

**INFORMAL CROSS BORDER TRADING AND POVERTY REDUCTION IN
THE SOUTHERN AFRICA DEVELOPMENT COMMUNITY:
THE CASE OF ZIMBABWE**

BY

WADZANAI KACHERE

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**SUPERVISOR: PROF. M. NCUBE
CO-SUPERVISOR: PROF. A. TSEGAYE**

DECLARATION

I, the undersigned **WADZANAI KACHERE** student number **200604837** do hereby declare that this thesis is my own original work with the exception of quotations and references that are attributed on their sources and this thesis has not been previously submitted, and will not be presented at any University for similar or any other degree award.



30 March 2011

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Signature

Date

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However, any shortcomings in the research project remain my entire responsibility.

DEDICATION

I dedicate this work to my husband, George and my three girls Shelter, Sharon and Shumirai. I pass my warm and sincere gratitude to my husband for his inspiration. My family's moral support and encouragement have been a great inspiration. May God bless them.

It is my wish that my three girls will draw inspiration from this work as they pursue their individual academic endeavours.

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ABBREVIATIONS

ADB	Africa Development Bank
AIDS	Acquired Immune Deficiency Syndrome
BOP	Balance of Payment
B.S.A.Co	British South Africa Company
CBI	Cross Border Initiative
CFCAs	Corporate Foreign Currency Accounts
COMESA	Common Market for Eastern and Southern Africa
CSO	Central Statistical Office
ERS	Export Retention Schemes
ESAP	Economic Structural Adjustment Programme
ESF	Export Support Facility
ETP	Employment and Training Programme
FCAs	Foreign Currency Accounts
GEMINI	Growth and Equity through Micro-enterprise Investments and Institutions
GDP	Gross Domestic Product
GMB	Grain Marketing Board
GNP	Gross National Product
HDI	Human Development Index
HDR	Human Development Report
HIV	Human Immunodeficiency Virus
ICBT	Informal Cross Border Trade

ICBTs	Informal Cross Border Traders
ILO	International Labour Organization
IMF	International Monetary Fund
LDCs	Least Developed Countries
MERP	Millennium Economic Recovery Programme
NEDPP	National Economic Development Priority Programme
NERP	National Economic Revival Programme
NGOs	Non Governmental Organisations
NTBs	Non Tariff Barriers
OGIL	Open General Import License
PASS	Poverty Assessment Survey Study
PDL	Poverty Datum Line
RAs	Research Assistants
RBZ	Reserve Bank of Zimbabwe
RTAs	Regional Trade Agreements
SADC	Southern African Development Community
SADCC	Southern Africa Development and Coordination Conference
SA	South Africa
SADC-FTA	Southern Africa Development Community – Free Trade Area
SAMP	Southern Africa Migration Project
SAPs	Structural Adjustment Programmes
SDF	Social Dimension Fund
SMEs	Small and Medium scale Enterprises
SSA	Sub Saharan Africa

SWP	Social Welfare Programme
TBs	Tariff Barriers
TNDP	Transitional National Development Plan
UDI	Unilateral Declaration of Independence
UN	United Nations
UN OCHA	United Nations Office for the Coordination of Humanitarian Affairs
WB	World Bank
WFP	World Food Programme
WTO	World Trade Organization
ZHDR	Zimbabwe Human Development Report
ZIMPREST	Zimbabwe Programme for Economic and Social Transformation

ABSTRACT

This study investigates the impact of informal cross border trading on poverty reduction in Zimbabwe. In the context of this study, the term Informal Cross Border Trade (ICBT), is used to describe the activities of small entrepreneurs who are involved in buying and selling across national borders. The study focuses on whether the stated activities are lifting those participating out of poverty. The research problem is examined through an assessment of the income levels, assets acquirement, expenditures patterns, food security and family relations.

The hypotheses tested in the research are that, “The extent of ICBT is significant in Zimbabwe; ICBT in the Southern Africa region is mainly dominated by women; and that ICBT contributes positively to poverty reduction”. In this context, poverty reduction is said to have occurred when informal cross border trading would have resulted in an improvement in the socio-economic wellbeing of traders’ households. The Poverty Datum Line (PDL) is used as the measure of households’ well-being.

To assess the impact of ICBT on well-being, a survey was conducted whereby in-depth interviews using the questionnaire method were used to collect primary data. Secondary information was obtained from documentary searches at institutions and also using internet searches. From this study it has been found that ICBT has both positive and negative impacts with regard to social welfare. With regard to economic welfare, based on poverty indicator measures used in the study, ICBT contributes positively to Poverty Reduction. Thus the analysis revealed that informal cross border trade plays an important role in alleviating economic hardships, reducing poverty and enhancing welfare and human development in Zimbabwe.

CHAPTER ONE

INTRODUCTION

1.1 Background Information

In the Southern Africa region, Informal Cross Border Trade (ICBT) dates back to the pre-colonial period when communities and peoples of the region interacted and traded without the need for formal registration and without any territorial boundaries hindering such trade. Mijere (2006) pointed out that the peoples of the region, despite having different citizenships, are one people who share common cultures or ways of life, and the elements that divide these people are the creation of a colonial and foreign structure of dominance. With the creation of colonial borders by the metropolitan powers and their adoption by independent African governments, ICBT was dubbed illegal, since it did not conform to the international trading system. Tariffs and various non-tariff barriers were imposed, disrupting the natural trading activities of communities, especially those living along national borders.

Zimbabwe is one of the countries of the Southern Africa region. It is a landlocked country bordered by Zambia to the north, Mozambique and Malawi to the east and northeast respectively, South Africa to the south and Namibia and Botswana to the west and southwest respectively. The Southern Africa region, as represented by Southern Africa Development Community (SADC), currently comprises fourteen countries. The SADC is a successor to the Southern Africa Development and Co-ordination Conference (SADCC), formed in 1980 by nine nations (Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe) as an economic bloc and a necessary affront to apartheid-ruled South

Africa. The overall objective of the SADCC was to adopt a collective approach towards making the region self sufficient in food, fuel, energy, goods and services, and to promote peace and stability in the region.

Later, five more countries, namely Mauritius, Namibia, Seychelles, South Africa and the Democratic Republic of Congo joined the group, and from 1992 the regional block became known as SADC. The SADC member countries share geographical borders that cut across ethnic traditional kingdoms and cultures.

In the SADCC era, emphasis was not placed on promoting conventional trade integration, which was supposed to be achieved by the removal of tariffs to deepen integration. The SADCC's original programme had been described as "integration through project coordination" or "functional integration", Davies (2002, in Hartzenberg T, Ncube P & Tekere M, 2002: 6). It was based on the view that the main barriers to intra-regional trade among its members were not tariffs or non-tariff barriers, but underdeveloped production structures and inadequate infrastructure. Accordingly, focus was placed on coordinating efforts to promote jointly the development of production and infrastructure that would lay a firmer basis for eventual movement towards trade integration.

However, when the SADC was formed in 1992, the member states, in a declaration underlining intra-regional trade as a major development agenda, pledged to promote conventional trade, in a region of developing countries of different sizes and different

levels of development. This was done in an effort to align the region with global trading procedures. The member states agreed to remove all forms of trade barriers (TBs) and non-tariff barriers (NTBs) by the year 2012.

The SADC Trade Protocol and national trade policies are biased towards large influential formal traders. The Protocol was designed to be consistent with regional trade arrangements (RTAs). RTAs were stipulated in the open global economy procedures of the World Trade Organisation (WTO), which were silent on informal trade.

Trade within the SADC has been both formal and informal. The term Informal Cross Border Trade (ICBT) is best described as the activities of small entrepreneurs who are involved in buying and selling in neighbouring countries (Peberdy, 2002: 36). In the context of this study ICBT includes: traders who travel to neighbouring countries for short periods to buy goods, usually from the formal sector retail and whole-sale outlets to bring back to their home countries for resale. These goods are sold in flea markets, along the streets and sometimes even door to door. Some traders have formal retail outlets where they keep stock and from where they sell to the public. Others supply manufacturers with the various raw materials and commodities needed in the companies' different processes. The definition also includes traders who travel to neighbouring countries for longer periods, who carry goods to sell in informal and retail markets. The profits are then invested in buying goods which are then taken back to their home countries for resale.

