



ZIMCODD
ZIMBABWE COALITION ON DEBT & DEVELOPMENT

RETHINKING MEASURES TO SUSTAIN INFORMAL SECTOR BASED LIVELIHOODS IN ZIM



POLICY BRIEF

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“SAVING LIVELIHOODS”: SUSTAINING INFORMAL SECTOR-BASED LIVELIHOODS IN ZIMBABWE’S MAJOR URBAN CENTERS DURING THE COVID-19 PANDEMIC | MUCHA MIDZI¹

This policy brief recognises that lockdown restrictions put in place have not been designed to respond to the inequalities that worsen the impact of COVID-19 on the poorest communities, most of which are in the informal sector. With the informal sector not allowed to operate during lockdown, many livelihoods have been put on the line as the poor and vulnerable try to survive both hunger and the pandemic. As such, this policy brief discusses the social protection framework of Zimbabwe, with focus on the informal sector and the immediate responses that government can take to address the dire consequences of the pandemic on the informal economy.

A 2018 study by the International Monetary Fund (IMF) revealed that Zimbabwe’s informal sector is the largest in Africa, with more than 60% of the economy being informal, and is also the second largest in the world, next to Bolivia². Prior to the outbreak of the COVID-19 pandemic, Zimbabwe already had acute socio-economic challenges evidenced by food shortages and weak purchasing power as a result of inflation. The advent of COVID-19 has made the situation unbearable for the majority in the informal sector who need to earn an income to take care of themselves and their families as most of them cannot rely on income replacement or savings.

As of 25 January 2021, the number of COVID-19 infections had exceeded 31 500 in Zimbabwe, with the death toll exceeding the 1000³ mark. Statistics from the Ministry of Health and Child Care (MOHCC) show that Zimbabwe had relatively low COVID-19 infections rate since March 2020 when the country first went into a lockdown. There is a strong though unproven opinion that COVID-19 statistics are grossly understated because of the acutely low daily testing by Government agencies. A functional testing and tracing system could increase public confidence and enhance the evidence base to inform government’s response and recovery strategies. A lack of infrastructure and trained personnel to manage health crises has led to a defacto privatisation in which access to available beds and equipment is mediated through cost barriers.

1. Mucha Midzi is the Research and Evidence Officer at the Zimbabwe Coalition on Debt and Development
2. Medina, L and Schneider, F, 2018. Shadow Economies Around the World: What Did We Learn Over the Last 20 Years? IMF Working Papers
3. Ministry of Health and Child Care, 2021. Available at www.mohcc.gov.zw

A rise in the number of COVID-19 cases in December 2020 following the festive season, led the Government of Zimbabwe, through the MOHCC to announce stiffer lockdown measures, with only essential services allowed to operate. However, lockdown restrictions have only served to heighten and expose the inequalities inherent in Zimbabwe's economy. These inequalities disproportionately affect the poor and increases their vulnerability.

Lockdown measures have tended to facilitate the operations of the formal business sector whilst prejudicing and at times criminalising the informal sector through harsh restrictions and heavy-handed policing characterised by raids and confiscation of goods. This has further widened the inequalities in the economy, making the poor worse-off. Considering that most of those in the informal sector do not have savings an extend lull in livelihood activity will likely result in increased household food insecurity, debt and lowered standard of living. As such, the lockdown measures have only served to increase the already existing inequalities between the rich and the poor in Zimbabwe.

Zimbabwe's health system has struggled to cope with the increased demand for medical services. Overwhelmed health facilities face severe shortages of drugs and equipment like ventilators in public hospitals, to cater for COVID-19 patients. However, drugs and equipment are available in private hospitals at prices beyond the reach of the poor who subsist in the informal sector. Constrained informal sector incomes during lockdown means that many will not afford to pay for the health services, exposing them to a greater risk of succumbing to the coronavirus.

