



**TOWARDS A JUST MODEL POLICY  
FOR THE INFORMAL SECTOR**

**POLICY DIGEST APRIL 2023**





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# 1. INTRODUCTION

The April Policy Digest focuses on the plight of the informal traders with the primary objective of proposing a just model policy that is inclusive and progressive. The policy digest presents the emergence and evolution of the informal sector with the goal of giving a historical and trend analysis of the dynamics in the sector. Actors in the informal sector are identified coupled with the challenges they are encountering which militate against their optimum operation. The digest ends by proposing possible policy alternatives that if followed religiously, might bring about positive change and transformation in the informal sector.

## 2. THE EMERGENCE AND EVOLUTION OF THE INFORMAL SECTOR IN ZIMBABWE

Informal Trading as a profession has been in existence in Zimbabwe since the pre-independence era. However, the number of informal traders has increased manifold in the recent years due to the continuous economic decline the country is facing.<sup>1</sup> As such, the emergence of the informal economy is controversial as its genesis emanate and scintillate even prior independence.<sup>2</sup> This is because the informal sector co-existed with the formal economy since time immemorial, though at a very small scale up to the early 1990s. There is a chronicle which places the emergence of the informal sector to the colonial era when industries and other businesses were formalised. Therefore, the informal sector encompassed other activities which were not formally recognised as integral components of the mainstream economy by the colonial administration. Thus, during the colonial era the informal sector comprised of unregistered and unregulated entrepreneurs who chose to avoid registration and taxation.<sup>3</sup>

Following the attainment of independence in 1980, the Zimbabwean government failed to create a developmental model that enhances and sustains development in rural areas as the case with South Korea and Singapore.<sup>4</sup> It is this policy development error that undermined employment creation and economic growth. The policy error was more visible in the early 1990s with the Economic Structural Adjustment Programme (ESAP) of 1990-95 becoming a case point. This is largely because ESAP led to the laying off of many workers from the private and public sector.<sup>5</sup>

The Fast Track Land Reform Program (FTLRP) also edified the growth of the informal sector. After the farm evasions, many people whose livelihoods were agriculture dependant were left jobless. The invasion of farms was worsened by the closure of industries at the emergence of the new millennium which saw Zimbabwe`s relations with the West deteriorating.

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1. [https://zimcodd.org/sdm\\_downloads/informal-sector-inclusion-framework/](https://zimcodd.org/sdm_downloads/informal-sector-inclusion-framework/)

2. Mutizwa, B. 2021 The Shadow Pandemic: Examining the Impact of COVID-19 on Zimbabwean Informal Sector in Chiredzi District. *International Journal of Humanities, Management and Social Sciences*, 4 (1):1-10

3. Mutizwa, B. 2021 The Shadow Pandemic: Examining the Impact of COVID-19 on Zimbabwean Informal Sector in Chiredzi District. *International Journal of Humanities, Management and Social Sciences*, 4 (1):1-10

4. A. Adams, S. J. De Silva, and S. Razmara, "Improving skills development in the informal sector: strategies for sub-Saharan Africa. Washington DC: World Bank, 2013

5. A. Chilunjika, and B. Mutizwa, "Exploring factors militating against the performance of parastatals in Zimbabwe: the case of the national railways of Zimbabwe from 2008 to 2016", *Journal of Public Administration and Development Alternatives (JPADA)*, vol. 4, no. 2, pp. 41- 60, 2019.



This was a watershed event which led to the mass exodus of Zimbabweans to other countries while those who remained sought to survive in the informal economy. It is imperative to note that the majority of those who went to the diaspora in search of greener pastures were men. The reason being that the cultural configuration of the Zimbabwean society regards men as breadwinners and women as caregivers who are supposed to be at home looking after everyone. This emerged as a major dynamic that later influenced the gender structural configuration of the informal economy.

In addition, the mushrooming of women`s clubs in churches and communities were a significant stride in women taking over the informal economy. The clubs later facilitated their members` cross boarder activities, selling hand-made products such as madhoiri; the majority of which flooded the South African market. The rise of informal traders (women) selling madhoiri was dominant during and between 1995-2005. Many households and livelihoods were sustained by the madhoiri. This scenario led to the composition of a song by the late renowned Zimbabwean musician Oliver Mtukudzi titled Chara Chimwe; a song that gives special reference to madhoiri which became a source of income for many women traders.

