small wood and metal lather. To import such items, small businesses must compete with multinationals for foreign exchange. Moreover, it is widely held view that male domination of the foreign exchange selection panels is not conducive to assisting women entrepreneurs.

5.48 The Ministry of Local Government is also important in that it is the one responsible for granting licenses to unregistered businesses through the District Councils; however, in recent years, the Government's encouragement to District Councils to become more self-reliant has encouraged some to start their own economic activities. These are often in direct competition with small scale businesses and are regarded by some as entailing a potential conflict of interest.

5.49 In March 1989, the Ministry of Cooperatives, Community Development and Women's Affairs (MCCDWA) underwent some changes which saw the Department of Women's Affairs move under the wing of the Ministry of Political Affairs. However, there remains some uncertainty regarding the effects of these changes on the future capacities of each of the departments. The situation is somewhat unclear as the whole ministry is experiencing high levels of staff turnover, and restrictions in its activities due to budget limitations.
The Department of Community Development has a cadre of extension officers and a focus on income generating activities, particularly in reference to unregistered groups, many of whom are women. To date, the department has not catered to the needs of individual women; and most of its activities have been targeted at groups of rural women. However, as part of a new direction, the Ministry is now also planning to address individual women as a distinct target group.

The Community Development cadre, which has approximately 7,000 village development workers and 500 ward development workers are expected to be multi-purpose officers providing support in a variety of areas including health, education and "income generation." While most of the village community workers have received some training in community development, most lack the technical business skills required to assess business viability, and to provide ongoing business advisory support. Moreover, it is not clear that they necessarily have the time or capacity to provide the kinds of expertise that small businesses might require.

2. The Role of the Private Sector

Few private sector institution in Zimbabwe provide business information and services to the informal sector. The Confederation of Zimbabwe Industry (CZI) serves the needs of its clientele - the medium and large scale firms, but there is no comparable organization for the smaller firms. To some extent, CZI is trying to address this short fall through setting up a small enterprise unit, and this could well be an important support service for SSEs. However, present plans are to operate this unit only in Harare. Recently, however, the Indigenous Business Development Centre (IBDC) was set up, and part of its planned function is to provide information to informal and small scale enterprises. It is too early to tell how effective this effort will contribute to fulfilling the obvious need for a more extensive system of business information for the small scale sector in Zimbabwe.

D. Concluding Note

This review of existing business management and skill training establishment in Zimbabwe may convey the impression of considerable capacity. In fact, there are only a few institutions which have designed training modules and materials targeted at informal sector entrepreneurs; there are even fewer which have targeted women entrepreneurs. Nonetheless, there are some institutions which could readily adapt their training programs to meet the training needs of the informal sector. Cases in point are Ranch House College and Glen Forest Training Centre. How they can best adapt is discussed in Chapter 6, below. There is also a need for providing business information services to informal sector entrepreneurs, as well as addressing appropriate technology needs.
Chapter 6: SUMMARY AND RECOMMENDATIONS

1. Findings

The informal sector in Zimbabwe has the following features:

- it is small compared to other African countries, engaging less than 10 percent of total employment, but has been growing rapidly at an annual rate of about 11 percent;

- women are the majority in the informal sector, comprising two-thirds of its total employed; from the perspective of the economy as a whole, however, women's life and labor remain essentially rural-based;

- there is a strong gender division of labor in the informal sector, with women concentrated in traditional activities - dressmaking, knitting/crocheting, hairdressing and food processing and catering;

- the typical women entrepreneur is between 35 and 45 years of age, and is married with four children and two other dependents;

- the majority of women entrepreneurs are literate, many having completed primary school and some having attended secondary school;

- most of the women in the informal sector operate out of their home and depend heavily on the formal sector for capital and raw materials. Their average start-up capital is low (approximately $ZS 750 in 1989 prices) and obtained mostly from personal savings and family grants. Very few -- only around 5 percent -- obtain formal credit.

- income from informal sector operations is positively correlated with the level of educational attainment of the entrepreneur;

- net income estimates from the ENDA survey (failure rates are not available) suggest that the vast majority of informal sector enterprises surveyed are profitable;

- the most common way of learning or upgrading activity-specific skills is through an informal apprenticeship system. There is strong demand and a willingness to pay for additional training - both technical training in particular activities and in simple financial management; and

- food-related activities and some services offer the best potential for profitable growth; subcontracting, with safeguards against exploitation, also offers excellent prospects for increasing employment and productivity in the informal sector.

2. The Zimbabwean economy is facing increasing difficulties.
Unemployment is large and growing. With the formal sector unable to absorb all the new entrants to the labor force, attention has increasingly focussed on the informal sector as an important source of employment and income. Yet establishing and operating a business in the informal sector is seriously hampered by an inhospitable environment and by limited access to key inputs. Women entrepreneurs in the informal sector are additionally handicapped by cultural and legal constraints and by the demands on their time and energy imposed by their dual responsibilities of family rearing and income earning.

6.03 Contributing to the difficulties faced by the informal sector has been the equivocal role of the Government. On attaining Independence, the new Government of Zimbabwe recognized the importance of the informal sector in pursuing the national goals of "growth with equity" and declared its intention (for example, in the First Five Year National Development Plan) to give it strong support. Ten years after Independence there is little evidence that the Government's declarations have been translated into concrete results. Indeed, many of the racially motivated restrictive laws and regulations governing economic activity in the pre-Independence period have been retained unchanged and the few institutional changes introduced have been largely ineffectual.

6.04 These constraints notwithstanding, the informal sector in Zimbabwe has grown rapidly in recent years and displays considerable dynamism. This is attributable almost entirely to the efforts of the individual entrepreneurs, especially women, who have had to overcome many impediments to achieve their modest employment and income goals. The basic driving force for women in the informal sector is to earn income to cover the basic needs of their families and themselves. The only way they can do this is to try to establish a business using their basic household/agricultural skills acquired in pursuing their household responsibilities. With these skills, the range of informal sector activities women can undertake is bound to be narrow and limited in income-earning potential.

6.05 What needs to be done is first, to enable women to be more productive within the range of informal sector activities they currently engage in; and second, but more importantly, to open up opportunities for women who will have increasingly acquired higher levels of education, to engage in higher income-earning activities with scope for growth. This means creating an enabling environment which gives them access to resources, training and business services on an equal footing with men. In the remainder of this Chapter some of the elements of such an environment are identified and are recommended for the consideration of the Government of Zimbabwe and donors, including the World Bank. The recommendations are organized along the lines of the Chapter presentations, viz., legal and regulatory environment, credit, training, and business services.

B. Impediments

6.06 The most serious impediments preventing entry into the informal sector and established entrepreneurs - particularly women - from maximizing their productivity are the following:

- the excessively complex and restrictive legal and regulatory framework which discourages expansion of informal activities and
their formalization;
• inadequate access to credit facilities;
• inadequate appropriate training facilities;
• lack of requisite business information such as marketing possibilities, subcontracting potential, where and how to apply for credit etc.
• difficulties in obtaining adequate infrastructural facilities, particularly transport, worksites, and storage areas; and
• problems in obtaining suitable and affordable tools, machinery and raw materials.

C. Actions Recommended

6.07 To remove or neutralize these impediments and enable the informal sector to contribute to a dynamic private sector, the following actions are recommended.

1. Legal and Regulatory Environment.

• It is recommended that the Government at all levels undertake a comprehensive revision of the laws and regulations affecting business activity in Zimbabwe with a view to establishing a less regulatory and more promotional framework conducive to the growth of economically viable and socially responsible enterprises both large and small. The key elements recommended for consideration by the national and local authorities as appropriate, are outlined below.

6.08 Corporate Profits Tax: Informal sector enterprises are generally aware of the 50 percent tax on corporate profits, but lack knowledge about the many allowable tax deductions and the accounting skills to take advantage of them. As a result, these enterprises are reluctant to convert to formal status. The Government should consider undertaking an information campaign to educate informal entrepreneurs about the provisions of the corporate tax law but the application of the law should also be revised.

• It is recommended that informal enterprises with ten or less employees who wish to register and acquire formal status be exempt from any and all corporate taxes for the first five years following registration and for the second five years they would be subject to corporate taxation but with the same threshold exemption level as for personal income tax. This would require amending the corporate tax law.

6.09 Public Health Regulations: While adequate public health standards obviously have to be met, public health regulations are enforced haphazardly and sometimes excessively by local officials, including the municipal police.

• It is recommended that the authorities clearly specify and widely publicize the conditions that need to be met to fully comply with the provisions of the Act. Consideration should be given to producing a pamphlet clearly setting out the regulations.
It is recommended that enforcement be standardized (number of visits, etc.) and that policemen not be used for health inspection, which should be left to local health officials. There may also be a need for training entrepreneurs in the safe handling of hazardous materials, such as caustic soda.

6.10 **Factories and Works Act:** While this Act excludes any premises with fewer than 10 employees, they are covered if mechanical power is used. As a result, entrepreneurs are harassed by police about the condition of their place of work or the machines they operate.

- It is recommended that the term "mechanical power" in the Act be more narrowly defined to exclude simple, non-hazardous machinery such as sewing and knitting machines, and that those responsible for enforcement of the law at the local level be fully apprised of the details of its coverage.

6.11 **Place of Work/Hawker Licensing:** Obtaining an affordable, convenient work site which meets building and health regulations is extremely difficult for informal sector entrepreneurs.

- It is recommended that local councils be encouraged to provide suitably located and equipped sites for informal enterprise operations, containing water and power connections and complying with the requisite building codes. Creche facilities should also be provided for a fee. Such sites and services should, to the extent feasible, be located contiguous to low-cost housing sites being constructed in various parts of the country.