This type of trade is referred to as informal, since it involves unregistered small traders who may buy or more often sell in informal sector markets. Although they pass through formal clearance channels, they do not have the normal import and export documents. Instead some declare their goods as personal items for their personal use. Others simply buy goods within the allowed duty free quantities. Then there are those who normally import raw materials and spare parts. These usually do the normal declaration of their goods and pay the required duties, however they declare on individual and not on company basis. As a result they do not access benefits from preferential tariff agreements which are enjoyed by large formal companies.

Meagher (2003: 59) differentiates between the informal and the criminal dimensions of cross border trade. The distinction is that ICBT involves the import and export of legal goods outside the official channels, whereas criminal trading activities, by contrast, refer to the trade of illegal goods, such as arms, drugs or human trafficking, which are serious crimes and are deemed socially undesirable by the general public. On the other hand, Peberdy (2002: 35) described ICBT as traders who do not always pass through formal import and export channels and may be involved in smuggling of part or all of their goods. However, Peberdy (2002: 44) also noted that, there is a separation between criminals involved in the trafficking of illegal goods and cross-border traders who carry legal goods.

In this study Informal¹Cross Border Traders (ICBT) will refer to small-scale regional traders who are individuals, who use holiday visas instead of business permits to cross borders during their activities. They act as vendors or retailers of such goods, or supply them to formal companies who work in liaison with these informal traders. These traders may or may not be registered. Previously, cross border trade used to be conducted by small scale quasi-professional traders, including women who use various means to move small quantities of goods across national frontiers and conduct trade, however, professionals and those using pickups and wagons are now common, and are included in this study.

1.2 Statement of the Problem

ICBT, as an economic activity, has received mixed views both in the literature and in the various policy discourses. One view is that ICBT is socially and economically undesirable. It is argued that ICBTs have the potential to undermine established industries as they distort producers' price incentives. ICBT has also been viewed as having the potential to undermine the efficiency and returns of intra -regional trade. In addition, the possible negative impact of ICBT on foreign exchange earnings cannot be ignored.

On the other hand, speculation abounds that ICBT has the potential of pushing back the frontiers of poverty. As has been noted above, in Southern Africa more women

¹ Informal, in this context refers to the registered or unregistered small-scale traders, who use holiday visas instead of business visas when trading.

than men are unemployed and are more vulnerable to poverty. Harper (1985: 29) noted that informal enterprises including ICBT have been a source of income to women in many poor countries. Female owned enterprises have a long history in many parts of the world such as West Africa. Certain activities such as sewing, simple machine knitting and many types of handcrafts provide opportunities for access to outside markets. In this context we find that women are more likely to engage in cross border trade than their male counterparts as a survival strategy.

The SADC region is characterized by inequalities and some of the lowest Human Development Index (HDI) rankings. The region is distinct because it has the highest incidence of poverty in the world (World Bank Report, 2005: 5-25). Poverty eradication requires a multifaceted approach. The economic decline in Zimbabwe during the period of study, characterised by high levels of unemployment estimated at 94% at end of 2008 (UN OCHA, 2008, quoted in WFP Special Report: 22 June 2009) and escalating levels of poverty calls for a thorough examination of the different measures or economic activities that have the potential to drive back the frontiers of poverty and unemployment. This then poses the question, Is ICBT a viable tool for reducing poverty, especially among women in developing countries? This question has generated little empirical research despite anecdotal evidence that suggests the importance of ICBT as an economic activity in Zimbabwe. Lack of adequate and comprehensive information on the role of ICBT in economic activity and its potential in reducing poverty has not featured in the formulation and evaluation of government poverty policies. The main purpose of this study is to establish the role of ICBT in reducing poverty.

Zimbabwe is one SADC country that experienced de-industrialisation² during the past decade, contributing to high levels of unemployment as a result of retrenchments. The country's industrial shrinkage has culminated in shortages of goods, thus creating an opportunity for both the employed and the unemployed to engage in ICBT, (mainly of the goods which are in short supply, including food, raw materials, spares, and agricultural inputs).

In addition, cross border trading is widely viewed as a potent engine for integrating different economies. One of the objectives of the SADC is a full integration of the economies of member states. International trade, in its many dimensions, is a critical factor in regional integration. It is also important to note that integrated economies are an important catalyst for economic growth. Although ICBT activities may not necessarily be illegal, they were not generally taken into account or given much attention as an acceptable form of economic activity in international, regional and national policies, including those in the SADC region. This was despite the fact that ICBT accounts for a very large volume of goods moving among the countries of the region.

1.3 Objectives of the Study

The overall objective of this study is to investigate the nature of ICBT between Zimbabwe and its neighbours, and examine the impact of ICBT on poverty reduction.

² De-industrialization, in this context, denotes a process whereby the industrial base shrinks due to downsizing, capacity under-utilization and closures of existing companies.

The specific objectives are to;

- investigate the incidence and role of ICBT in Zimbabwe and its neighbouring countries;
- Examine the gender dimension of ICBT;
- Analyse the extent and impact of ICBT on poverty reduction in Zimbabwe and;
- Suggest policy recommendations on ICBT and intra- regional trade.

1.4 Hypotheses of the Study

Studies by Meagher (2003), Muzvidziwa (2005) and others have shown that participation in ICBT activities helps to alleviate poverty. Studies by Tekere M, Mpofu S, & Nyatanga P (2000: 21) have also shown that cross-border trading contributes positively to the empowerment of women and to food security. Thus, the hypotheses of this study are that:

- The extent of ICBT is significant in Zimbabwe;
- ICBT in the Southern Africa region is mainly dominated by women;
- ICBT contributes positively to poverty reduction.

1.5 Significance of the Study

One of the objectives of the SADC in pursuing an integration policy is economic growth and development leading to poverty reduction. There are debates as to whether the SADC will or should catch up or integrate into a regional economy and

subsequently into the world economy with the existing policies, given different levels of development of its member states. To our knowledge little research has sought to investigate specifically the potential of ICBT as an engine for development. In the developed world there is very little; if any, ICBT hence International Trading Agreements by the World Trade Organisation, which guide the Regional Trading Agreements, are silent on ICBT.

An ICBT study on Zimbabwe and its neighbouring countries is very crucial in view of the lack of information on the subject and the need to recognise it in the context of poverty reduction. Findings of the study will contribute to national and regional trade policies so as to improve regional integration through improvement of the regional trade protocol. Subsequently the study will add a plausible contribution to poverty reduction and mainstreaming of gender issues into trade programmes and policies.

1.6 Plan of Research Project

This chapter has introduced the study, highlighting its objectives, hypotheses and its significance. Chapter Two gives an overview of ICBT in Zimbabwe. Chapter Three reviews the literature on ICBT and some cases relevant to the study, and analyses the concept, that ICBT reduces poverty. Chapter Four, deals with a detailed methodology and description of the study. Characteristics of the sample and analysis of some research findings are presented in Chapter Five. The results of some empirical analysis revealing an impact assessment of ICBT on Poverty Reduction are presented in Chapter Six. Chapter Seven presents the concluding remarks as well as some policy recommendations.

CHAPTER TWO

AN OVERVIEW OF INFORMAL CROSS BORDER TRADE IN ZIMBABWE

2.1 Introduction

The pre-colonial and then colonial periods in the Southern Africa region, saw some settlement systems and economies which relied on trade to acquire a variety of goods. Those historical interactions are claimed to have laid the foundations for the present day production and trade structures. These historical foundations have created a disjunction between production and consumption, which later led to informal sector practices (Tandon, 1999, quoted in Zimbabwe Human Development Report, 1999: 38). Changes in the economy such as those in the production structures, employment, and trade regimes are all linked to the emergence of the current trends of informal cross border trade.