Interesting to note is that prior to independence colonial law did not allow people to move from one city to another without police clearance. Vending was also prohibited, only the white minority and privilege could benefit from participating in the informal economy. The informal sector was generally not a space for all. After independence, the government officially recognized the presence of the informal economy and rejected the prohibitive migration laws. Since then, the informal sector has contributed immensely to the growth and development of Zimbabwe. It is time the government re-orient its approach to the informal economy so as to enhance national growth and development.

In 1980, the informal economy contributed 10%, in 1986 and 1987 20%, in 1991 27% and in 2000 60% since then it has never dropped.<sup>7</sup> As of June 2005, approximately 3 million out of 11 million people were dependant on the informal economy for survival. The World Bank Country Economic Memorandum for 2022 states that, 62% of the country`s Gross Domestic Product (GDP) is generated from the informal sector. While 80% of the country`s employment is from the informal economy and over 47% being women. Thus, women are more active in the informal sector than men. A dynamic that has increased the care burden on women since they are expected to perform their culturally designated unpaid care at home.

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6. International Centre for Tax and Development, "Expensive to be a Female Trader: The Reality of Taxation of Flea Market Traders in Zimbabwe," 2019

7. Mutizwa, B. 2021 The Shadow Pandemic: Examining the Impact of COVID-19 on Zimbabwean Informal Sector in Chiredzi District. *International Journal of Humanities, Management and Social Sciences*, 4 (1):1-10

8. K. Ngundu, "The Impact of the Informal Economy on the Social and Economic Development of Women Headed Households in Chegutu Urban District in Zimbabwe", Unpublished Dissertation MSW Social Development and Policy, University of Pretoria, 2010.



### 3. Players in the Informal Sector

Some of the actors in the Zimbabwean informal actors include but are not limited to the following.



Source: Primary Data Compiled By ZIMCODD

### Classification of the Informal sector:

According to Amin (2000)<sup>9</sup> all the of the informal sector can be classified as follows:

1. On the basis of labour categories/employment status perspective: employers, self-employed, own- account workers, wage workers, unpaid family labour, and piece rate workers.
2. Industrial classification perspective: trade, service, manufacturing, construction, and Transportation
3. Location perspective: mobile, semi-mobile, and ed,
4. Size classification perspective: 1-person units (own-account worked), 2-4-person units (micro intersperses), and 5-9-person units (small-scale enterprises)
5. Age group prospective: < 15 years (Child labour), 15-24 years (Youth), 25-45 years (Prime working) and 45+ years (Higher age) Broadly, these represent some main common classification under different perspective of informal sector activities.

**4.Challenges Encountered by Informal Sector Actors** At a time when cotton The Zimbabwean informal economy is confronted by a myriad of challenges which include but are not limited to the following.



Source: Primary Data Compiled By ZIMCODD

9. [https://zimcodd.org/sdm\\_downloads/informal-sector-inclusion-framework/](https://zimcodd.org/sdm_downloads/informal-sector-inclusion-framework/)

**Limited Lines of Credit:** A survey conducted by ZIMCOPP shows that members of the informal economy are encountering challenges in accessing lines of credit. A total of 79% interviewed argued that, “the unavailability of optimum lines of credit has undermined their operations”. This is because, optimum lines of credit enable informal actors to create more investments for their businesses.

**Corruption:** Corruption was regarded as one of the major challenges encountered by informal traders. A total of 83% of the respondents stated that corruption is rife at national borders when they are faced with demands to pay bribes in order to access service fast. At the same time, allegations of corruption within government empowerment projects were also raised. Two perfect examples are that of the Youth Empowerment Fund and the Women Development Fund. The duo funding initiatives are meant to help the marginalised women and youth to start their own businesses. Nonetheless, only those connected to the highest echelons of power are benefitting the most. The women and youth in small-scale farming lamented how they are failing to secure land while others have more than three farms culminating in underutilisation of land.