These sites would be subdivided for informal sector operators to rent and using the creche facilities would entail a fee. These services would provide revenue for the local authorities as well as enable informal entrepreneurs to operate in a site which meets regulations. The Masvingo Town Council offers one possible model.

6.12 Many informal sector activities require a hawker's license from the local authorities which stipulates the goods and services which can be sold and locations where this is prohibited. Currently, administrative practices and fees vary from district to district with no apparent rationale.

- It is recommended that a hawker's licence, which stipulates where the holder cannot operate, allow greater flexibility in the locations specified, and, in particular, allow hawkers to operate in more lucrative and convenient areas (such as designated areas in urban shopping centers) with minimum exclusions.
- It is recommended that the scope of the licenses be widened to cover a broader range of goods and services.
- It is also recommended that administrative
practices in issuing licenses be standardized at the national level.

The question as to whether possession of a licence implies a legal status for an enterprise should also be examined. The present situation is that small-scale enterprises which are not registered as companies, partnerships, proprietorships or cooperatives have no legal base. This has prohibited access to support services and credit. It has also rendered contracts between these enterprises and the public unenforceable. Granting some kind of legal status to enterprises with a hawker's licence would help overcome this problem. It would also make sense to couple the granting of a licence to an informal entrepreneur with a guarantee - at least for a limited time - of tenure for the land on which the enterprise operates. As noted earlier, insecurity of tenure is a major problem for informal enterprises.

6.13 Labor Regulations: The results of the ENDA survey revealed that employers in the informal sector are discouraged from hiring additional employees because of labor regulations. In particular, the minimum wage requirements and the difficulties of discharging employees combined, constitute a major impediment to enterprise expansion. It is realized that existing labor market regulations are based on strongly entrenched principles of social equity, but the evidence is that they also infringe adversely on a disadvantaged segment of Zimbabwean society. This presents a clear policy trade off for the Government to address.

From the perspective of this report, it is recommended that the Government study the implications of lowering the minimum wage rate for enterprises with ten or less employees. Particularly important would be to study the policy trade-off between creating more employment opportunities and principles of social equity. It is also recommended that the Government simplify procedures for hiring and firing of workers in such enterprises. If this latter recommendation on simplifying procedures were to be applied to all Zimbabwean enterprises, it would remove a major distortion of the labor market and hence could lead to large economy-wide benefits.

2. Credit

6.14 Informal sector entrepreneurs are virtually excluded from formal financial services. Yet lack of financial resources is a major constraint to their expansion and profitability. The approach recommended is not to set up any new institution, but rather to take advantage of the well-developed financial structure in Zimbabwe and provide it with the necessary financial and technical support to encourage existing financial institutions to respond more to the needs of the informal sector.

a. SEDCO

6.15 The one institution with the exclusive mandate to assist the small scale sector is SEDCO; it should continue to be supported. Both the World Bank and CIDA are providing much needed assistance to help SEDCO become financially viable in its credit operations and in particular, to support their efforts to
lend more to women entrepreneurs.

It is recommended that these efforts continue to be supported, and that SEDCO's mandate be expanded and monitored to explicitly include informal enterprises in their programs. Furthermore, such enterprises should be exempt from normal collateral requirements.

While recent steps have freed SEDCO from the most serious constraints it has faced in the past, further steps are needed for it to become financially self-sufficient. In particular, SEDCO will need to continue to strengthen its capital base, upgrade its staff, accelerate loan approvals and disbursements, reduce arrears and review terms and conditions of financial and technical support. With sustained assistance and efforts, SEDCO can play a significant role in informal enterprise development in Zimbabwe.

b. Commercial Banks and the Credit Guarantee Company.

6.16 These financial institutions should be encouraged to expand their recent initiatives to lend to the small scale sector, and to include informal enterprises in their target group. To provide financial support for these endeavors:

- It is recommended that the Credit Guarantee Company (CGC) be strengthened to enable it to more efficiently provide loan guarantee coverage to financial institutions.
- To make the guarantee scheme more attractive to banks, it is recommended that the loan guarantee coverage be increased from its present 50 percent level to 75 or 80 percent.
- It is recommended that the interest rate on guarantee funds be raised to a level which ensures that CGC guarantee operations are self-sustaining.

CGC has indicated its interest in participating in an informal sector pilot guarantee scheme provided that adequate donor funds be made available on a grant basis for a three year period. It would also need additional institutional resources. CGC is interested in cooperating with appropriate NGOs which can provide the outreach necessary to deal with informal clients, particularly those in the rural areas. It has expressed concern that the informal enterprises should have the intention, and preferably be in the process of becoming formal. Otherwise, CGC fears it may face opposition from the Treasury which presently provides a grant to cover part of its operating costs. This will need further clarification.

6.17 The specifics of the program to support CGC would need working out in detail. CIDA has indicated its interest in providing the necessary grant funding provided that an appropriate package can be formulated and that women fully benefit. One possibility discussed with CIDA is for CIDA to guarantee 100 percent of CGC's guarantee under its existing program. An initial amount of up to US$500,000 could be pledged, and the program would target women in the informal sector, and function as more of a venture capital fund. The increased
risks of a venture capital fund would be offset by the 100 percent CGC guarantee provided by CIDA. Subsequent phases could be provided through an informal sector component in the next World Bank Small-Scale Enterprise (SSE) project, with the Bank assisting with the institutional support to CGC and picking up the financial assistance once the initial grant funds expire.

6.18 The above program of support would benefit primarily the informal activities in the urban or peri-urban areas since the financial institutions lack the outreach to identify potential clients in the rural areas. To reach out to those in the rural areas would require the involvement of NGOs or other organizations with rural based staff. It is not readily apparent which NGOs could be used in this capacity. There is no obvious candidate; Zimbabwe has many NGOs active in all parts of the country, yet they tend to be small operations and highly localized.

6.19 An alternative to an NGO is to utilize the village development workers of MCCD. There are more than 7,000 such workers of varying skills and competencies. With training and support, they could assist in identifying appropriate informal sector clients. Since many are already working with groups - particularly women's groups - they could be useful in assisting such groups to develop viable income-earning projects suitable for financing and in helping them apply. The many rotating savings institutions (ROSCAs) would also be potential clients.

6.20 To reach out to any informal enterprise and provide assistance is not easy, and to reach out to those in the rural areas is particularly difficult. But Zimbabwe has strengths in both its well-established financial structure, and its extensive system of community development, which does extend into the most remote rural areas. There is, therefore, an excellent opportunity to try to provide financial assistance to both urban and rural based informal enterprises. Careful formulation of the program, together with extensive consultation with all the parties involved would obviously be essential.

3. Training

6.21 Informal sector entrepreneurs need training in simple bookkeeping and other business skills, and in activity-specific skills such as tailoring, and hair dressing. Present training opportunities are inappropriate for those in the informal sector, particularly women who have limited time, mobility and resources. Yet what was striking from the survey was how keen women in the informal sector were for training, with a large majority being ready to contribute to its cost. Since most of those in the informal sector are literate and with some primary school education, they would readily benefit from appropriate training. Location is important; since women have difficulty attending residential courses away from their homes, training should be provided close to where they live. Local schools would be one possibility, using classrooms in the evening. Initially, efforts should be concentrated in the high density areas and growth points.

6.22 Among promising institutions to provide this kind of training are two NGOs: Ranche House College and Glen Forest Training Centre. Ranche House College offers short courses on a variety of subjects, including Women in Management Positions, held in conjunction with ZNCC and funded from private firms, and Women in Food Processing Technologies, a one-time course sponsored by UNIDO. For some time it has been trying to launch a Women in Business
Program. Preparatory work has been done by ILO through its Entrepreneurship and Self-Employment Program for Women. Training manuals have been developed, trainers have been trained and a proposal for funding for a three-year period anticipated to cost US$ 1.2 million was submitted to ILO last year. The project will provide training support for up to 60 trainers, train 100 women per year, and provide institutional strengthening for Ranch House. Ranch House is awaiting a response. The course would be for one-week and the present plans are to hold them in Harare and Bulawayo.

It is recommended that Ranch House's program for Women in Business be supported and possibly extended to other parts of Zimbabwe. A rough estimate based on Ranch House's own calculation suggests that a Women in Business training program, held in local elementary schools for five evening sessions, with 20 participants, would cost about $350 per participant.

6.23 Glen Forest Training Center (GFTC) also offers training in technical and management subjects concentrating on vocational courses. The Center has emphasized appropriate training techniques for adult learning. A variety of vocational subjects are offered, many of which are targeted at informal sector activities. Courses are short with emphasis on practical work and in situ training.

It is recommended that the GFTC program in vocational training be supported and expanded, particularly their community-based courses. The vocational courses offered by GFTC would complement the business skills training of Ranch House.

GFTC also has a toolmaking program to address the critical shortage of tools appropriate for the small scale entrepreneur. Toolmaking courses have been introduced and a tool-bank has been established. Efforts should be made to link these activities to larger manufacturing firms which might be interested in manufacturing the requisite tools. CZI could provide assistance in setting up this linkage.

6.24 To reach the rural-based women, who are probably less literate, a different approach will be needed.

It is recommended that Ranch House together with GFTC be encouraged to provide short courses in rural areas; where literacy levels are especially low, the rural women should be trained by village development workers using the MCCD manual, "Building Wealth in Our Villages".

Zimbabwe is fortunate in that it has its own community-developed training manual for village men and women on how to set up and run their own business. This manual: Building Wealth in Our Villages was recently produced by MCCD with the assistance of some 800 women and men from different ministries, NGOs and villages throughout Zimbabwe. It is particularly appropriate for those with little formal education, since the manual contains many pictures, charts, and diagrams. The plan is to produce sufficient quantities of this manual -- it is published locally -- for the village development workers to be able to use.
SIDA is supporting this effort, but additional funding may be needed to mount the necessary workshops and to disseminate this unique manual widely.