Whilst the historical background of the Zimbabwean economy has a bearing on the informal sector in Zimbabwe and the emergence of the current system of ICBT and its trend, regional policies also played a role in shaping the informal sector which is related to informal cross border trading. Current regional formal trade agreements/arrangements are silent on informal cross border trade. However, national policies and programmes played a greater role when identifying factors perceived to be enhancing ICBT in Zimbabwe, as indicated by the statistical figures from the secondary data quoted in this study.

2.2 Historical Background

2.2.1 Pre-colonial Period: Production and Trade

The pre-colonial Zimbabwean economy was characterized by self-sufficiency of African agriculturalists and pastoralists. There was “subsistence oriented” trade designed to mitigate total dependence on the often fragile agricultural cropping and “market oriented” production in the thirteenth and fourteenth centuries, and that was still the trend in the nineteenth century. There were accounts of the great variety of produce grown, the volume of local, regional and long distance trade, and the emergence of a wide range of entrepreneurs (Blake, 1977, quoted in United Nations Report Zimbabwe, 1980: 5).

The numerous stone constructions proclaim the material prosperity of pre-nineteenth century Zimbabwe. There was also a flourishing gold industry (with more than 600 identified mines) and a profitable trade with the Muslims. Exploitation of the country’s mineral wealth was one of the chief occupations and Africans engaged in the production of, and trade in, gold for over nine centuries (Phimister, 1974, quoted in Zimbabwe United Nations Report, 1980: 10). However, animal and crop agriculture were the focal point for food security.

The combination of internal trade for the majority of the Shona agriculturalists and pastoralists with production for “market oriented trade” was maintained for many generations and some branches of people in the economy were geared to internal

trade, salt and iron being the most important products. Trade can be said to have been “subsistence-oriented” in the sense that it was small-scale and intended to offset shortfalls in food production resulting from crop failure (Mackenzie, 1967, quoted in the Zimbabwe United Nations Report, 1980: 13).

During the nineteenth century, gold production was in general intended for external markets such as the areas around Tete in Mozambique and to a lesser extent, other Portuguese settlements along the Zambezi River (Thomas, 1971, quoted in Zimbabwe United Nations Report, 1980: 11). Small amounts of gold were sold directly to European hunters and traders reaching inland gold washing centres. Trade goods exchanged with gold usually consisted of beads and guns. Copper and ivory were the other renowned Zimbabwean exports right up to the nineteenth century, with trade in ivory increasing as gold exports declined.

Bhila (1972: 13-19) pointed out that the decline of Shona external trade during the nineteenth century was caused by the gradual cessation of links with the Portuguese, first as a result of the Nguni invasions from the south which drove the Portuguese away, and finally, by the imposition of colonial rule in the 1890s. Bhila noted that the final blow to trade links between Tete and central and eastern Mashonaland was the imposition of colonial rule, because the British South Africa Company (B.S.A.Co.) had no intention of establishing trade with those African people engaged in gold washing. Instead, under the Gold Trade Ordinance, Africans were forbidden to legally buy or sell gold (Bhila, 1972: 13-19).

The Ndebele were characterized as pastoralists as they had large herds since their land was ideal for cattle breeding. Throughout the nineteenth century the Ndebele economy was characterized by the existence of “subsistence oriented trade” because Matabeleland was and still is known for its frequent droughts. Bhebhe (1974) noted, periodic droughts were among the most powerful forces that drove the Ndebele into trade relations with their neighbours (Zimbabwe UN Report, 1980: 13). The report revealed that, they bartered beads, cattle and goats for corn, other grains, iron and other products with other tribes in Zimbabwe. Throughout the nineteenth century, the external trade of the Ndebele was influenced by the need for security, which forced the Ndebele to open up trade with the Cape Colony in order to secure firearms.

In the 1880's and early 1890's, the Ndebele goods traded also included sheep, eggs, potatoes, rice, groundnuts, pumpkins, Indian Corn, millet, poultry, milk, beer, wild animal skins, ostrich feathers and elephant tusks. The European goods in demand included hats, waistcoats, knives, snuffboxes, tinder-boxes, clothing materials, brass guns, ammunition, and beads (Bhebhe, 1974, quoted in Zimbabwe United Nations Report, 1980: 12).

Informal cross border trade in Zimbabwe and the Southern Africa region, thus, dates back to these pre-colonial times, when communities and peoples of the region

interacted and traded without the need for formal registration and without any territorial boundaries hindering such trade (Tekere *et al*, 2000: 1).

2.2.2 The Colonial Period: Production and Trade

The colonial era which commenced in the 1890s, contrastingly shows the status of Zimbabweans as subsistence rural dwellers, manifestly unable to support themselves by agriculture and dependent for survival upon wages earned in industrial regions or on farms (Blake, 1977, quoted in Zimbabwe United Nations Report, 1980: 23). This resulted from the colonial land and labour policies which led to the creation of a dual economy in the sense of a social-legal segregation based on reserved land categories³. In Zimbabwe the colonial policies fostered land concentration and the consequent unequal distribution of income.

Although the colonial system kept wages down to the minimum, necessitating other sources of survival, natives were no longer in control of, or owned resources and thus could not engage in informal internal and external trade as in the past. The Rhodesian government was now engaged in external formal trade in agricultural as well as mineral products. However, the Unilateral Declaration of Independence (UDI) of 1965 by the Rhodesian government brought with it sanctions, and this, coupled with war, affected external trade flows.

³ Reserved land categories were created by the Native Reserves Order in Council (1898), where blacks were to live on marginal lands which could not sustain their farming systems.

From the mid-1970s, Rhodesia faced a growing unfavourable balance of payments situation. Deficits arose from transport bottlenecks, sanctions, war disruptions and the world recession. The need to use foreign trade controls such as tariffs and import quotas lengthened trade turnover time following the UDI. General costs of international trade were raised. Attacks on vehicles and international trading routes made such trade more expensive and hazardous (Makoni, quoted in the Zimbabwe United Nations Report, 1980: 54).

Transport costs were worsened by the 1976 closure of the shorter external trade routes through Mozambique. The only foreign trade routes left were those through South Africa and these were more expensive in terms of length, time and capacity. Port facilities were strained to absorb high Rhodesian outlet demands. The negative effects of these factors, tended to induce a wider variety and higher levels of import substitution associated with structural transformation (Zimbabwe United Nations Report, 1980: 64). Thus, during the colonial period, informal cross border trade was suppressed and informal trading in most goods became illegal for the ordinary people.

2.3 Emergence of the current trends of ICBT

Informal cross border trade dates back to the pre-colonial times, when communities and peoples of the region interacted and traded without restrictions. This freedom to interact was suppressed during the colonial period. At independence many African states adopted the artificially created borders, which led to the emergence of tariff

and non tariff barriers.

The creation of colonial borders by the metropolitan powers and their adoption by independent African governments resulted in ICBT being dubbed illegal, since it did not conform to the international trading system. Tariffs and various non-tariff barriers were imposed, thus disrupting natural trading activities of communities, especially those living along national borders (SADC Regional Human Development Report, 2000: 45).

ICBT in Zimbabwe re-emerged after independence in the mid - 1980s with people, mainly women, going to Botswana to sell their wares and to buy goods for resale in Zimbabwe. However, ICBT in Zimbabwe has now widened its coverage to include South Africa, Mozambique, Zambia, Malawi, Namibia and the Democratic Republic of Congo. Goods are sold internally within Zimbabwe and across the borders in neighbouring countries. Informal cross border trade was often associated with low income earners and those who could not secure employment (Hartzenberg *et al*, 2002: 80).

The literature has pointed out that the incidence of ICBT could be high in Zimbabwe and the Southern Africa region in general. The World Bank Report (1994, quoted in Peberdy, 2002: 11), on ICBT and the informal sector in South Africa, estimated that the contribution of informal sector output to total Gross Domestic Product (GDP) of African countries ranged between 20% and 50%. According to (Sapa-IPS

publication, 2004), Seatini, a Harare-based organisation that campaigns for fair global trade, pointed out that about 50% of overall trade in rural Sub Saharan Africa is run by informal traders. Other researches also suggest that informal sector cross-border trade comprises a significant proportion of regional cross-border trade (e.g Ackello-Oguto, 1996; Minde & Nakhumwa, 1997: & Macano, 1998).