**Partisan Politics:** Partisan politics was described as another big elephant in the room. Allegations of partisan politics in the allocation of mines to small-scale miners and artisanal miners were said to be major impediment to inclusive growth in the mining sector. Small-scale and artisanal miners account for approximately 1.5 million miners. They play an integral role in revenue generation yet they remain informalised. A key informant from Chinhoyi, Mashonaland West noted that, “If you do not join the Land for Economic Development, a shadow ZANU PF group, masquerading as an inclusive empowerment movement you will not get any land”. The informant lamented how only those in the ruling party’s Youth League are prioritised. Thus, the politics of public resources undermines effective and equitable utilisation of land in Zimbabwe. It is also being used as a bottleneck strategy to keep informal traders disempowered and marginalised.

**Exclusive Policies:** The findings from the survey demonstrated that, 87% of the respondents are of the opinion that government policies are not inclusive and progressive with regards to informal actors’ inclusion. Although, in budget and other policy statements the government indicates the importance of formalising the informal economy. It has failed to meet those policy pronouncements with policy action. A scenario that has culminated in a policy inaction like-mood thereby relegating the informal actor players.



**Retrogressive Taxation System:** Retrogressive taxation systems have widened the inequality gap and undermined the operations of informal traders. The informal sector is subjected to a number of taxes which suffocate the businesses of traders. Some of these taxes include but not limited to the Mobile Money Transfer 2%, Presumptive Tax, Withholding Tax, User Fees, License and Storage Fees. While it is a noble idea for the government to generate revenue optimally by mobilising domestic resources, the manner and way it is being done does not promote business growth but rather suffocates it. The taxation system is not calibrated in a way that enhances growth with the tax burden not being shared equitably among all business actors. Thus, in an attempt to mobilise resources, the government is actually killing the informal sector. To this end, there is need for the government to find a just, progressive and inclusive alternative way of taxing the informal economy while at the same time promoting the growth of the same.

**Currency Crisis:** The currency crisis has remained one of the major challenges being encountered by informal sector actors with the government fluctuating between the use of United States Dollar and the Zimbabwean Dollar. The currency crisis has undermined timely planning and strategic investments of traders. This is because the effects of currency crisis which include but not limited to hyperinflation, decreased real wages, increased unemployment, an increased debt burden, and lower output intersecting to militate against optimum business growth.

**Infrastructural Gaps:** The findings from a Rapid Response Survey across the country by ZIMCODD showed that, 81% of informal actors believed that, infrastructural gaps remain a major stumbling block to their businesses. Vendors from Bindura, Nyanga, Masvingo, Gutu, Checheche and Kadoma lamented how they struggle with toilet facilities. While those from Chiredzi, Mutare and Rusape expressed dissatisfaction with the unavailability of street lights in town and locations which could have enabled them to work late. Poor road networks were a major concern for informal actors in Kurwaisimba (Chimanimani), Mahenye and Chisuma. The unavailability of viable road networks excludes informal actors from these marginalised communities from interacting with the rest of the country. Informal actors who are involved in welding stated that, “constant power cuts are now ruining their business” as they have to invest more money into r alternative sources of energy. This has made Zimbabwe an expensive environment to operate a business. On the other hand, infrastructural gaps also militate against Foreign Direct Investment (FDI) which is strategic in reviving the economy and creating a favourable operating environment for informal traders.

**Police Brutality:** Police brutality was described as the most common challenge being encountered in the informal economy. Vendors are brutalised by both the Zimbabwe Republic Police and local authority police.



This is usually caused by the fact that; vendors are often accused of selling at undesignated selling points. This situation is caused by lack viable and designated selling points which is an infrastructural gap issue. This shows that some of the challenges encountered by vendors are interlinked.

**Lack of Insurance:** About 95% of the informal sector actors interviewed had no insurance. A good example is that of Glen View Area 8 Complex in Harare. The complex has become known for producing market competitive furniture. The majority of Zimbabweans, reputable furniture shops and wholesalers get their furniture for reselling from this complex. Although the complex has become a major source of livelihood transformation, it is rather worrying that, the same complex is not insured. Over the years, cases of fire outbreaks at the same complex have bombarded the media. According to a key informant interviewed, “the causes of the fire remain unknown, but some are of the opinion that, it might be deliberate or recklessness especially by smokers who just throw cigarettes anyway”. While the causes of fire remain unknown, what is reflected by the narrative is the need for insurance coverage for the furniture. The Glen View Area 8 Complex issue might just be a case study, yet important in highlighting the risk and challenges encountered by informal actors due to their failure to meet and secure insurance deals. Thus, the majority of the vendors cannot afford to secure insurance cover.