6.25 A potential source of funding for these training proposals is the Zimbabwe Manpower Development Fund (ZIMDEV). A grant training incentive scheme, ZIMDEV has accumulated considerable funds from the one percent payroll tax levy. Unused funds are probably in excess of Z$ 100 million.

It is recommended that ZIMDEV funds be used to fill any and all financing gaps with respect to the proposed training programs.

4. Small Business Information Centers

6.26 Informal sector enterprises are at a disadvantage in that they have limited access to information needed to efficiently run their business. Such information would cover marketing opportunities, both domestic and external; sub-contracting possibilities, both intra-informal sector and with the formal sector; legal and regulatory conditions; credit possibilities and how to apply for them; and training opportunities. The larger firms benefit from a quite sophisticated information system, assisted by a dynamic and efficient Confederation of Zimbabwe Industries (CZI).

It is recommended that a network of Small Business Information Centers (SBICs) be established by a consortium of interested private sector institutions. These centers would act essentially as clearing houses for business information for small and micro enterprises. ENDA estimates that the capital cost for setting up such a center is Z$40,000 (vehicles and computers), and local operating costs would be around Z$ 120,000 per year.

It is anticipated that these centers would be linked to a computerized data base at headquarters with information such as prices, markets, and transport availability. It is essential to decentralize the operation by providing for an extensive network of regional offices. The high density areas and growth points should be covered.

6.27 In aiding in the establishment and functioning of the proposed SBICs, CZI would clearly have a key role. Among others, CZI has the distinct advantage of linkages with the large scale manufacturing sector, and can be particularly useful in helping identify subcontracting opportunities, as well as external market prospects. If subcontracting is defined loosely to include informal supply arrangements, it can then be said that there already exist numerous economic relations between the formal and informal sectors. These links need to be widened and deepened to allow both sectors to learn and benefit from each other (discussed further below).

6.28 Other institutions which could be involved in some capacity are the commercial banks, and the Zimbabwe National Chamber of Commerce. The SBICs should be able to draw on specialized technical staff at the national level. For example, an expert in intermediate technology from the new Intermediate Training and Technology Group (ITTG) unit in Harare would be useful in helping identify tools, machinery and technologies appropriate for the small scale firm.
6.29 The main tasks of the SBICs would be to:

- monitor markets for the kind of goods produced by the small scale sector, identify marketing possibilities, and advise on quality requirements, pricing, marketing channels, and other relevant information for the marketing of products;
- provide a local contact point for credit and training arrangements as well as to advise clients on where and how to apply for credit and training (e.g. it can help fill out the application forms for credit from the commercial banks, small business schemes and SEDCO);
- advise on the legal and regulatory requirements for small enterprises, and to provide information on how to formalize;
- with appropriate specialized input at the national level, produce prototypes and manuals on the preparation of promising products;
- advise on the sources and uses of transport services; and
- advise on where and how to obtain raw materials, and appropriate tools and machineries;
- to the extent possible, advise clients on the preparation of feasibility studies, project planning, etc.

5. Appropriate Technology

6.30 The last mentioned task of SBICs above touches on a common problem faced by small-scale entrepreneurs in Zimbabwe, namely, the unavailability of appropriate tools and machinery. Those currently produced in Zimbabwe have been designed for larger-scale production, as have most of the items being imported. Priority needs for the small producer could be imported but obtaining the necessary foreign exchange is extremely difficult. For informal sector enterprises, it is virtually impossible.

It is recommended that this deficiency be addressed through the impending reforms of the trade regime. In particular, appropriate technology for small-scale enterprises should be included in the Open General Licensing list.

The idea of a tool bank - as operated by the Glen Forest Training Centre - should be reviewed with a view to establishing such banks in other appropriate locations to contribute to meeting these technological demands.

6. Activities with Potential

6.31 On the basis of the ENDA survey (1990) and the views of informed observers of developments in the informal sector in Zimbabwe, it is possible to distinguish -- albeit on a somewhat subjective basis -- two groups of enterprises; one with high potential for profitable development, and another with moderate to low potential. The realization of this potential will depend in part on a strongly supportive government policy along the lines outlined

---

1 Annex III discusses in some detail the various activities engaged in by women in the informal sector, their profitability and constraints. Activity-specific recommendations for alleviating these constraints are also presented for Government consideration.
earlier in this Chapter. The two groups are listed below in Table 6.1. It will be noted that food-related activities are potentially highly profitable, while many of the cottage industries/handicrafts traditionally done by women are more problematic. In light of this pattern, a more rational enforcement of health standards and the provision of suitable locations are particularly important if the expansion of food-related activities is to be fostered.

6.32 With a few exceptions, it emerges that successful activities depend crucially on the increased mobility of women - enabling them to look outside the household. This implies the need to provide creche and day care facilities and pre-schooling opportunities at affordable means.

<table>
<thead>
<tr>
<th>Table 6.1: Potential for Profitable Development: Selected Informal Sector Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>High potential for profitable development</td>
</tr>
<tr>
<td>Food-related activities</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Services</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Cottage Industries</td>
</tr>
<tr>
<td>Handicrafts</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Agriculture-related Activities</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

6.33 Subcontracting: Apart from the potential profitability of specific activities, subcontracting -- which cuts across a wide range of activities -- also offers favorable prospects. This is also a view strongly held by CZI, which represents the manufacturing sector of Zimbabwe. Annex VII presents a list of products and services with the potential for subcontracting. This list was compiled by CZI from a survey of its medium- to large-scale member firms. The value of subcontracting is that it imposes an industrial discipline
in the form of quality standards and timely delivery, as well as providing an
assured market, needed inputs (especially those requiring foreign exchange) and
the transfer of technical know-how. Sub-contracting can yield mutual benefits;
at the same time, there is a down side risk of workers exploitation.
Consideration should be given to ways and means of fostering subcontracting —
including fiscal incentives to the larger scale enterprises — with adequate
safeguards against exploitation.

6.34 Apart from potential subcontracting arrangements between modern
manufacturing and related informal enterprises there are other possible
partnerships between department stores and supermarkets and informal sector
suppliers of food and clothing; hotels and restaurants can link up with informal
sector suppliers of food; and finally, furniture manufacturers could look to
informal sector carpentry enterprises for parts. There are numerous other
eamples of mutually beneficial linkages. Research findings suggest that small
enterprises with subcontracting relations often do better than their competitors
because of scale economies in single product production, continuity of operation
and working to a minimum standard of quality. Subcontracting offers very
attractive prospects for the informal sector and should be encouraged.

7. Looking Ahead

6.35 Discussions are presently underway in Harare concerning far-
reaching policy measures that the Government intends to implement shortly.
These measures, which are expected to be taken in the context of the
Government's structural adjustment program (SAP) and which may be supported by
the Bank and other donors, include the following most relevant to this report:

a phased program to liberalize external and domestic trade; and
foreign exchange to be made available for the acquisition of new
machinery to replace outdated equipment and the necessary raw
materials to ensure full capacity utilization.

Other developments likely to have a positive effect on prospects for the
informal sector are: a review of major commodity agreements to enable Zimbabwe
to compete with dynamic, growing trading blocs, such as the European Community
after 1992, and the emergence of new regional trade patterns, given the
political change underway in Southern Africa.

6.36 It is hard to gauge the impact these policy measures would have on
the structure and functioning of the informal sector in Zimbabwe, but the thrust
of the measures that are being contemplated is clearly in favor of market
liberalization. It is a thrust that is very much in line with the findings and
recommendations of this report which calls for a fundamental shift in the
attitude of the Government from one of control and regulation of the informal
sector to one of pro-active support. Liberalization engenders both
complementary and substitution effects. Complementary effects arise from the
growth of national output and income in the economy from market liberalization
and economic structural reforms. This, in turn, induces increased demand for
all kinds of goods and services -- many of which are supplied, or potentially
could be supplied by the informal sector. Substitution effects, on the other
hand, arise from the increased competition of tradeables -- both domestic and
imported -- and could bankrupt the less efficient domestic enterprises in the
informal sector. Given the structure of activities that characterized the
informal sector in Zimbabwe, it is reasonable to conclude that the complementary
effects are likely to outweigh the substitution effects. Thus any change in favor of "opening up" the economy and allowing business a freer hand in decision making is likely to result in net benefits to the informal sector, in turn to rebound to the benefit of women there, who have already displayed considerable dynamism in their business enterprises, and who could do much more in a freer environment. And bearing in mind that the average level of educational attainment among women is rising rapidly, the combination of a freer business environment and a better-educated entrepreneur provides a key ingredient for deepening and widening the range of informal sector activities undertaken by women.

6.37 There is little doubt that the informal sector dominated by women entrepreneurs offers a vast potential for generating gains in both private and public economic and social welfare. The key requirement for realizing this potential is to create an hospitable enabling environment. Here, the Government has the major responsibility, but there is much that the donor community can do to complement a national effort along the lines recommended above. This will not require substantial resources; indeed most of the recommended changes entail institutional reforms or adapting existing programs and projects to informal sector needs. With a sustained commitment on the part of the Government and more sharply focussed targeting, there is every prospect that the pent-up entrepreneurial capacity of the Zimbabwe informal sector, and especially that of women entrepreneurs, can be released for the national benefit. It would also serve to restore real meaning to the national goal of "growth with equity".
BIBLIOGRAPHY


____ "The Economy of Households In Zimbabwe".


____ "Quarterly Digest of Statistics", June. Harare


Companies Act (1973).

Cooperative Societies Act, Chapter 193.