An observation by Tekere *et al* (2000:13) on informal cross border trade movements of Zimbabweans into South Africa, during the months of November and December of 1999, saw an average of 4000-5000 people cross the border per day. This was confirmed by the South African Immigration Officers, who noted that the movement of cross border traders increases during periods toward the festive seasons. The incidence of ICBT may also have increased due to deteriorating socio-economic conditions in Zimbabwe, as some publications have pointed out. According to the African News Service (August 2, 2005):

“There has been an upswing in the volume of small scale business people involved in cross-border trading in SADC region. Business is also booming for those involved in the cross-border sector, such as bus and cargo transporters....Business people from Zimbabwe and Zambia do business out of necessity. They are forced by circumstances to enter into trade for survival. It is the conditions in their countries that compelled them to trade in those products, despite the relatively smaller profit margins...”

2.4 Post Independence Policies and the Growth of ICBT

Some national policies and reform programmes implemented during the period since 1980 are identified as some of the factors which led to the growth of the informal sector and enhanced ICBT in Zimbabwe. For instance, a study by McPherson (1992, quoted in the Zimbabwe Human Development Report, 1998: 28) on the informal sector estimated that there were approximately 1.04 million micro and small scale enterprises in Zimbabwe, due to the supportive policy environment which promoted micro and small scale enterprises.

Following independence in 1980, the new government declared a new policy paradigm with a socialist ideology of growth with equity. The policy paradigm sought to improve the conditions of the majority black indigenous people, who were neglected during the colonial period. In February 1981, the new administration published its "Growth with Equity" economic policy programme targeting the promotion of rural development, increased incomes and social expenditure, rapid growth rates amongst others and the establishment of a socialist society being one of its broad objectives.

Post-independence policies were intended to promote growth and reduce poverty. However, in the medium to long term period, the objectives were not achieved. The deterioration of the formal economy due to an unstable economic environment, in contrast to stable economies in its neighbouring countries, culminated into increased poverty and the growth of the informal sector including informal cross border trading

(Chari, 2004). Changes in government and the uncertainties which prevailed after the changes in administration, contributed to the unstable economic environment. The following sub-sections outline how deterioration in some sectors of the economy was experienced.

2.4.1 Labour and Employment Policies and the Growth of ICBT

After independence in 1980, education was one of the priorities of the new administration. The policy was aimed on gradually increasing the provision of education at all levels, resulting in the building of a vibrant labour force. However, in Zimbabwe, though real GDP growth per annum between 1981 – 1989 averaged 3%, the employment elasticity of growth fell (Zimbabwe Human Development Report, 1998: 38), possibly reflecting the global tendency that growth had become less employment-intensive. In countries like Zimbabwe, where education was prioritised, formal sector employment would not grow rapidly enough to absorb the number of educated school leavers, resulting in an increased rate of unemployment.

Moreover, since independence in 1980, the basis of employment in Zimbabwe increased at a rate well below that of the labour force supply (World Bank Report, 1990: 4). The International Labour Organization (1989, quoted in World Bank Report, 1990: 4), estimated that over the ten-year period 1980-1990, formal sector employment had grown very slowly. 160, 000 new jobs were created during the entire period, out of which 155,000 were in the public sector and primarily in education. The expansion of the public sector services was a onetime phenomenon

due to the initial post-independence increase in government spending. If these public sector jobs were excluded, total formal employment actually fell at an average rate of 0, 5% per annum between 1980 and 1985. Over the period 1983 – 1989 net annual additions to labour force were at the rate of 3% per annum, resulting in the large differential between the demand for, and supply of jobs, resulting in unemployment of labour. As a result, the informal sector had a critical role in providing new employment opportunities. The growth of ICBT has been linked to the growth of the informal sector (including informal trading) as a result of unemployment.

In 1990, the government embarked on the Economic Structural Adjustment Programme (ESAP) for a period of five years (1991 – 1995) (Zimbabwe Human Development Report, 1998: 26). The programme was aimed at stimulating economic growth and investment. However, the programme included deregulations of prices and labour controls and public sector restructuring which entailed the downsizing of the civil service. During this period, much unemployment resulted from retrenchments done with the intention of improving efficiency.

In the mid 1990s, Zimbabwe started experiencing some company closures, which contributed to high unemployment levels as workers got retrenched. The disparity between employable labour resources and employment opportunities left the informal sector as the alternative means of survival for a large number of these urban dwellers.

On the other hand, the industrial shrinkage culminated in a shortage of goods. The shortage created an opportunity for both the employed and the unemployed to engage in ICBT, in order to bring in those goods which were in short supply. Harper (1985: 29) argued that, "Informal enterprises arise in response to opportunities to satisfy urgently felt needs which may be neglected by planners. Smuggling or illegal dealing starts because the law prevents people from obtaining goods or services they are willing to pay for". The Zimbabwe Human Development Report (1998: 21) concluded that:

"Although the policy environment improved considerably during ESAP, the growth response (though not the investment response) was disappointing. By 1997, per capita incomes were lower than in 1990, while manufacturing production fell to a 10 year low in 1995 and unemployment continued its relentless rise".

Between 1990 and 1997 average real wages fell by a third. In the first half of the 1990s, public spending on education declined by 30% as a proportion of the government's total budget. Health expenditure declined from 18% of the government budget in 1990/91 to approximately 15% in 1994/95 (World Bank, 1996, quoted in (Zimbabwe Human Development Report, 1998: 33). Declines in social service expenditure contributed to the deterioration of living conditions. Findings from a study in Harare, Zimbabwe by Matshalaga (1997, quoted in Zimbabwe Human Development Report, 1998: 27) indicated food shortages amongst families, inadequate clothing, poor accommodation, failure to pay school fees and poor health services. Such findings depicted an impoverished workforce looking for opportunities to augment their incomes.

Evaluations of ESAP showed that instead of promoting economic growth and alleviating poverty, ESAP was characterised by the declining socio-economic well-being of the majority in the country. It resulted in mass retrenchments. Those who remained employed had their buying power eroded by ESAP. As a result, the alternative option to generate income was to engage in informal economic activities, which included ICBT.

A new economic reform programme was launched in early 1998, the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST). The policies outlined included among others, the need for a “quantum change” in the job generation performance of the economy. ZIMPREST also added as part of its goals, socio-political improvements mainly in the quality of democratic and good governance. The anticipated results were not met, as the targeted GDP growth of 6% by year 2000 was not achieved.

ZIMPREST was followed by the Millennium Economic Recovery program (MERP) in 2000. MERP was short lived as it paved the way for the National Economic Revival Program (NERP) in 2003. During the MERP and the NERP the anticipated growth was not realized. When compared with the 1991 figures, the GDP in 2004 declined by almost 20%. In 2006, the National Economic Development Priority Program (NEDPP) was launched in which government admitted that the economy was in crisis. Between 2000 and 2007, the Zimbabwe national economy was estimated to

have contracted by as much as 40%. Unemployment levels were rising, GDP per capita declining, and average consumer price inflation rising as shown in Table 2.1.

Table 2.1: Zimbabwe – Key Economic Indicators (2001 – 2008)

Year	2001	2002	2003	2004	2005	2006	2007	2008
GDP per head (USD at PPP)	214	204	185	182	174	170	165	145
Consumer price inflation; avg (%)	75	135	385	381	267	1034	12563	56 000 000
Agricultural GDP growth rate (%)	-3,9	-22,7	-1,0	-2,9	-10,0	-4,5	-5,0	-

Sources: The Reserve Bank of Zimbabwe; EIU; World Bank, Harare, 2009.