The general populace can also not afford COVID-19 PCR tests which are costing US\$60. The economic and infrastructural gap is impacting negatively on the masses than the rich. Public hospitals are incapacitated and charging in US\$ dollars, nurses and doctors do not have sufficient Personal Protective Equipment (PPE). According to Dr Mudyiradima⁴ once the vaccine has arrived priority will be given to Ministers, Members of Parliament, members of the Security Forces and Frontline workers.

ZIMBABWE'S SOCIAL PROTECTION FRAMEWORK

Section 30 of the Constitution of Zimbabwe provides that the government

recognizes the need to uphold and provide social protection to its citizens. Social protection policy interventions are designed to form a system that promotes equality, resilience and opportunities for the poor and vulnerable. The National Social Protection Strategy Framework of 2015 defines social protection as a set of interventions that are aimed at reducing social and economic risks and vulnerability as well as alleviating poverty and deprivation⁵.

The Zimbabwean social protection system provides social safety nets, social insurance, and social care services and funds labour market programs⁶. Social safety nets, which are central to this policy brief, include cash transfers, public work programs, food distribution and fee waivers for basic services like health and education.

Despite the recognition by government that social protection should be provided, Zimbabwe's social protection system has faced a number of challenges which have marred efforts to help the poor and vulnerable in society. As highlighted in the Public Expenditure Review of 2016, these challenges include growing poverty and food insecurity, unsustainable financing, lack of transparency and accountability and failure of the social protection expenditures to reach the poor. According to the 2015 National Social Protection Strategy Framework, economic crisis of the turn of the millennium eroded financial and human capacity such that many social protection programs are no longer operational without development partners like UNICEF and BEAM.

With employment opportunities are scarce, the weak social protection system has exacerbated the plight of the majority of citizens who are informally employed. The outbreak of the COVID-19 pandemic has further strained the already weak social protection system, further plunging the country into deep socio-economic crisis. The country continues to have high levels of poverty, with the World Bank estimates showing that about 5.7 million of the Zimbabwean population live on less than US\$1.90⁷ a day .

With the majority living in abject poverty, the 2021 budget proposed an allocation of ZW\$5.5 billion to cater for all vulnerable groups.⁸ In response to the COVID-19 pandemic the government allocated ZW\$2.4 billion for COVID-19 cash transfers, with over 202 077 beneficiaries reported to be in the data base

5. Government of Zimbabwe (2015). National Social Protection Policy Framework for Zimbabwe. Ministry of Public Service, Labour and Social Welfare.
6. World Bank, 2016. Zimbabwe Public Expenditure Review Volume 5: Social Protection.
7. World Bank, 2019. World Development Indicators. Washington DC: World Bank Group. Available at data.worldbank.org
8. Ministry of Finance and Economic Development, 2021. 'The 2020 National Budget Statement', Harare: Print-flow (Pvt) Ltd.

and already receiving the ZW\$300 allowances as at 13 October 2020.

LOCATING THE INFORMAL SECTOR IN ZIMBABWE'S COVID-19 RESPONSE AND RECOVERY

There are very limited opportunities in the formal sector and this has forced Zimbabweans to venture into self-employment to earn a living. Despite the adverse economic conditions prevalent in the country, informal jobs such as street vending, cross-border trading, sculpting, brick moulding among others, have kept many people in employment and enabled them to at least put food on their tables. There is growing acknowledgment of the position of street vending in the political economy of developing countries.

The International Labour Organisation (ILO) estimated that COVID-19 lockdown restrictions will affect about 1.6 billion informal workers worldwide, a large number of whom are women⁹. ILO estimates further reveal that informal employment represents over 90% of total employment in low-income countries. Informal employment has become the foremost source of livelihoods for many people in urban Zimbabwe, especially women. Available statistics indicate that street vending accounts for 15 to 25% of the total informal employment in Africa's major cities and contributes between 46% to 70% of cumulative trade value added in Zimbabwe, Benin, Burkina Faso, Chad, Kenya, Mali, and Tunisia.

Scholars have revealed that in Zimbabwe, street vendors account for one third of the total population with an estimated 10 000 vendors operating in the CBD of Harare. Nevertheless, there is a tendency by government authorities to diminish the activities of street vendors as a nuisance within the urban milieu. Studies have further have shown gross violation of the rights of street vendors by the government of Zimbabwe manifesting through arbitrary restrictions and harassment (Mitullah 2003, Mutize 2016).