District Councils Act

Factories and Works Act, Chapter 283.


ILO. (1986). "Women's Employment Patterns, Discrimination and Promotion of Equality in Africa: The Case of Zimbabwe".


King, K. (1990). In-service Training in Zimbabwe, An Analysis of
Relationships among Education and Training, Industry and the State.
Washington: IBRD Population and Human Resources Department.


Land Apportionment Act 1930


Liquor Act, Chapter 289


Masvingo (Hawkers and Street Vendors) By-Laws, 1978. (GN953)


Public Health Act, Chapter 238

Quinones, Jr. B.R. (1988). "Promotion of Banking with the Poor. The APRACA Experience".


Road Motor Transportation Act, Chapter 262: Road Motor Transportation (Emergency Taxi Cab) Regulations, Harare.

Rural District Councils Act No. 8, 1988.


SATEP. (n.d.). "Women’s Participation in the Rural Labour Force in Zimbabwe".


Shop Licenses Regulation, No. 40/76.


Urban Councils Act, Chapter 214


This study was initiated in 1986 in consultation with UNIDO. A study outline was prepared and survey designed in order to examine the formal and informal sectors and to identify women's contribution. The formal sector sample included management, female employees and workers' committees. The sample included 20 representatives from management, 244 female employees and 20 from workers committees. The survey was enterprise-based, taking in a range of industries with high and low participation by women.

The informal sector sample included female-headed manufacturing activities (246 respondents) as well as cooperative forms of income generating (56 respondents). The questionnaire sought information on: household characteristics; educational background; type of activity; reasons for entering activity; access to credit and markets; licensing; source of inputs; subcontracting; competition with men; managerial skills; attitudinal responses to cooperatives and other income-generating activities.

Fieldwork took place in Mashonaland Province, Manicaland/Midlands, and Mateveleland. Field data collection lasted for three weeks.


This study investigated the informal sector in terms of its characteristics of employment, its output generation, and its links with the formal sector in order to determine the major structural and institutional constraints, the involvement of the rural population and its overall potential.

The study was carried out by means of questionnaire interviews of informal sector entrepreneurs in both urban and rural areas. Overall, 772 respondents were from urban areas and 245 from rural areas. Specifically, the urban area included 159 questionnaire from Bulawayo, 74 from Chitungwiza, 395 from Harare and 144 from Kwekwe. Likewise, the rural areas, included 91 questionnaires from Outu, 72 from Hondi Valley and 82 from Maria/Mutoko. Students from the University of Zimbabwe assisted with the interviews. The field work began on January 18, 1983 and was completed in early March, 1987. The study covered 1017 enterprises in 47 activities.


This study presents a preliminary analysis of findings generated during the first phase of a research design in which both group interviews and a census were conducted at 174 retail produce vending locations in Greater Harare. Horn used open-ended questionnaire administered to groups of vendors identified by traveling throughout Greater Harare. The study included interviews of 3,374 females. The questionnaires provide information on various issues such as their cost of doing business, rent, night storage, and price reduction and wastage.
THE ENDA (1990) INFORMAL SECTOR SURVEY: ITS SCOPE AND METHODOLOGY

1. OBJECTIVES

The World Bank commissioned the Environmental and Development Activities Group (ENDA: Zimbabwe) to undertake a survey of the informal sector in Zimbabwe, focusing on women.

The broad objectives of this study were to:

(a) construct a profile of women's involvement and economic participation in the urban and rural informal sectors;

(b) identify existing and potential economic activities which provide or could provide women with gainful employment and how this potential can be consolidated and expanded;

(c) define the impediments preventing women from fulfilling this potential;

(d) analyze the existing socio-economic, legal, financial and cultural policy environment and its impact on women in the informal sector;

(e) recommend action for the government, the bank and other donors covering regulatory, institutional and policy reform to relieve constraints inhibiting development of women's economic activities in the informal sector;

While some of these issues deal of necessity with the informal sector as a whole, the primary focus would be on women's activities and constraints.

2. GENERAL CONSTRAINTS AND LIMITATIONS TO THE STUDY

The informal sector in Zimbabwe has similar characteristics to that of other countries, but it also has important differences which influenced the methodology of the study. One of the most important concerns the non-duality of the urban labor market in Zimbabwe. Such duality in other Third World urban economies comprise a high wage restricted formal sector and a free entry informal sector. The informal sector in those countries is seen as an alternative to open unemployment -- for those who have not found formal sector jobs. The duality is not quite so sharp in the case in Zimbabwe. Consequently, the urban informal sector in Zimbabwe is less well developed, is spread throughout the urban and rural areas with pockets of activity concentrated in specific areas.

This physical spread results in less direct trading and input linkages within the informal sector itself. The spread also meant that the research team had to concentrate on specific areas where informal sector activities were located. Compounding this was the general informal sector characteristic of invisibility. This is especially the case with women, the majority of whom work at home.
Another constraint in researching the informal sector lies in the fact that its activities operate outside the direct tax revenue net and in violation of certain statutory regulations and acts. In Harare, the local authorities suspect that certain sectors of the informal sector provide stolen goods to their customers. These aspects are problematic for researchers. The ILO/SATEP (1984) study found that the informal sector artisans do not keep records and that figures on costs and earnings have a low degree of reliability. In some cases, respondents simply refused to talk about money. The ILO/SATEP study also found that in other cases, people said they were tired of being interviewed by researchers without any obvious, positive results.

**LIMITATIONS OF THE STUDY**

**General**

During the preliminary discussions of the study's terms of reference, it was decided not to formulate specific hypotheses of economic linkages between the informal sector and macro-economic policies. Rather, it was decided to concentrate on the specific data base and analyze the existing linkages in specific cases of input supply, subcontracting and use of existing facilities. Given the current fluid socio-economic policy context and the soon to be announced trade liberalization program, detailed work based on speculation was thought to be unproductive.

**Specific Limitations**

Prostitution, illegal alcohol production, domestic work and trade related activities were specifically excluded from the terms of reference of the study. The research focused on productive activities which generated net value-added to the economic activity and where economic growth could result from various types of interventionist support and policy/regulatory reforms.

An initial set of women's activities was defined. The research team was to focus on these even if men were also involved. Women's cooperatives, either in pre-registration status, or registered were to be included. Given the historical and cultural limitations inhibiting women's participation in the formal and informal sectors, it was expected that there would be clear lines of gender differentiation within the informal sector. This would result in a statistically insignificant sample for gender comparison. The gender comparison would be attempted through cross-reference of literature of other studies in the informal sector which involved men.

3. **METHODOLOGY**

   a) **Phasing of research:** The research was undertaken in two phases:

   **Phase I** involved the following activities:

   - staff hiring
   - literature search
   - discussions with policy-makers, informal sector researchers, private
sector
- observation visits in potential target areas
- development of survey instruments
- software selection and data processing program
- identification and training of enumerators
- pilot testing and revision of survey instruments
- data collection
- interviews with administrative decision-makers
- case study interviews

Phase II involved:

- compilation of policy interviews
- data entry, compilation and analysis
- report writing

Various primary and secondary data research instruments were developed by ENDA in consultation with the World Bank. These included primary and secondary data research instruments.

b) Secondary data and literature review

The first task was the collection of secondary data and information, and a review of the literature, by-laws and regulations pertaining to the informal sector.

c) Site Selection

The project document stipulated three target areas were to be surveyed, namely a city, a secondary town and a growth point in a communal area. Three target areas, Harare (city), Masvingo (secondary town) and Murehwa (a growth point) in Mangwende Communal Area was selected for the reasons stated below.

Harare

Harare was selected because it is the biggest city in Zimbabwe and has a wide diversity of informal sector activities. Field visits were undertaken in Harare’s high density areas where most of the informal sector activities are located, and data collection focused on the two largest high density suburbs of Highfield and Mbare.

Secondary town

A rapid appraisal of four secondary towns, Kwekwe, Gweru, Marondera and Masvingo was undertaken to determine which towns had the greatest potential of yielding the most indicative data on women in the informal sector. Marondera, Kwekwe and Gweru had several informal sector activities run by women, but were disqualified because of their close proximity to and direct business linkages with Harare. Informal sector activities were found to be male dominated and based on metal work due to proximity to ZISCO Steel, the sole source of iron and steel in Zimbabwe. Gweru had the added disadvantage of being more of a city than a secondary town.
The study team selected Masvingo because of its size, isolated location away from a big city and the existence of a wide range of informal sector activities in which women were involved.

Communal areas and growth point

Two communal areas and their respective growth points were visited. Gutu - Mupandawana, a rapidly expanding growth point located in a food deficit district of Gutu was considered, but not selected for the study because the informal sector activities undertaken there are trade related and not production oriented. Besides, the growth point and communal areas are untypical, having received large amounts of donor assistance. Murehwa Growth Point, on the other hand, was selected because it lies in a surplus district where women's spurred by local factors and needs have led to the mushrooming of informal sector activities throughout the district.

d) Development of survey instruments

Three sets of research instruments were developed:

i) Questionnaire for women in the informal sector

The main questionnaire developed for primary data collection in target areas was completed after field testing in Harare. The questionnaire consisted of coded and open ended questions.

ii) Semi-structured questionnaire

The second research instrument was a series of semi-structured questions intended for personal interviews with government officials, researchers and private sector officials on their views on the role of women in the informal sector. Due to the field specialization of these policy-makers, it was impossible to use the same semi-structured questionnaire; for each interview a set of questions was drafted according to the interviewee's area of specialization.

iii) Case study questionnaire guidelines

The third instrument consisted of guidelines of key themes from the study to be used as basis for interviewing and developing appropriate case studies. Three case studies were developed, one from each target area, and for each case study a series of guideline questions were developed.

e) Data Collection

In line with the participatory research approaches developed by ENDA over the years, and in view of the "closed" nature of informal sector activities and the need to break through "fronts" during interviews, it was decided to employ and train informal sector women to work as enumerators.