An annual economic decline had continued year-on-year for a decade, as 2008 became the tenth year of continued negative growth in the country's GDP as shown in Table 2.1. Potts (2006: 291) argued that the 1997 unbudgeted for compensation to war veterans, military interventions in the Democratic Republic of Congo and significant increases in civil service wages in the run up to parliamentary elections of June 2000 are some of the factors that contributed to a high inflationary environment. The economy declined even more steeply after 2000 and formal job opportunities became exceedingly scarce. Potts (2006: 276) highlighted that:

“Even where there were jobs, the pay was far too little, failing to meet even basic costs of living, as inflation swiftly ate away even massive, but far too occasional pay hikes that they could no longer be relied upon for survival”.

Since 2001 the key economic indicators painted a picture of extremely high unemployment levels. 80% of the labour force was estimated to be unemployed (WFP Special Report: 22 June 2009). According to UN OCHA (2008, quoted in WFP Special Report: 22 June 2009), only 6% of the population was formally employed, down from 30% in 2003. As the economy dwindled, soaring unemployment accompanied by a falling GDP per head and a spiralling consumer price index showed increasing and deepening levels of poverty. The rising level of poverty left the greater number of people with no choice but to look at the next available opportunity to scrounge for an income in the informal sector to feed their families.

2.4.2 Trade and Financial Sector Policies and the growth of ICBT

At independence in 1980, Zimbabwe inherited an import substitution industrialisation policy. There were high levels of protection in the form of blanket import controls between 1965 and 1991. The gains from employment growth in the manufacturing industry were partly offset by this influence, and reflected in the slow growth of average real wages in manufacturing. Between 1990 and 1996, Zimbabwe implemented trade liberalisation faster than any other part of the reform package. During the reform process which commenced in October 1990, an Open General Import Licence (OGIL) system was introduced. This was done to enable industries source imported inputs. In addition, a number of new export incentives were

introduced. An Export Support Facility was established to assist exporters in accessing the foreign currency they required. In addition to the shift from quantitative restrictions to tariffs, Zimbabwe reported reduced tariff rates in its Trade Policy Review at the WTO meeting of December 2004. The government appeared to have done all that was necessary to liberalise and facilitate trade (Tekere, 1999, quoted in Zimbabwe Human Development Report, 1999: 50).

However, there was no evidence that trade liberalisation resulted in growth as anticipated. The manufacturing sector, which was protected before trade reforms, was negatively affected as some could not compete. On average, real manufacturing wages fell by more than a third, while 12000 people, (6%) of the number of workers employed in the manufacturing sector lost their jobs. From 1965 to 1990, manufacturing output, employment and real wages increased, but under ESAP, output, employment and real average earnings all declined (Zimbabwe Human Development Report, 1998: 21).

During the ESAP period (1990 – 1995), financial and capital liberalization had the effect of sucking all local savings, as well as off-shore finance, into the banking sector for the high-yielding money market. This resulted in the siphoning off of productive capital out of small and medium scale enterprises (SMEs), as well as the small-scale agricultural sector. Trade and financial liberalization did not entice productive investment, but speculative and portfolio capital inflow. Therefore being deprived of the necessary capital, the productive sectors of the economy did not grow. The GDP per capita fell from Z\$1901 at Independence to Z\$1790 in 1998.

Therefore, there has been a steady de-industrialisation (Zimbabwe Human Development Report, 1999: 52).

The de-industrialisation contributed to the high levels of unemployment as workers were retrenched. This culminated in shortages of goods and in income deprivation. A supply gap was created since some importing and exporting companies downsized or shut down, which provided an opportunity for both the employed and the unemployed to engage in ICBT. Goods in short supply were sourced from neighbouring countries. Traders sold their wares in these neighbouring countries to earn an income.

2.4.3 Exchange rate policy and the emergence of the foreign currency parallel market

After independence in 1980, the dual exchange rate system which was used before independence was abandoned. For the period between 1982 and 1990, the Zimbabwe dollar was pegged to a trade weighted basket of fourteen currencies, taking into account the inflation differentials between Zimbabwe and her major trading partners. However, challenges were encountered as the exchange rate policy could not fully reflect the scarcity of foreign currency and could not reduce the scale of the parallel foreign exchange market, thus necessitating the need to liberalize the economy towards a market based environment (Makochekanwa, 2007: 6).

The period between 1991 and 1993 saw the introduction of a less restrictive exchange control environment in order to improve allocative efficiency in the foreign exchange market. Export Retention Schemes (ERS) were introduced, which aimed at approximating the market value of the Zimbabwean dollar. In 1994, the ERS market was widened so as to allow the market determination of the exchange rate on the local interbank market. Corporate Foreign Currency Accounts (FCAs) were introduced and the retention in FCAs was raised to 60%. This introduced a two-tier exchange rate system; one quoted by the RBZ and the other determined in the interbank market. The two tier exchange rate was to move towards a market determined exchange rate. The convergence of the two-tier exchange rate system was formally achieved in July 1994. This implied that all foreign transactions were supposed to be conducted on the basis of the market determined exchange rate.

However, the balance of payment problems combined with rising domestic inflation exerted immense pressure on the exchange rate. In 1999 the RBZ, in consultation with the Bankers Association agreed on an informal arrangement, which stabilized the exchange rate at Z\$38/US\$. However, this arrangement faced challenges, such as high domestic inflation and the expected international BOP support which did not materialize. In 2000, a managed exchange rate system was adopted. The new exchange rate policy linked exchange rate adjustments to changes in inflation differentials between Zimbabwe and its major trading partners.

As the national economy was shrinking, in 2004 Zimbabwe's foreign debt repayments ceased, resulting in compulsory suspension from the International

Monetary Fund (IMF). Zimbabwe began experiencing severe foreign exchange shortages exacerbated by the difference between the official exchange rate and the black market rate. The official exchange rate was being managed by revaluing the Zimbabwe dollar (shown in Table 2.2), and there were persistent shortages of foreign currency and the local currency. This shortage of foreign currency may also have been a push factor in engaging in ICBT in pursuance of scarce foreign currency, though it may be difficult to relate the emergence of the black market to specific factors, as such data are unavailable. However, amid the social, economic and political problems which confronted the country, the black market was very noticeable as it became part of the day-to-day activities of the majority. Mukochekanwa (2007: 19) stated:

“The macroeconomic instability in the country has resulted in higher unemployment which has in turn forced the majority of the labour force to engage themselves in informal trading. One of the flourishing informal sectors has been the cross-border trading, with major destinations being South Africa, Botswana, Malawi, Mozambique, Zambia and recently, Dubai. After selling their wares, these traders return home with various kinds of foreign currencies, which they will obviously change on the black market”.

Table 2.2 shows the unstable official exchange rate which was thriving side-by-side with the parallel exchange rate at the black market.

Table 2.2: Official and Parallel exchange rates – Zimbabwe

Year	Official exchange rate/US\$	Parallel exchange rate/US\$
2000	38	56 – 70
2001	55	70 – 340
2002	55	380 – 1740
2003	824	1400 – 6000
2004	824 – 5,730	5500 – 6000
2005	5,730 – 26,003	6,400 – 100,000
2006	85,158 – 101,196 (250 revalued dollars)	100,000 – 550,000 (4,000,000 revalued dollars)
2007	250 revalued dollars 30,000 revalued dollars	3,000 – 2,000,000 revalued dollars
2008	30,000 revalued dollars	5,000,000 – 7,500,000 devalued dollars

Source: Wikipedia.org/wiki/Economy-of-Zimbabwe. Accessed on 20 January 2009

A thriving black market developed in the early 2000's given the differential in the foreign currency rate, in addition to a deteriorating economy and increasing poverty. In such a situation, the informal sector had a critical role in providing new employment opportunities. Due to the worsening economic crisis in Zimbabwe, high

levels of inflation were rapidly wiping away people's incomes. As a result, the search for alternative or complimentary income earning opportunities became a major factor in promoting informal cross border trading to secure a sustainable income to support family needs. Due to a distorted exchange rate system, the business line had attractive border price differentials and therefore many people made ICBT a full time occupational undertaking (Tekere et al, 2000: 23).