Despite street trade being one of the most visible occupations, in most parts of Africa and Latin America, very few cities have successfully developed systems to balance the need to support livelihoods with the need to manage public spaces and maintain law and order. Street vendors and their rights to sustainable livelihoods have not been integrated into urban space usage and economic planning.

9. ILO Monitor: COVID-19 and the world of work (third edition). Available at https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_743146.pdf

The 2020 Mid-Term Budget and Economic Review Presented to the Parliament of Zimbabwe proposed a raft of policy interventions, which include the ZW\$18 billion stimulus package and cushion allowances for civil servants, prioritising those in the health sector¹⁰. Despite Zimbabwe's informal workers constituting the livelihoods of an estimated 70% of the productive population, they did not receive specific targeted measures suited to their particular realities. Available public support channelled through the formal banking and welfare system tends to marginalise the vastly unbanked informal sector operators and the working poor who do not fit means tested criteria of receiving welfare support.

In response to the recent surge in positive COVID-19 cases and deaths, the Government introduced strict lockdown measures, with a 6pm to 6am curfew. The lockdown restrictions exclude essential service providers but applies to all non-essential services which comprises of the informal sector. Land borders were also closed, further threatening the welfare of informal cross border traders. Though COVID-19 has acute socio-economic and public health impacts globally, it disproportionately affects informal, low-income communities in developing countries.

People in the informal sector also need to work and feed their families and these lockdown measures have become a source of social tension, further endangering government's efforts to protect its citizens and fight the pandemic¹¹. Looking at other countries that went into lockdown, government has a duty to make sure that citizens have access to affordable basic services and social safety nets. Lockdown measures without a proper back up plan to help the poor and vulnerable who do not have enough savings is detrimental to the welfare of the poor majority.

IMPACT OF COVID-19 ON THE INFORMAL SECTOR

In Zimbabwe, the way government responded to the pandemic is a clear indication of the continued hostility of government towards the informal sector, despite its significant contribution to poverty alleviation and to national GDP. For example, in April 2020, the Government of Zimbabwe went on a nationwide crackdown on informal sector activities, mainly targeting street vendors. Their activities were criminalised, bringing down their market stalls, resulting in destruction of livelihoods for millions of vendors across Zimbabwe.

10. Ministry of Finance and Economic Development, 2020. The 2020 Mid-Term Budget and Economic Review Presented to the Parliament of Zimbabwe. Harare. Print-flow (Pvt) Ltd.

11. Jobs for Peace and Resilience: A response to COVID-19 in fragile contexts (draft) (ILO, Geneva, 2020. Available at https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/briefingnote/wcms_742023.pdf

To the poor masses, vulnerable and marginalised community, the lockdown and curfew is insensitive and ignorant of the reality of the informalisation of the Zimbabwean economy. The Zimbabwean economy is highly informal with majority of people depending on vending, cross boarder trading and agro-based activities.

However, the nationwide lockdown has dealt a major blow on the poor who heavily rely on informal businesses, surviving on a hand to mouth basis. This has further exposed the already existing wide gap between the rich and the poor. The rich at least can manage to stay at home avoiding contracting the coronavirus, something which is unbearable for the poor. To make matters worse, the current lockdown measures have no concrete plan to help the poor, a clear indication that the government has not paid attention to the livelihoods of the poor, giving them no other option for survival.

Distribution mechanisms for available COVID Relief retains a bias towards urban and formal sectors whilst marginalising those in the rural areas and informal sector who apart from having inadequate information often lack the bureaucratic requirements to access some of the support streams. Though the 2021 budget proposed to set aside funds to cushion vulnerable people, reports indicate that very few people, especially the elderly, have received the funds, but not on a monthly basis as promised¹².