**Gender based Abuse and Imbalance:** Cases of gender abuse and imbalances have continued to dominate the informal economy discourse in Zimbabwe. The findings from the survey carried showed that 88% of the interviewees believed that gender abuse and imbalance is rife in the informal sector. Women lamented that they were being verbally and sexually abused in cross boarder trading and vending. Body shaming and sexual stereotyping were regarded as the major forms of gender abuse. At the same time, gender imbalances were manifesting in government funding projects. According to one key informant from Gweru, “men are given special preference, either in funding projects or other opportunities”. A scenario that was said to be edified by the fact that, majority of key making decision positions are occupied by men.

## 5. A Call for a Just Model Policy Framework for the Informal Economy

In 2018, the government highlighted its ambition to harness the informal economy by formalising it so as to tap into its unexplored revenue. The same sentiments were echoed by the President in 2023 when he announced government`s plans to craft a formalisation strategy. To that end, ZIMCODD carried out a survey to understand the plight informal sector actors with the intention of coming up with actionable organic policy alternatives. The following policy alternatives are proposed towards a just model policy framework for an inclusive and progressive informal economy.



- In redressing the currency crisis that affects all sectors, the Ministry of Finance and Reserve Bank of Zimbabwe must adopt floating exchange rates, moving away from pegged rates, monetary policy that allows for trading with the market, government policies to attract foreign investment, and the country purchasing its own currency.
- The Ministry of Finance and Economic Development in conjunction with the Ministry of Women Affairs, Community, Small and Medium Enterprise Development must establish inclusive and progressive funding alternatives that specifically target investing into the informal sector. Approximately, 10% of the national budget must supplement these funding alternatives.
- A just model policy alternative must be guided by the following principles transparency, integrity, accountability and responsibility to flush out all under dealings and partisan allocation of resources.
- A just model policy for the informal sector must respect the right to carry on trade or business as codified in Section 64 of the Constitution which provides for the right to freedom of choice and practice of a trade or profession. Further, section 24 of the Constitution provides for the national objective of removing restrictions that inhibit people from working or otherwise engaging in gainful economic activities while section 13 of the constitution obliges the government to promote private initiatives and self-reliance.
- The formalisation strategy or a just model policy must be cognizant of the gender dynamics and imbalances that exist in the informal sector. It must be tailor-made to guarantee gender equity.
- The policy must prioritise the vulnerable and marginalised groups such as women, persons with disability and youths. There is need for the establishment of a vulnerable funding pool. At the same time, the government must set aside at least 10% of its procurement contracts for the same.
- Government public procurement or spending must also target the informal sector, this means at least 30% of government procurement must be from the informal sector. 10% of this must be earmarked for vulnerable groups mentioned above.
- The just model policy must seek to strike a deal with insurance brokers on possible and yet comprehensive ways of insuring the informal sector particularly the Glen View Area 8 complex.
- There is need for the government to reinvest infrastructure that necessitates the operations of the informal sector. Modernisation of flea markets and vending sites will go a long way in attracting customers and investors.
- The government needs to find better ways of taxing the informal sector which will not suffocate emerging and struggling businesses.
- Policy formulation or strategy development must take the hybrid approach which encompasses both top-down and bottom-up approaches to ensure greater public participation and policy acceptance. Thus, comprehensive and inclusive public hearing and consultative forums must be at the core.



- The [Informal Sector Inclusion Framework](#) (ZIMCODD, 2018) details how the government must include the informal sector in the mainstream economy for attainment of vision 2030.

## 6. Conclusion

The informal sector has become the economic life line of Zimbabwe. It is currently the nerve-centre of the economy accounting for over 40% of job creation in the country and contributing over 50% to domestic resource mobilisation. Thus, the informal economy has become too big to ignore, embracing it and creating a favourable environment for it to flourish is the only way to go. In an attempt to promote an inclusive, just, progressive fertile ground for the success of the informal economy ZIMCODD believes that the religious adoption of the proposed policy alternative will culminate in a positive transformation of the informal sector.