2.4.4 The Land Reform Programme, Food Security, and increasing poverty.

After independence the Government of Zimbabwe embarked on a land redistribution programme. The aim was to remove the inequitable land ownership which was in favour of the whites and reduce poverty among the black majority (Zimbabwe Human Development Report, 1998: 32). There was a boom in agricultural production in the early 1980s. During the period 1980 to 1990 the agricultural sector was vibrant, supporting the agro-based industrial sector. There was enough food for the nation and even for export. However, the economy slowed in the face of adverse exogenous shocks such as drought and depressed primary produce prices, resulting in declining agricultural production.

By the 1990s, despite mounting political pressure for land reform, land redistribution had been constrained by inadequate finance and limited capacity to implement an integrated resettlement programme. The government attempted to offset this constraint by increasing access to inputs and market outlets to black farmers. However, this had a limited effect as the majority of rural producers were confronted

by economic problems brought about by the ESAP. Moreover, amongst those resettled, many were without the infrastructure and finance to utilise the land effectively.

The incidence of poverty increased in Zimbabwe as a result of ESAP. The Poverty Assessment Study undertaken by the Zimbabwean Government in 1995 indicated that 62% of the population was living in poverty. According to the report, 42% of the population belonged to households which were below the “food poverty line⁴” and 62% of the population belonged to households whose incomes were inadequate to meet basic needs (Madzingira N, 1997:5).

The “fast track” resettlement phase was adopted in 2000, since very few farmers had been resettled since the commencement of the resettlement programme. The fast track resettlement system was meant to enable the government to acquire as many farms as possible to overcome problems caused by landowners who objected to the acquisition of their land, and was seen as the only way the land acquisition process could be accelerated (Mushunje, 2004: 86). However, the process disrupted agricultural production as most farms which were acquired were not properly redistributed to assure non disruption of agricultural production. Since Zimbabwe has an agro-based economy, the redistribution affected most sectors of the economy due to the vertical and horizontal linkages which they had with the agricultural sector. The fast track phase coupled with natural disasters such as floods and droughts together

⁴ Food poverty line is the amount of money required per given period of time to purchase a basket of food items enough for an active, healthy life for the household’s members.

with the lack of agricultural finance contributed to the decrease in agricultural production and the deterioration of the economy as a whole. Informal cross border trade played a significant role in averting widespread food insecurity in Southern Africa during the major regional drought of 2002 and 2003 (UN WFP Report by Steering Committee, 2004).

As shown in Table 2.1, the Agricultural GDP growth rate was negative throughout the decade to 2008. The poverty situation became worse in view of the consecutive depressed harvests and a phenomenal rise in the nominal as well as the real cost of living. Food poverty was no longer confined to the urban poor, but the rural population of communal farmers and the farm workers. Successively reduced harvests contributed to food insecurity in the country.

The decline in agricultural output and the liberalisation of the economy pushed up food prices, as food produced locally was no longer enough for the domestic market. This occurred during a period of high levels of unemployment, low wages and lack of access to foreign currency. This may have pushed people into ICBT as a means to earn foreign currency and an opportunity to procure food items from neighbouring countries.

2.4.5 The Social Sector Reforms and the Growth of ICBT

Following independence in 1980, the government declared its Growth with Equity policy, which among others targeted rapid growth rates of GDP, increased income

and social expenditure. The Growth with Equity was followed by the Transitional National Development Plan (TNDP), which projected GDP growth at 8, 2% annually for the period 1982 – 1985, with the expectation that revenues achieved would be ploughed back into redistributive programmes in the social service sector.

Between 1980 and 1988 government spending on health rose by 48% in real per capita terms. Due to this increase in the allocation for health, life expectancy increased from 56 years in 1980 to 61 years in 1990. Between 1980 and 1993 infant mortality rates virtually halved from 100 per 1000 live births to 50 and child immunisation rates increased from 25% to 80%. The increased healthcare resource allocation contributed to the improvement in health indicators (Zimbabwe Human Development Report, 1998: 43).

In education, real government recurrent expenditure rose from Z\$29, 55 million in 1980 to Z\$38, 91 million in 1989, which was a 31, 67% increase. In primary education, the number of primary schools increased by 43% between 1980 and 1990. While the number of pupils enrolled rose by 75% in the same period. At the secondary level, the number of schools increased by more than 600%, with enrolment figures increasing more than nine-fold from 72 197 in 1980 to 672 465 in 1990 (Zimbabwe Human Development Report, 1998: 33). The increased education expenditure in the 1980s increased the provision of education at all levels. So, while the government increased expenditure in health and education, unemployment levels remained high and anticipated economic growth rates were not realised. While on the one hand an educated labour force was being produced, on the other hand, education no longer

provided a promising vehicle for poverty reduction, as revealed by experiences of the 1990s.

The achievements of the social sector in the 1980s were in sharp contrast to the experiences of the 1990s, after government embarked on the Economic Structural Adjustment Programme (ESAP). Government expenditure in the social sectors declined, which also contributed to the deteriorating conditions of labour (Zimbabwe Human Development Report: 1998: 21). During the reform period (1991 – 1996) average private consumption levels declined by about a quarter, and in addition to the fall in private incomes, household welfare suffered further from the decline in public spending on social services (Zimbabwe Human Development Report, 1998: 43). Though some social programmes such as the Social Development Fund (SDF), the Social Welfare Programme (SWP) and the Employment and Training Programme (ETP), were established during the ESAP to cushion the vulnerable groups and poor communities against the negative effects of the reform programme, the poor majority could not benefit as the programmes were poorly funded.

Under the National Economic Revival Programme (NERP) 2003, the government set several objectives for strengthening the social sectors. Social sectors objectives set in the 2003 NERP policy document were to:

- Increase public spending targeted at the poor;
- Improve the access of vulnerable social groups to land and capital;
- Develop social safety nets;

- Ensure access to decent housing for vulnerable people and
- Allocate more funds to employment and training programme (ETP) for laid off workers so that they could start their own projects.

During the NERP period, the social sectors continued to deteriorate. The Health System experienced serious problems as nurses and doctors left the sector in search of greener pastures. There was a shortage of drugs and other essential hospital supplies due to fiscal problems. Numbers of teachers also left the country and shortages of school supplies were looming. At the same time that the education and health systems were deteriorating, the challenges from the AIDS pandemic such as, AIDS orphans, overwhelming extended family networks, and an alarming number of child-headed households, were growing. This continuous deterioration of the economy and social welfare continued into the mid and the final years of the decade.

As social, economic and political turmoil rocked the country, during the decade, leading to a further deterioration in social services, greater poverty, soaring unemployment and many other social ills, the informal sector provided people with a source of income and employment. The rising levels of poverty pushed people into depending on the informal economy in order to earn a living. Zimbabweans were forced into the informal sector operating on different scales and skills levels. Trading predominated in food, second hand clothes, hardware, and in almost anything that could be bought and sold on the street or in the market places (Potts, 2006: 288).

ICBT became the more preferred activity in the informal sector, as it enabled people to access scarce goods and foreign currency.

2.5 Zimbabwe within SADC: Formal Trade Arrangements versus Informal Trading

The SADC Trade Protocol

The SADC Protocol on Trade was signed in 1996 and the implementation of the SADC FTA began in 2000. The Trade Protocol allowed for asymmetrical tariff reductions among SADC member countries and it was aimed at promoting trade and investment among member countries. Zimbabwe is one of the signatories to the protocol.

The SADC Trade Protocol and national trade policies of member countries are designed to be consistent with regional trade arrangements (RTAs). RTAs were stipulated in the open global economy procedures of the World Trade Organization (WTO), and were silent on informal trade. The Protocol is biased toward large formal traders. The region's customs regulations and administrative infrastructure still do not recognize informal trading, so most traders still travel on holiday visas. Customs administration and regulations differ among member countries and trade between them is also at different levels. It is difficult to measure informal cross border trade as some of the traders use unofficial routes with the result that their numbers are not captured in official statistics (Tekere *et al*, 2000: 1).