Worse still, the cushion allowance of ZW\$300¹³, which has recently been reviewed to ZW\$1500 is not sufficient to sustain the basic necessities. The cushion allowance is far much below the food poverty line for one person estimated at ZW\$3 767¹⁴ as of January 2021. This dire situation leaves many with no choice but to violate lockdown regulations, risking arrest and exposing themselves to the virus.

COVID-19 restrictions have not only threatened the food security of those in the informal sector but they have also further exposed them to health risks and shocks¹⁵. A significant proportion of people in urban areas live in overcrowded high-density suburbs where there is no running water and poor hygiene and sanitary facilities. Again, lack of running water means that people have to go out and queue for water at boreholes.

12. Gukurume, S. and Oosterom, M., 2020. The impact of Covid-19 on Zimbabwe's informal economy. Institute of Development Studies
13. Ministry of Finance and Economic Development, 2021. 'The 2020 National Budget Statement', Harare: Print-flow (Pvt) Ltd.
14. www.zimstat.org.zw
15. ILO 2020. Protecting migrant workers during the COVID-19 pandemic: Recommendations for Policy-makers and Constituents

A central question remains, if government allows citizens to go out and do business, is there appropriate protection afforded to them, and what measures can be put in place to regulate their behaviour? This indicates the severity of the crisis that the poor people and the government are faced with. They have to deal with poverty and at the same time fighting the pandemic.

Public hospitals are poorly resourced while private hospitals with capacity to handle COVID-19 patients require exorbitant upfront fees, which are beyond the reach of the majority who are even failing to put a proper 3 meals a day on a table. Hence the lock down restrictions without the social safety nets intervention back up widens vulnerability and inequalities.

Thus, the pandemic has exacerbated the vulnerabilities of poor workers in the informal sector and this calls for robust interventions from government if the gap between the rich and the poor is to be reduced in this COVID-19 crisis. In drawing recommendations for the government and citizens, it is important to have a look at how other countries, especially in Africa, with large informal sectors have been doing in trying to cushion informal sector workers during the pandemic.

RESPONSE MEASURES IMPLEMENTED BY OTHER COUNTRIES

Research has indicated that countries in Sub Saharan Africa (SSA) are among those with a large informal sector¹⁶. In a case study conducted to assess the impact of COVID-19 on the informal economy and strategies implemented across SSA, it is revealed that most African governments implemented measures aimed at directly assisting the most vulnerable population groups. Burkina Faso has not gone into full lockdown, rather it allowed the informal sector to continue operating, but suspended government fees like rent. Cote d'Ivoire set up a support fund for the informal sector, whereas Togo and Lesotho introduced mobile cash transfers to support those working in the informal sector¹⁷.

A number of countries like South Africa, and Asian countries have also introduced cash transfers to help cushion the poor and vulnerable, especially those in the informal sector who have been severely affected by lockdown restrictions. However, reports indicate that due to fiscal challenges, governments have had difficulties in coming up with an efficient criterion

16. Schwettmann, J., 2020. Covid-19 and the Informal Economy: Impact and Response Strategies in Sub-Saharan Africa. *Economy and Finance*

17. Schwettmann, J., 2020. Covid-19 and the Informal Economy: Impact and Response Strategies in Sub-Saharan Africa. *Economy and Finance*

of identifying the most vulnerable groups in the informal sector who need cushioning the most¹⁸. This arises from the recognition that the economic impact of COVID-19 should not be separated from the health impact, thus calling for multi-track strategy that encompasses both aspects of health and the economy.

From this analysis, a number of recommendations for Zimbabwe can be drawn, considering that the country has not implemented a proper support policy for street vendors, cross border traders and all those working in the informal sectors in urban areas.

RECOMMENDATIONS

With the recent surge in COVID-19 fatalities in Zimbabwe and no inclusive plan for vaccine roll out, it is highly likely that Zimbabwe will struggle to contain the spread of the pandemic without resort to lockdown measures. With a looming economic recession and volatile economy, Government faces huge difficulties to mobilise adequate resources to provide social safety nets to informal workers who are severely affected by lockdown restrictions. Arguably, the government appears to lack a strategy to arrest the spread of the virus while sustaining livelihoods.