Four women enumerators in Harare, five in Masvingo and five in Murehwa were
employed and trained in the administration of the main questionnaire. All fourteen women had at least four years of secondary school education and were themselves informal sector entrepreneurs.

Training sessions lasting one and a half weeks each were held at training centers located in each of the target areas.

The first part of the training dealt with general topics including:
- the nature and characteristics of the informal sector; and
- basic development concepts including top down and bottom-up approaches employed in development intervention strategies.

The second and main part of the training focused on:
- understanding the meaning of and reasons for including each of the questions on the questionnaire;
- preparing for interviews and developing rapport with interviewees;
- translation of questions from English to Shona and recording the response in coded formats; and
- questionnaire administration techniques.

The last two days of training involved practical interviews with at least five respondents per enumerator working under strict supervision, monitoring and evaluation by the ENDA team.

A total sample of 225 informal sector women respondents was interviewed in Harare (82 respondents), Masvingo (76) and Murehwa (67).

Since the survey was deliberately designed to concentrate on productive rather than trade activities, the following were the activities identified for the enumerators to focus on:

**Harare**
- Tailoring/dressmaking/designing
- Hairdressing/barber shops
- Knitting, crocheting, embroidery and weaving
- Food catering
- Crafts - baskets, brooms, sieves, etc.
- Soap making
- Vaseline/Lotion making
- Wire-making
- Laundry services
- Upholstery

Each enumerator was to interview at least four women individuals or groups from each activity except crafts, soap making, wire-making and laundry services
which are not very common. Each enumerator completed an average of 18 questionnaires.

Masvingo

- Tailoring/dressmaking/designing
- Hairdressing/barber shops
- Knitting, crocheting, embroidery
- Weaving/punching
- Pottery
- Food catering
- Crafts- baskets, brooms, sieves, etc.
- Soap making
- Vaseline/Lotion making
- Poultry
- Firewood
- Emergency taxis
- Tie and dye
- Floor polish making

Each enumerator completed about fifteen questionnaires.

Murehwa Growth Point and Mangwende Communal Area

- Tailoring/dressmaking/uniform making
- Hairdressing/barber shops
- Knitting, crocheting, embroidery
- Pottery
- Food catering
- Crafts - baskets, brooms, sieves, etc.
- Soap making
- Vaseline/Lotion making
- Poultry
- Peanut butter making
- Bakeries
- Fish breeding
- Beer brewing
- Wire making

Each of the five enumerators completed fifteen questionnaires.

A total of 227 questionnaires were collected from the three areas.

METHODOLOGICAL ISSUES

1. Recruitment of Staff

The nature of the subject matter required that the primary researchers and enumerators had familiarity with the informal sector. Recruitment of the professionally qualified female researcher took several months due to lack of availability the current labor market.
Due to previously documented data veracity problems with traditional application of social science research techniques in the informal sector, ENDA chose to identify and train enumerators for the research who were themselves informal sector women. Enumerators were selected from each of the target areas and trained.

2. **Design of Research Instruments**

Three sets of research instruments were used:

i) **Primary questionnaire** - the main questionnaire designed for primary data collection. The original questionnaire was revised following field testing. It comprised 165 questions and the sample size was 225;

ii) **Semi-Structured questionnaire** - for personal interviews with government officials, researchers and private sector officials; and

iii) **Case Study guidelines** - used as the basis for interviewing and developing three case studies, one from each target area.

3. **Target Area Selection**

Six preliminary field trips were executed to determine the communal area and secondary town selection. The site selection data were reviewed by ENDA and the Ministry of Labor, Manpower Planning and Social Welfare before final selection was made. The selection criteria were based on the extent and diversity of women's informal sector activities.

4. **Activity Selection**

Based on the initial field familiarization trips, a composite list of informal sector activities was compiled. While this list was not completely exhaustive, this sample accurately reflects the real situation in the view of the research team. Certain activities were dropped from the initial pre-list when they were not found to exist. For example, agro-processing activities, including fruit and vegetable processing, grain milling and cooking oil production were not found in any significant number or scale. The reasons for this are:

- lack of available appropriate technology
- costs of mechanical power systems and unavailability of cost efficient power systems, such as diesel engines
- packaging supply problems
- lack of management and technical skills
- regulatory restrictions
- marketing problems including formal sector competition.

Very few men were found to be engaged in the list of activities originally selected. Furthermore, it was not the intent of the study to study male oriented
informal sector activities. The sample size originally selected was chosen to provide a data base which, given the information sources available in Zimbabwe, did not exist in either size or diversity adequate for policy implications or recommendations. This sample was gender specific. Given the invisibility of women in the informal sector (64 percent work at home), and the additional time required to locate and interview the subjects within the specified terms of reference and resources of the study, males in the informal sector were not interviewed in any statistically significant number.

Non-Farm Rural Based Activities: Murehwa Growth Point was specifically chosen as a representative sample of non-farm rural based activities. The sample size of 67 reflects not only activities in the growth point, but also district, rural and business center activities within the communal area. These growth points and service centers represent the settlement system of the Department of Physical Planning of the Ministry of Local Government, Rural and Urban Development.

Interview Selection from Existing Entrepreneurs in the Informal Sector

The research team of the primary researcher and a research assistant selected the enumerators. Women in the informal sector were directly approached by the enumerators and interviews held from which the enumerators provided a wealth of information on the diversity and location of women within the informal sector. Interviewees were then approached to participate in the study.

The research team also interviewed a number of public and private sector officials. Scheduling of these interviews was difficult due to time constraints of the officials.
MAJOR PRODUCTIVE ACTIVITIES ENGAGED IN BY ZIMBABWEAN WOMEN IN THE INFORMAL SECTOR

This annex presents analyses of the main sub-sectors of the informal sector, particularly those activities in which women are heavily concentrated. It highlights the activity's potential and the constraints that need to be removed to achieve this potential. The analysis is based on the ENDA (1990) survey, and other empirical work.

**Food processing**

**Bakeries**

Bread-baking has become an increasingly popular informal sector activity. In the rural areas people build their own ovens, using locally produced bricks. In particular, women's groups in the rural areas have opted for bread baking as a viable activity, since the recent transport crisis has made it difficult for the large bakeries in the major towns to supply the rural areas. Profitability is limited, however, by the bread price which is fixed by Government. Three other factors determine whether a group can make a living out of bread baking. First, they have to be sure that they obtain their flour allocation. Given the present practice of allocating to existing bakeries, this can be very difficult. Pre-cooperatives and cooperatives have a better chance to obtain flour than these individuals. Secondly, the organization of the production is important. The work needs to be well organized and the financial administration is important to assure everybody a fair share in the proceeds. Finally, it helps if the women produce not just bread loaves -- the retail price of which is controlled -- but other bakery goods generally not subject to price control. Zimbabweans are becoming more and more bread-oriented, and demand prospects are good.

The technology is simple, but can be improved if energy-saving ovens are used. The women need to buy flour, salt and fire wood. Men are also involved in bakeries, and groups exist composed of men and women. A number of health regulations apply to bakeries. Doors need to be screened and be open to the outside. Windows must be of a certain type and certain hygienical standards need to be adhered to. The financial viability of bakeries can be tenuous. If the bakeries do not get their share of the flour allocation and have to buy the flour from the supermarket they will lose money. Their price of bread is fixed, and is uniform throughout the country, despite widely differing transport costs.

The women interviewed expressed the need for credit with which to buy more equipment and to improve their workshops. They also need training on how to bake good quality bread and other products, but also on how to organize the work and diversify their output. While the present transport crisis prevails, and the supply of bread from the large factories is uncertain, it is recommended that entrepreneurs use this period to build up their competitive margin and establish their markets. They are bothered by the health inspectors who want to ensure that the buildings comply with a number of health regulations. Many groups could benefit from a loan to buy a workshop which would comply with the health and...
engineering standards and to buy more equipment. If the retail price of bread is liberalized, repayment would not be a problem for groups with a good track record. To get around the pricing problem, women bake goods other than bread (bun, etc.), the retail price of which is not fixed.

**Beer Brewing**

Many women in the rural areas are involved in beer brewing. Although this is illegal, there is a strong demand for their beer, particularly since the officially distributed beer does not reach all the villages of Zimbabwe. Legally, beer can only be produced informally for religious manifestations and certain social happenings. In practice, the women see the demand and consider the activity as a way to earn income for school fees, etc. There is, however, a problem of men drinking excessively and not repaying their debts. Because the work is illegal, the women are often harassed by police and health inspectors.

Beer brewing is a traditional activity and few tools are required. Only some pots, drums and sieves are needed. An energy-saving stove would help to reduce production costs and save on fuelwood. The alternative for the women is to sell their sorghum or maize to the Grain Marketing Board. However, in remote villages transport to GMB's collection centers is a serious problem.

While beer brewing seems an activity with the potential to develop, it remains illegal. Moreover, it presents serious health and social problems. Net income earned from beer brewing is not large; in the survey it averaged only about Z$100 per month. Net income could be increased with more energy-efficient stoves. It is recommended that the authorities reconsider whether it really makes sense to retain the illegality of brewing beer, given how common the activity is all over Zimbabwe, and given the present transport problems. The activity could be tolerated if certain minimum health standards are met. It could also generate fiscal revenue if a small license fee is charged.