The 1993 Cross-Border Initiative between countries of Eastern and Southern Africa and the Indian Ocean was also silent on informal trade. The initiative was to facilitate cross-border private investment, trade and payments in Eastern and Southern Africa and the Indian Ocean in formal setting.

ICBT activities may not be illegal, but problems are more likely to arise from the fact that, in SADC countries, they were not generally taken into account as an acceptable form of economic activity in regional and national policies. Informal cross border traders have not been given much attention in terms of national and regional policies in the SADC region. However, even formal traders are finding it difficult to conform to standards and customs requirements, necessitating the harmonization of regional trade policies.

2.6 Conclusion

As shown in this chapter, informal cross border trade in Zimbabwe and its neighbouring countries dates back to the pre-colonial period. ICBT was suppressed during the colonial era, and it re-emerged after independence in 1980. Though exogenous factors such as drought and international world prices led to the deterioration of the economy and promoted the growth of the informal sector, endogenous factors such as the policy environment contributed to the growth of the informal sector, and thus promoted informal cross border trade. Sector policies which include; labour policy, employment policy, monetary and foreign exchange policy,

trade policy and some government reform programmes contributed to the growth of the informal sector and consequently to ICBT activities.

Factors emanating from national policies, which contributed to the growth of ICBT include; distorted foreign exchange markets, deteriorating economic, social and political conditions. This resulted in unemployment, a high level of inflation, a decline in real earnings and worsening economic hardships in the country. The economic woes resulted in high levels of poverty and food insecurity pushing people into engaging in ICBT. Regional trade policies such as the SADC Trade Protocol are silent with regard to informal trade, though one of the SADC objectives is regional integration with economic growth and development leading to poverty reduction. This study is primarily to assess the impact of informal cross border trade on poverty reduction.

CHAPTER THREE

LITERATURE REVIEW

3.1 Introduction

The purpose of this chapter is to explore the theoretical and empirical literature on informal cross border trade and poverty reduction. The chapter starts by giving an explanation of the conceptualisation of poverty. It further explores the Traditional Theories of International Trade and alternative modern trade theories. A critical analysis of how the theories have failed to capture the aspect of Informal Cross Border Trade (ICBT) is done. The chapter goes further to give a critical analysis of the theory of international trade in the context of developing nations. Subsequently, different arguments giving the conceptual basis of informal cross border trade and its relationship with poverty reduction are discussed.

The chapter also undertakes an empirical review of the role and impact of cross border trading on poverty reduction. An empirical review of Informal Cross Border Trade as practiced in developing countries is given. The empirical review focuses on informal trade and poverty in Europe, Asia, the West African region and the SADC region. The last section of this chapter gives an assessment of the literature.

3.2 Conceptualising Poverty

As societies change with time, the concept of poverty is constantly evolving. However, this does not negate the fact that there are core issues within the concept

of poverty that have transcended various generations. The basic concept of poverty has often been taken as synonymous with subsistence poverty. One is considered poor when he/she is unable to attain the necessities for survival. In that view, the World Bank defines poverty as the “inability to attain a minimum standard of living measured in terms of basic consumption needs or the income required to satisfy those consumption needs” World Bank Report (2005:9). The Zimbabwe Poverty Assessment Survey Study 1996 defines poverty as the “inability to afford a defined basket of consumption items (food and non-food) which are necessary to sustain life” (Madzingira N, 1997: 6).

Central to the concept of poverty, is the view of absolute poverty. This conceptualisation of poverty is claimed to be objective, scientific and unchanging over time, and applies equally to any society (Woodlard, 1997: 68). The World Bank has adopted this absolute definition of poverty as it considers it relevant to any economy (World Bank Report, 2000: 9. The definition uses the one US\$ per day poverty line. The World Summit for Social Development in Copenhagen of 1995 also looked at poverty from this absolute perspective. It defined it:

...as a condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to social services..., World Summit for Social Development, (1995).

Poverty is also relative. This notion stems from the long established analysis of relative deprivation (Duesenberry, 1949). It refers to people’s perceptions about their

well being: people compare themselves with others in any society or with themselves in the past, and they feel deprived when they are doing less well than their companions. Duesenberry (1949, quoted in Kingdon & Knight, 2003: 6-7) stressed previous income or consumption or other members of a society as reference points. Critics of this concept of poverty are concerned that this notion of relative poverty might mean that some group of people will always be poor compared to others, as there will never be absolute equality, (Sen, 1983). In this context poverty and inequality are strongly and inextricably linked. If there is inequality, it will mean that some people are poor and some are relatively rich. The poor may be able to meet the basics of life: shelter, food, water, and health but remain poor relative to the rich. Thus, an adequate definition of poverty must always contain an absolute component (Sen, 1983: 157). Such a definition removes the possibility of counting those above the poverty line amongst the poor.

Another alternative concept of poverty which has of late gained attention is the capabilities approach developed by Sen (1983: 167). The approach simply combines the absolute and the relative concepts of poverty and conceives poverty as absolute in the space of capabilities, but relative in the space of “commodities, resources and income”. Capabilities include essentials like nutrition and shelter. Atkinson and Bourguignon (1999) regard poverty as an “inadequate command over economic resources”. The absolute set of capabilities translates into a set of goods requirements, which are relative to a particular society and its standard of living. The capabilities include physical functioning, which requires a set of goods fixed in absolute terms and entail a person’s “capabilities” to be and to do things of intrinsic worth (Sen, 1983: 167). Inadequate physical functioning (or lack of basic needs) may

include hunger, a lack of shelter, health provision, or warmth. Because of the close connection between material deprivation and the lack of capabilities, it has been argued that the basic needs and capability approaches can be defined so as to be mutually consistent (Clunies-Ross, Forsyth & Huq, 2009: 251).

There is a social dimension of poverty as well. Inadequate social functioning (lack of social needs) may include alienation, shame and a lack of self respect. At its core is social exclusion where poverty encompasses the inability to function as a fully participating member of society. Social exclusion refers to a lack of participation in decision making, including a lack of access to social services, community and family support. Social exclusion can include the exclusion from the rights of citizenship, markets and political structures. This social dimension of poverty concept hinges on the fact that absolute deprivation relates to a person's capabilities and can imply relative deprivation in terms of income, resources and commodities. Thus, numerous factors contribute to the concept of poverty, including political, economic, social, and cultural forces (Carney, 1992: 74-80). With no spending-power the very poor have the greatest difficulty in taking the measures that might protect them from disasters or disorder and conflicts. Such poor are also subject to coercion or extortion from those with more social power (Clunies-Ross *et al*, 2009: 252). This brings vulnerability as a poverty dimension.

Vulnerability in this sense is set against human security, indicating that it is not enough to assess how far immediate materials are being met. With low living standards in normal times, there is need for reasonable stability, material safety nets,

aid in emergency and recourse to help against oppression and injustice (Clunies-Ross, 2009: 252).

A further view of poverty is unjust deprivation. This raises the question of equity that is how fair the deprivation that exists is. Rawls (1971, quoted in Clunies-Ross *et al*, 2009: 253) noted the need to identify a just social order. Rawls does not imply equity, but that there must be pretty good reasons for the inequalities that are allowed to exist.

In the current global concerns and human development, sustainability has become an important dimension in conceptualising poverty and coming up with poverty reduction policies. Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Clunies-Ross *et al*, 2009: 286).

Viewed in this way, poverty is a multi-dimensional phenomenon, and less amenable to simple solutions. So, for instance, while higher average incomes will certainly help reduce poverty, these may need to be accompanied by measures to empower the poor, or insure them against risks, or to address specific weaknesses (such as inadequate availability of schools or a corrupt health service). In this view, the World Bank has made this concept operational by noting that, a poverty line can be thought of as comprising two elements: the expenditure necessary to buy a minimum level of nutrition and other basic necessities and a further amount that varies from country to

country, reflecting the cost of participating in the everyday life of society (World Bank Report, 2000: 26).