It is however in the interest of government, as provided in the Constitution of Zimbabwe to make sure that citizens' rights to health, food and shelter are upheld. Thus, the key recommendation drawn from this analysis is for government to take into account the need to provide social safety nets to informal workers and other vulnerable sections of the society. This requires significant fiscal leeway with expenditure prioritisation conducted in an honest and transparent manner. The following recommendations towards sustaining informal sector-based livelihoods are pertinent:

- Most of the informal workers are not formally registered, it is therefore difficult for the government to identify and reach out to the most vulnerable groups. Further, the informal sector involves diverse range of activities, therefore, design of policy measures to help the informal workers should involve representatives of informal workers so that they can raise their views and defend their interests, pointing out issues that directly affect them.

- The government should heavily invest in conducting rapid assessments to identify needs and priorities for the most vulnerable groups. Local governments and other non-state institutions should be involved in identifying and assisting the most vulnerable groups for a comprehensive response.
- Government should ensure urgent coverage of social protection schemes and other relief economic assistance to vulnerable groups in the informal sector, making sure that the social safety nets are timeously provided. There is need for setting up of a Public Distribution Framework to ensure transparent distribution of social safety nets. Cash transfers should be provided because they are quicker to implement as compared to in-kind transfers (food hampers, clothes etc). Further, the government should readjust the \$1500 cushioning allowance to tally with the poverty datum line which is \$ 4 670.
- Zimbabwe has over the years faced challenges when it comes to policy implementation. A number of policies have been drafted and shelved without implementation. Corruption should be shunned at all levels of government operations in order to make sure that social protection allowances reach the deserving vulnerable person.
- The government should urgently equip the public hospitals with all the required PPE and drugs which are able to respond to the increased demand in health care due to this Covid-19 pandemic.
- Further, the government should intensify testing at homes and in work spaces and ensure that those who have been infected have effective access to health care. COVID-19 testing is expensive for the poor majority, for example, most cross border traders are finding it costly to get tested so that they can be cleared to enter other countries, thus further threatening their welfare.
- Zimbabwe, like other low-income countries, faces a challenge of constrained fiscal space. Successful implementation of COVID-19 response measures requires effective mobilisation of additional resources. In order

to expand the available fiscal legroom, the government should ensure efficiency in management of resources by curbing wastages, duplication of activities and revenue leakages through illicit financial outflows especially from the mining sector. It is also important for government to consider budget reallocations towards expansion of the social insurance system of the country to include informal sector workers. Given the limited room for additional borrowing, there is need for government to build international support in order to adequately design and implement COVID-19 response measures.

- Employers in the informal sector should be cushioned so that they stay in business and able to pay their employees. Social assistance programs for informal business owners should include loan repayments, rent and utilities payments, and tax breaks on essential goods. Such support for informal traders could generate more dependable incomes and value chain creation in marginalised areas. The government should also put in place measures that renders credit more affordable and promote a culture of opportunity driven entrepreneurship. There is need for designing and implementing inclusive financing initiatives for SMEs and cooperatives.
- Cross-border traders which are typically excluded from social-safety nets need support through social protection.
- The current Pfumvudza/Intwasa Program which targets particularly smallholder farmers with aim of improving food security at subsistence level should be expanded to support other parts of the Agro-values chains. Through increased agricultural productivity the program would generate incomes for the agro-based informal sector workers, thus enhancing their livelihoods.
- With the majority of the youth being unemployed, it is important for government to implement universal income grants for young people. Universal income transfers are appealing in the face of the pandemic in that they ensure that no one is left behind. However, in order to make sure that the most vulnerable also benefit from the scheme, the transfers should be reasonably high, which requires a substantial government budget.

- Lastly, the government should make sure that it does not further put the economy in jeopardy by worsening the unemployment situation in the country. It should aim at maintaining existing employment opportunities and creating more by focusing on measures that reduce the spread of COVID-19, at the same time allowing the informal sector to operate under stricter conditions that observe Covid-19 regulations.





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