**Food catering**

In the ENDA survey (1990), 25 women involved in food catering in Harare (18), Murehwa (5) and Mashvingo (2) were interviewed. They mostly make 'sadza' (from maize with a meat stew (including some vegetables). The most important clientele are the workers to whom they sell in the industrial areas, or (in the case of Murehwa) those they sell to in bus terminals. Only in Murehwa and in a few places in Harare can the women sell from shelters. In the industrial area the women work in the open air and are continually harassed by city health department officials.

Food catering is a traditional activity, sometimes done collectively by a group of women. In the rural areas women bring food for sale to the beer halls, or prepare it there, because it complements the traditional beer. Men are not involved in food catering.

The women involved in food catering are willing to respect those health regulations which, to them, make sense. They feel the present regulations of local health departments are excessive and would like them reviewed. For
example, the present law stipulates that food sold in the open air requires an inspection of the place where it has been prepared. The women feel that the health standards of their houses and kitchens are adequate and visits by health officials should be limited. While clearly maintenance of adequate health standards is crucial, one does get the impression that some of these standards are excessive for such small units and need to be relaxed. One example is the requirement to have three toilets in all restaurants - one for men, one for women and one for workers. (One newly opened enterprise in a high density area had been visited by local health officials 17 times in the first four weeks of operation. In exasperation, the entrepreneur finally went to the Ministry of Health to find out exactly what the health requirements were and what the stipulated procedures were for ministry officials to ensure they were met. Two months later she was still awaiting a response, though the visits by the health inspectors had not abated.)

Food catering could be promoted to allow more women to make a living out of it. There is strong demand and little competition, except maybe from some men vending food products and from some of the more modern snack sellers (hot dogs and sandwiches for example). The workers, however, prefer more substantial and traditional foods.

It is common practice for the women to give the workers credit until their weekly pay day. Sadza will cost about Z$1.50 per day (chicken is more expensive), which means Z$7.5 is due on Friday. This amounts to about 10 percent of the workers' weekly income (usually between Z$75 and 90). The women earn about Z$600 gross), or Z$300 (net) per week, making this a very remunerative activity.

To operate a food catering business requires land, which is expensive and difficult to come by. Buying a piece of land requires a substantial investment (Z$58 per square meter and a minimum of 160 m²). Renting premises in the neighborhood of the clientele would reduce initial expenses, but appropriate land at an affordable price is very difficult to find. Women also need stoves, and would benefit considerably from the improved variety of stoves, which are not readily available. They would also benefit from refrigerators to improve the conservation of their materials. They also need store-rooms to enable them to operate on a larger scale.

While this is an activity with obvious potential, there are several constraints. First, access to land is a major problem. A second constraint is lack of credit. If a workshop needs to be built, then a loan of between Z$50,000 and 75,000 would be required, but these buildings would also serve as collateral. The women would also need credit to purchase catering equipment. Third, while the women do not need training in their trade, they would benefit from training in business management and bookkeeping. Finally, the municipal authorities should impose regulations that would ensure adequate health standards would not amount to harassment. Inspections should be limited to a specific number of visits and items to be inspected.

Grain mills

In Zimbabwe, grain milling is a formal sector activity because of its high
capital costs, registration process, and licensing requirements. As a result, women in Zimbabwe - particularly those in the communal areas - must walk far - often up to 50 kms - to have their grain milled. This requires considerable time and energy. The few grain mills in operation are usually owned by men, charging Z$1 to Z$1.50 per bucket. Others follow the traditional practice of stomping the grain, followed by dehulling and winnowing. This also takes substantial time and energy.

Simple grain milling technologies do exist, and have been successfully introduced to women in Zimbabwe, though on a very limited scale. ENDA is implementing a small grain-milling system consisting of a power-driven grinding mill. With CIDA financing they have installed mills for small grains (sorghum and millet) all over Zimbabwe, particularly in areas of low rainfall. It is ENDA's experience that a mill functions best if run by a group who divides the work, maintains the equipment and splits both revenues and costs equally among members. The grinding mills are too expensive for most individuals, so it makes sense for groups to pool together for the purchase. In Mashonaland West a project run by MCCD/FAO introduced hand-operated grinding mills and diesel hammer mills. These mills were successfully installed with different groups of women.
## Detailed Sources of Material Inputs for Informal Sector Activities

<table>
<thead>
<tr>
<th></th>
<th>Sample Size</th>
<th>Formal V.</th>
<th>Informal V.</th>
<th>Local V.</th>
<th>Impact</th>
<th>Import</th>
</tr>
</thead>
</table>

### Tailoring

- **Materials (fabric)**: 43 | 100 | 0 | 100 | 0 | 0 |
- **Zips**: 17 | 100 | 0 | 100 | 0 | 0 |
- **Cotton**: 17 | 100 | 0 | 100 | 0 | 0 |
- **Buttons**: 17 | 100 | 0 | 100 | 0 | 0 |
- **Machine Oil**: 18 | 100 | 0 | 100 | 0 | 0 |

### Embroidery

- **Filosheen**: 11 | 100 | 0 | 100 | 0 | 0 |
- **Crochet cottons**: 14 | 100 | 0 | 100 | 0 | 0 |
- **Embroidery fabric**: 8 | 88 | 12 | 100 | 0 | 0 |

### Hair dressing

- **Perm lotion**: 12 | 100 | 0 | 91 | 9 | 0 |
- **Conditioners**: 12 | 100 | 0 | 91 | 9 | 0 |
- **Neutralizer**: 11 | 100 | 0 | 90 | 10 | 0 |
- **Extensions**: 12 | 17 | 83 | 0 | 0 | 100 |

### Food Catering

- **Mealie meal**: 14 | 100 | 0 | 100 | 0 | 0 |
- **Beef**: 14 | 86 | 14 | 100 | 0 | 0 |
- **Chicken**: 14 | 71 | 29 | 100 | 0 | 0 |
- **Salt**: 15 | 100 | 0 | 100 | 0 | 0 |
- **Flour**: 12 | 83 | 17 | 100 | 0 | 0 |
- **Firewood**: 13 | 46 | 54 | 100 | 0 | 0 |

### Weaving & Handicraft

- **Sisal**: 2 | 100 | 0 | 100 | 0 | 0 |
- **Reeds**: 2 | 100 | 0 | 100 | 0 | 0 |
- **Ilala palm**: 1 | 100 | 0 | 100 | 0 | 0 |
- **Mohair**: 1 | 100 | 0 | 100 | 0 | 0 |
- **Goat hair**: 2 | 100 | 0 | 100 | 0 | 0 |
- **Wire supplies**: 0 | 0 | 0 | 0 | 0 | 0 |

### Beer Brewing

- **Maize**: 1 | 100 | 0 | 0 | 0 | 0 |
- **Rapoko**: 1 | 100 | 0 | 0 | 0 | 0 |
- **Millet**: 1 | 100 | 0 | 100 | 0 | 0 |
- **Water supplies**: 1 | 100 | 0 | 100 | 0 | 0 |
- **Firewood**: 1 | 100 | 0 | 100 | 0 | 0 |

### Pottery

- **Clay**: 0 | - | - | - | - | - |
## MUREHWA - SOURCES OF MATERIAL INPUTS (% OF RESPONDENTS)

<table>
<thead>
<tr>
<th></th>
<th>Sample Size</th>
<th>Formal</th>
<th>Informal</th>
<th>Local V.</th>
<th>Local Impact</th>
<th>Ext. Import</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tailoring</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials (fabric)</td>
<td>11</td>
<td>91</td>
<td>9</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Zips</td>
<td>14</td>
<td>93</td>
<td>7</td>
<td>14</td>
<td>86</td>
<td>0</td>
</tr>
<tr>
<td>Cotton</td>
<td>11</td>
<td>82</td>
<td>18</td>
<td>18</td>
<td>82</td>
<td>0</td>
</tr>
<tr>
<td>Buttons</td>
<td>16</td>
<td>94</td>
<td>6</td>
<td>13</td>
<td>87</td>
<td>0</td>
</tr>
<tr>
<td>Machine oil</td>
<td>12</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>0</td>
</tr>
<tr>
<td><strong>Embroidery</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Filosheen</td>
<td>8</td>
<td>100</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Crochet cottons</td>
<td>9</td>
<td>89</td>
<td>11</td>
<td>11</td>
<td>89</td>
<td>0</td>
</tr>
<tr>
<td>Embroidery fabric</td>
<td>8</td>
<td>100</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td><strong>Hair dressing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perm lotion</td>
<td>5</td>
<td>100</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Conditioners</td>
<td>5</td>
<td>100</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Neutralizer</td>
<td>5</td>
<td>100</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Extensions</td>
<td>5</td>
<td>100</td>
<td>0</td>
<td>0</td>
<td>60</td>
<td>40</td>
</tr>
<tr>
<td><strong>Food catering</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mealie meal</td>
<td>2</td>
<td>50</td>
<td>50</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Beef</td>
<td>1</td>
<td>100</td>
<td>0</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Chicken</td>
<td>0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Salt</td>
<td>2</td>
<td>50</td>
<td>50</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Flour</td>
<td>2</td>
<td>50</td>
<td>50</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Firewood</td>
<td>1</td>
<td>100</td>
<td>0</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Weaving &amp; Handicraft</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sisal</td>
<td>0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reeds</td>
<td>0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ilala palm</td>
<td>1</td>
<td>0</td>
<td>100</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Mohair</td>
<td>0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Goat hair</td>
<td>0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Wire making</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wire supplies</td>
<td>1</td>
<td>100</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td><strong>Beer brewing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maize</td>
<td>6</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Rapoko</td>
<td>6</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Millet</td>
<td>6</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Water supplies</td>
<td>5</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Firewood</td>
<td>5</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Pottery</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clay</td>
<td>8</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
ENDA SURVEY FINDINGS

This Annex comprises ENDA's survey findings in tabular form. Some of the tables are referred to in the text; others are provided to illustrate the richness of the survey results.

Table 1: NUMBER OF EMPLOYEES IN THE INFORMAL SECTOR ENTERPRISES (AS % OF TOTAL)

<table>
<thead>
<tr>
<th>No. of Employees</th>
<th>HARARE</th>
<th>MASVINGO</th>
<th>MUREHWA</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>73</td>
<td>73</td>
<td>85</td>
<td>77</td>
</tr>
<tr>
<td>2</td>
<td>9</td>
<td>8</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>3</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>5 or more</td>
<td>3</td>
<td>7</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

1/ including self-employed

Table 2: TYPE OF WORKPLACE USED BY IS WOMEN (AS % OF TOTAL)

<table>
<thead>
<tr>
<th>Type of Workshop</th>
<th>HARARE</th>
<th>MASVINGO</th>
<th>MUREHWA</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Open air</td>
<td>6</td>
<td>13</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Kiosk</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Market stall/shed</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>At home</td>
<td>61</td>
<td>62</td>
<td>67</td>
<td>64</td>
</tr>
<tr>
<td>Traditional workshop</td>
<td>11</td>
<td>3</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Modern workshop</td>
<td>18</td>
<td>16</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 3: **MONTHLY BUSINESS EXPENDITURES (MEDIAN Z$)**

<table>
<thead>
<tr>
<th></th>
<th>HARARE</th>
<th>MASVINGO</th>
<th>MUREHWA</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage and salaries</td>
<td>36</td>
<td>23</td>
<td>10</td>
<td>23</td>
</tr>
<tr>
<td>Lights and water</td>
<td>56</td>
<td>68</td>
<td>29</td>
<td>52</td>
</tr>
<tr>
<td>Rent</td>
<td>61</td>
<td>69</td>
<td>8</td>
<td>48</td>
</tr>
<tr>
<td>Transport</td>
<td>60</td>
<td>73</td>
<td>33</td>
<td>56</td>
</tr>
<tr>
<td>Repairs</td>
<td>39</td>
<td>44</td>
<td>27</td>
<td>37</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>252</td>
<td>277</td>
<td>107</td>
<td>216</td>
</tr>
</tbody>
</table>

Table 4: **MONTHLY PERSONAL EXPENDITURES (MEDIAN Z$)**

<table>
<thead>
<tr>
<th></th>
<th>HARARE</th>
<th>MASVINGO</th>
<th>MUREHWA</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>120</td>
<td>82</td>
<td>60</td>
<td>100</td>
</tr>
<tr>
<td>Clothing</td>
<td>125</td>
<td>40</td>
<td>34</td>
<td>50</td>
</tr>
<tr>
<td>Transportation</td>
<td>40</td>
<td>10</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Education</td>
<td>49</td>
<td>20</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Health</td>
<td>24</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Rent</td>
<td>50</td>
<td>78</td>
<td>3</td>
<td>49</td>
</tr>
<tr>
<td>Remittances</td>
<td>50</td>
<td>50</td>
<td>28</td>
<td>46</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>458</td>
<td>290</td>
<td>285</td>
<td>305</td>
</tr>
</tbody>
</table>
Table 5: **Marital Status of Women in the Informal Sector (% of Total)**

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Harare</th>
<th>Masvingo</th>
<th>Murehwa</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>20</td>
<td>14</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>Monogamy</td>
<td>54</td>
<td>58</td>
<td>65</td>
<td>59</td>
</tr>
<tr>
<td>Polygamy</td>
<td>8</td>
<td>4</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Divorced</td>
<td>12</td>
<td>11</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Widowed</td>
<td>6</td>
<td>13</td>
<td>12</td>
<td>11</td>
</tr>
</tbody>
</table>

100 100 100 100

Table 6: **Employment Status of Husbands of Women in the Informal Sector (% of Total)**

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Harare</th>
<th>Masvingo</th>
<th>Murehwa</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployed</td>
<td>15</td>
<td>26</td>
<td>43</td>
<td>28</td>
</tr>
<tr>
<td>Formally employed</td>
<td>65</td>
<td>56</td>
<td>45</td>
<td>56</td>
</tr>
<tr>
<td>Informally employed</td>
<td>17</td>
<td>9</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Self employed</td>
<td>3</td>
<td>9</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

100 100 100 100

Table 7: **Reasons for Migrating from Place of Birth (% of Total)**

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Harare</th>
<th>Masvingo</th>
<th>Murehwa</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Search for employment</td>
<td>20</td>
<td>58</td>
<td>21</td>
<td>37</td>
</tr>
<tr>
<td>Schooling</td>
<td>7</td>
<td>5</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>War</td>
<td>13</td>
<td>6</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Marriage</td>
<td>60</td>
<td>31</td>
<td>73</td>
<td>50</td>
</tr>
</tbody>
</table>

100 100 100 100

107
Table 8: DURATION OF RESIDENCE IN LOCALITY (AS % OF TOTAL)

<table>
<thead>
<tr>
<th>No. of years</th>
<th>HARARE</th>
<th>MASVINGO</th>
<th>MUREHWA</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 3</td>
<td>10</td>
<td>28</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>4 - 6</td>
<td>8</td>
<td>12</td>
<td>7.5</td>
<td>8.5</td>
</tr>
<tr>
<td>7 - 9</td>
<td>9</td>
<td>12</td>
<td>1.5</td>
<td>8</td>
</tr>
<tr>
<td>More than 9 years</td>
<td>73</td>
<td>48</td>
<td>79</td>
<td>63.5</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 9: TECHNICAL AND VOCATIONAL TRAINING (AS % OF TOTAL)

<table>
<thead>
<tr>
<th>Technical or vocational training</th>
<th>HARARE</th>
<th>MASVINGO</th>
<th>MUREHWA</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vocational or technical training</td>
<td>56</td>
<td>45</td>
<td>35</td>
<td>46</td>
</tr>
<tr>
<td>Not trained</td>
<td>44</td>
<td>55</td>
<td>65</td>
<td>54</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 10: EMPLOYMENT EXPERIENCE (AS % OF TOTAL)

<table>
<thead>
<tr>
<th>HARARE</th>
<th>MASVINGO</th>
<th>MUREHWA</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never been employed</td>
<td>32</td>
<td>32</td>
<td>61</td>
</tr>
<tr>
<td>Dressmaking</td>
<td>14</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Domestic workers</td>
<td>9</td>
<td>17</td>
<td>8</td>
</tr>
<tr>
<td>Saleslady</td>
<td>11</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Hairdressing</td>
<td>9</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Factory worker</td>
<td>8</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Other</td>
<td>17</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 11: **Reasons for Starting Informal Sector Business (As % of Total)**

<table>
<thead>
<tr>
<th>Reason</th>
<th>HARARE</th>
<th>MASVINGO</th>
<th>MUREHWA</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost my job</td>
<td>5</td>
<td>8</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Could not find employment</td>
<td>54</td>
<td>25</td>
<td>20</td>
<td>34</td>
</tr>
<tr>
<td>Influenced by friend or relative</td>
<td>11</td>
<td>11</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Wanted to be self employed</td>
<td>10</td>
<td>37</td>
<td>54</td>
<td>32</td>
</tr>
<tr>
<td>Had the knowledge/ qualification</td>
<td>5</td>
<td>12</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>No specific reason</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>14</td>
<td>6</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 12: **Type of Workplace Used by Informal Sector Entrepreneurs**

<table>
<thead>
<tr>
<th>Type of workshop</th>
<th>HARARE</th>
<th>MASVINGO</th>
<th>MUREHWA</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Open air</td>
<td>6</td>
<td>13</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Kiosk</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Market stall/shed</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>At home</td>
<td>61</td>
<td>62</td>
<td>67</td>
<td>64</td>
</tr>
<tr>
<td>Traditional workshop</td>
<td>11</td>
<td>3</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Modern workshop</td>
<td>18</td>
<td>16</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 13: WHERE WOULD YOU LIKE TO BE LOCATED (AS % OF TOTAL)

<table>
<thead>
<tr>
<th>Location</th>
<th>HARARE</th>
<th>MASVINGO</th>
<th>MUREHWA</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Here! Where I am</td>
<td>43</td>
<td>41</td>
<td>76</td>
<td>57</td>
</tr>
<tr>
<td>In the city center</td>
<td>22</td>
<td>23</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td>In the handicraft center</td>
<td>10</td>
<td>13</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>In an industrial zone</td>
<td>8</td>
<td>4</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Alongside an imparta</td>
<td>1</td>
<td>11</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>In a smaller town</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>In the rural areas</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Not sure or do not care</td>
<td>11</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 14: REASONS FOR NOT APPLYING FOR A LOAN (AS % OF TOTAL)

<table>
<thead>
<tr>
<th>Reason</th>
<th>HARARE</th>
<th>MASVINGO</th>
<th>MUREHWA</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do not know how to go about it</td>
<td>29</td>
<td>35</td>
<td>47</td>
<td>36</td>
</tr>
<tr>
<td>Do not have a bank account</td>
<td>4</td>
<td>10</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Do not have a collateral</td>
<td>7</td>
<td>1</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Afraid would not be able to pay back</td>
<td>38</td>
<td>35</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Husband would not allow</td>
<td>12</td>
<td>4</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>15</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Table 15: REASONS WHY LOAN APPLICATION WAS UNSUCCESSFUL (AS % OF TOTAL)

<table>
<thead>
<tr>
<th>Reason</th>
<th>HAPARE</th>
<th>MASVINGO</th>
<th>MUREHWA</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficult procedure</td>
<td>11</td>
<td>57</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>No bank account</td>
<td>5</td>
<td>15</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>No accounting system</td>
<td>11</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Lack of collateral</td>
<td>26</td>
<td>0</td>
<td>10</td>
<td>16</td>
</tr>
<tr>
<td>Income irregular</td>
<td>15</td>
<td>7</td>
<td>50</td>
<td>9</td>
</tr>
<tr>
<td>Failed to get guarantor</td>
<td>11</td>
<td>14</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Husband would not agree</td>
<td>21</td>
<td>0</td>
<td>0</td>
<td>13</td>
</tr>
<tr>
<td>Other specify</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>15</td>
</tr>
</tbody>
</table>

100 100 100 100

111
Annex V, Figure 1: Composition of Personal Expenditure by Level of Educational Attainment
(Median Z$ per month)

Some Primary Education Only

Primary Education Complete

Some Secondary Education

Secondary Education Complete

Total: Z$202

Total: Z$300

Total: Z$315

Total: Z$308.50
BUILDING WEALTH IN OUR VILLAGES

an introduction to rural enterprises

Annex VI

VOLUME 1
## CONTENTS

### VOLUME ONE

**Part One — What Is a Rural Enterprise**

- (a) Introduction ........................................... 6
- (b) Rural enterprises and industries .................. 13
- (c) Rural enterprises and co-operatives .......... 15
- (d) Rural enterprises and the informal sector .... 22
- (e) Rural enterprises and income generating projects ... 23
- (f) Summary ............................................. 25

**Part Two — The Role of Rural Enterprises in Development**

- (a) What is development? .............................. 28
- (b) Capitalist and socialist development .......... 31
- (c) The role of rural enterprises in socialist development ... 32

**Notes for game** ........................................... 50

**Part Three — Common Problems with Economic Projects**

- (a) Local problems ...................................... 35
- (b) National problems ................................... 44
- (c) Regional problems in Southern Africa .... 47

### VOLUME TWO

**Part Four — An Introduction to Basic Economics**

- (a) What is economics? ......................... 2
- (b) Production
  1. What is production? What is needed for production? ... 3
  2. Investment and consumption ..................... 4
  3. Specialisation and the division of labour ... 5
- (c) How production is organised under different social systems
  1. Ownership .......................................... 8
  2. Income distribution ................................ 11
  3. Allocation of resources .......................... 14
  4. Trade .............................................. 20
- (d) Exercise: The economy of our ward, district, province ... 28
- (e) The economy of Zimbabwe .......................... 31
- (f) Strategies for socialist economic development .. 48

**Notes for economic survey and-analysis** .......... 51
### VOLUME THREE

**Part Five — How to establish and manage a Rural Enterprise**

Strategies for dealing with local problems

<table>
<thead>
<tr>
<th>(a) Introduction</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b) Building a strong organisation</td>
<td></td>
</tr>
<tr>
<td>1. Motivation</td>
<td>5</td>
</tr>
<tr>
<td>2. Trust building</td>
<td>7</td>
</tr>
<tr>
<td>3. Communication</td>
<td>8</td>
</tr>
<tr>
<td>4. Leadership</td>
<td>11</td>
</tr>
<tr>
<td>5. Decision-making</td>
<td>13</td>
</tr>
<tr>
<td>6. Meetings</td>
<td>14</td>
</tr>
<tr>
<td>7. Group relations</td>
<td>16</td>
</tr>
<tr>
<td>8. Structure</td>
<td>19</td>
</tr>
<tr>
<td>9. Growth of the organisation</td>
<td>23</td>
</tr>
</tbody>
</table>

(c) Survey | 25 |
(d) Analysis of survey, and choice of priorities and economic activities | 26 |
(e) Marketing | 29 |
(f) Planning | 37 |
(g) Resources | 39 |
(h) Technology | 52 |
(i) Registration | 53 |
(j) Supervision and control | 56 |
(k) Evaluation | 59 |
(l) Lessons from more successful economic projects | 61 |
(m) Co-ordination | 64 |
Notes for feasibility study | 67 |
VOLUME FOUR

Part Six — Strategies for Dealing with National Problems

(a) Introduction — putting policies into practice 2
(b) Organising rural enterprises nationally 3
(c) Ideas for dealing with the lack of capital 5
(d) Ideas for opening up a market 8
(e) Ideas for dealing with the lack of infrastructure 10
(f) Ideas for dealing with the lack of technology 11
(g) Ideas for dealing with regional differences within Zimbabwe 13
(h) How rural enterprises could help Zimbabwe deal with its bigger economic problems 14
(i) A realistic timescale for economic decentralisation 15

Part Seven — Possibilities for the future

(a) Discussion of posters 18
(b) What is wealth? 18
   What kind of wealth do we want?
(c) Possible economic activities for rural enterprises 20
(d) A vision of the future 35
Acknowledgements and Bibliography 40
Notes for evaluation 49
The Community Publishing Programme
Ministry of Community and Co-operative Development

Building people, so they can build a future for themselves.

Aim
To promote development through books, other media and workshops, which will build up the practical and analytical skills, confidence and creativity of development workers at all levels.

Target Readership
Village community workers, local leaders, project members and learning groups, extension workers at other levels, trainers and others who support rural development.

Process and background
The books are produced collectively and democratically using the following process.
The Bookteam (made up of 4 fulltime media and development workers) travel around Zimbabwe listening to what people want in a book. They meet a variety of people at province, district ward and village level and get ideas and information from them, on the books themes. The visits are followed up through correspondence. The Bookteam then puts together a first draft, based on their research journeys and documentary research. The draft is widely tested, and workshops held to get a national consensus on the final form of the book. Lastly the books are printed, translated and distributed at workshops. At these workshops participants learn how to use the books effectively and create their own media on local themes not covered in the books.

The community Publishing Programme Network has grown from about 300 participants in 1986 to 1000 in 1990.

Principles
These are the principles which guide community publishing.
The process is as important as the product.
We do not begin with a pre-established curriculum and text books. Rather we regard the involvement of participants in the design of their own curriculum and training materials as one of the most important aspects of their training.
Method should reinforce content
For example, we do not only write about creative democratic ways of organising development, but practice these in the way in which the books are produced.
Two way communication
Readers are seen as active participants and contributors rather than as passive recipients. Visits, workshops and correspondence are used to facilitate two way communication.

Accessibility
By basing the programme on the Village Community Workers we will ensure that the books will be available in every village. The books are also accessible in terms of language level.

Decentralisation and co-ordination
At national level books are produced on national themes, with contributions from all Zimbabwe's 55 districts. At local level, the production of local media (stories, poems, songs, drama, art) is encouraged.

Book titles

3. Women in Development (in process, being produced jointly with the Ministry of Political Affairs.
   More topics are being considered, and distinct reading needs are being surveyed.

Response to the books and programme so far.
(Taken from the Community Publishing Programme Review, done with 100 participants from all districts in 1989)

- “We are very proud of our books. They have given us courage and built unity.”
- “We have never read anything with such depth and truth”.
- “We see the whole nation contributing to the programme. The books belong to the whole people.”
- “The books improve the working style of development workers and the community at large. An improved rural Zimbabwe can be built out of this.”
- “These books are not only relevant and useful but they recall us not to bury our thoughts but to put our visions to reality.”
- “It has been a challenge and a golden opportunity”
- “These books have opened up our intellectual horizons as and when we got involved in their birth.”
- “In this programme we practice democracy at it maximum. Our involvement makes us feel very happy, honoured, stimulated and fulfilled.”

Distribution
Within Zimbabwe the books are distributed to development workers through workshops. From 1990 the books will be sold to high income readers in Zimbabwe and other countries. Proceeds from sales will be channeled back to the villages through the Community Development Fund. For more information contact:

The Bookteam
Community Publishing Programme
Ministry of Community and Co-operative Development
P.O. Box 7335 Causeway,
Harare, Zimbabwe.
Examples of activities that could be subcontracted are as follows:

- manufacture of fan guards
- castings and internal parts for sundry turning
- castings for pumps, drive shafts, internal parts and impellers
- manufacture of castings
- spincasting of plastic and zinc
- hydraulic components
- drying
- reprocessing and washing bottles
- cut, make and trim garments and parts products
- buckles and metal clips
- screen printing
- packaging
- sewing
- motor vehicle parts
- assembly pegs and packaging
- sharpening pens
- assembly components
- handles for mugs
- chrome, nickel, etc.
- cloth polishing mops
- cut steel length
- castings
- wick cut in length
- turned components in brass, steel
- bolts, studs, low value intensive chores
- clean packaging mat, packing into small containers
- twines and ropes
- multi patch duvet covers
- sewing shorts shirts
- handwoven rugs
- small wire fittings
- burning of magnetite in preparation for milling
- shoe upper and hand stitching
- lead scrap recovery and processing
- no return valves for hand pumps, pistons, press foams
- manufacture of aqueous tinters, packaging solvents
- punching nails into carpet grippers
- bodies, components for baret valves
- packaging for surgical cotton wool and bandages
- wire reels
- bakery with outlet to test the use of soya products in baking
- furniture components and parts
- all forms of packaging glass, paper, wood, etc.
machine components
packaging of perishables
washing, recycle plastic and glass containers
knitted goods in loom state
garment manufacture on consignment basis
dyeing permac nets, winding mutton cloth
pine furniture; knock down form
coffin making
manufacture and delivery of Carton caramel, ice and ice boxes
co-extrusion of milk firm
sewing operations involving new good quality spares
incandescent silk mantles
hollow core cooker
Minor engineering jobs
flat cloth
finished material
bleaching tallow
motor rewinding
matching of shafts
processing and selling of secondhand wares, electric plating
washing, recycle plastic and glass containers

Source: CZI