The literature on poverty strongly supports yet another concept of poverty: the consensual dimension, pioneered by Mark and Lansley (1985). In this approach, a survey is undertaken of the general population to determine an inventory of “socially perceived necessities”. These are in effect, a list of goods and activities that are regarded as essential for participation in a contemporary society. The assumption here is that all groups in a society aspire to have the same lifestyle and so have broadly similar views as to what comprises necessities. The consensual approach looks at poverty in terms of what is perceived by a society at large to be necessities for an acceptable standard of living. Segments of a society can be considered poor if they cannot meet what are perceived as the necessities.

The principal problem with this view of poverty is that a consensus may not exist. There may be substantial and systematic differences in what different social groups perceive as necessities to an extent that no common core is identifiable. Then it may be impossible to construct poverty measures based on socially perceived necessities. The other weakness of this approach is that it is difficult to operationalise, even though attempts at operationalising it have been made. One way of constructing poverty lines from this is getting (from a survey) the proportion of people who are unable to acquire socially perceived necessities. Also a poverty line can be created in terms of incomes (or expenditure) necessary to attain the socially perceived necessities.

The different approaches to conceptualising poverty suggest an evolving subject. However, the core dimensions of poverty: absolute and relative poverty are still appealing today when examining poverty in Less Developed Countries, where socio-economic constraints still make some basic necessities of life a dream for some communities. These concepts of poverty can readily be operationalised through income and expenditure variables. Income and expenditure analysis are the most commonly used evaluative criteria for well being as they are apparently objective, accurately measurable and readily available in most Less Developed Countries.

The United Nations Development Program use the term “Human Development” to cover progress or attainment in any and all aspects of human material welfare, but in a very broad sense of “material”. The Human Development Index (HDI) is a composite index that measures the average achievements of a country in three dimensions of human development: a long and healthy life, as measured by life expectancy at birth; knowledge, as measured by adult literacy rate and the combined gross enrolment ratio for primary, secondary and tertiary schools; and a decent standard of living , as measured by GDP per capita in purchasing power parity (PPP) US dollars (UNDP Human Development Report, 2005, quoted in Clunies-Ross *et al*, 2009: 252).

In this study the concept of poverty takes the absolute and relative dimensions. Poverty reduction in this context refers to the multidimensional process which

alleviates or pushes back frontiers of poverty. Using minimum costs of food and other necessities as poverty criteria, the World Bank estimated that in 1988, 1.133 billion, or 29.7 percent of the population in developing countries are poor (World Bank Report, 1992). According to the same estimate 47.7 percent in Sub Saharan Africa are poor. It is widely believed that such poverty reflects economic underdevelopment of nations whose poorly developed production forces such as land, capital and labour have hampered economic growth. The capabilities approach is also not ignored as it is widely believed that such poverty reflects economic underdevelopment and naturally economic development (Yapa, 1996: 707).

3.3 Theoretical Review

This section will explore the traditional International Trade Theory, the neo-classical theory and the alternative/modern trade theories. The disciplines of the theory of international trade are also explained. The developments that have seen the dropping of some assumptions are explained in three theories: the classical international trade theory: the neo-classical factor endowment trade theory and the post neo-classical models. The modern trade theories are founded as a critique of the traditional models. Weaknesses, strengths, and implications of these theories/models for trade within the context of poverty reduction are discussed. This section goes further and discusses alternative theories/models which explain the existence of ICBT, as well as its relation to poverty reduction.

3.3.1 International Trade Theory

Classical Theories

The phenomena of transactions and exchange date back as far as history can tell; they are basic components of human activity because people or nations exchange goods, sometimes for money or through barter transactions, and for making profit (Todaro, 1997: 7).

The theory of comparative advantage is perhaps the most important concept in international trade theory. However, it is easy to confuse with another notion about advantageous trade, known in trade as the theory of absolute advantage (Suranovic, 1997). The early logic that free trade could be advantageous for countries was based on the concept of absolute advantages and disadvantages in production. Adam Smith wrote in *The Wealth of Nations*:

“If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage.”(Book IV, Section ii, 12)

The idea was that if country A can produce a set of goods at a lower cost than country B, and if country B can produce some other set of goods at a lower cost than country A, then clearly it would be best for A to trade its relatively cheaper goods for B's relatively cheaper goods. In this way both countries may gain from trade. Thus, absolute advantage exists where an individual/ country can produce goods or services with less effort (resources) than some other individual country.

In the late nineteenth century, David Ricardo developed a trade model based on the principle of comparative advantage, arguing that:

‘Even if a country has an absolute cost advantage over another in both commodities, there are gains from trade if each nation specializes completely in the production of the goods in which it has a comparative cost advantage in producing, and then trades with the other nation for the other goods’.

Thus, the principle of absolute advantage shows how a country can benefit from trade if the country has the lowest absolute cost of production of some goods, while the principle of comparative advantage shows that what matters is not the absolute cost, but the opportunity cost of production. The principle of comparative advantage shows that even if a country has no absolute advantage in any product the disadvantaged country can still benefit from specialising in and exporting the product(s) for which it has the lowest opportunity cost of production.

The traditional classical approach in its most simple form, assumed two countries producing two goods using labour as the only factor of production, i.e. a single factor of production labour, with constant requirements of labour per unit of output that differs across countries. Goods are assumed homogenous within a country, (i.e. identical) across firms of countries. Labour is always fully employed. Production technology differences exist across industries and countries, and are reflected in labour productivity parameters. The labour and goods markets are assumed to be

perfectly competitive in both countries. Firms are assumed to maximise profit while consumers (workers) are assumed to maximise utility.

The proponents of this theory contended that, the allocation of international resources leads to a better welfare of the world population, thus reducing poverty. This view was based on the analysis that technology differences between countries will bring about specialisation and trade. If one country has an absolute advantage in the production of both goods, then the real wages of workers (i.e. the purchasing power of wages) in that country will be higher in both industries of that country, compared to wages in the other country. In other words, workers in the technologically advanced country would enjoy a higher standard of living than in the technologically inferior country. The reason for this is that wages are based on productivity. Thus in the country that is highly productive, workers get higher wages.

The initial differences in relative prices of the goods between countries in autarky will stimulate trade between the countries. Since the differences in prices arise directly out of differences in technology between countries, it is the differences in technology that cause trade in the model. Profit-seeking firms in each country's comparative advantage industry would recognise that the prices of their goods are higher in the other country. Since transportation costs are zero, more profit can be made through exports, than through domestic sales. Therefore each country would export the goods in which they have a comparative advantage. Trade flows would increase until the price of the goods are equal across countries. In the end, the price of each country's export goods (its comparative advantage goods) will rise and the price of

its import goods (its comparative disadvantage goods) will fall.

The higher price received for each country's comparative advantage goods would lead each country to specialise in those goods. To accomplish this, labour would have to move from the comparative disadvantaged industry into the comparative advantage industry. This means that one industry goes out of business in each country. However, because the model assumes full employment and costless mobility of labour, all of these workers are immediately gainfully employed.

One result is that even when a country is technologically superior to another in both industries, one of these industries would go out of business when it opens to free trade. Thus, technological superiority is not enough to guarantee a continued production of goods in free trade. A country must have a comparative advantage in production of goods, rather than an absolute advantage, to guarantee continued production in free trade. From the perspective of a less developed country, the developed countries' superior technology need not imply that Less Developing Countries (LDC) industries cannot compete in international markets.

Another result is that the technologically superior country's comparative industry survives while the same industry disappears in the other country, even though the workers in the other country's industry have lower wages. In other words, low wages in one country in a particular industry are not sufficient to determine which country industry would perish under free trade. From the perspective of a developed country,

freer trade may not result in a domestic industry's decline just because foreign firms pay their workers lower wages.

The movement to free trade generates an improvement in welfare in both countries, individually and nationally. Specialisation and trade will increase the set of consumption possibilities, compared with autarky, and will make possible an increase in the consumption of both goods, nationally. These aggregate gains are often described as improvements in production and consumption efficiency. Free trade raises the aggregate world production efficiency because more of both goods are likely to be produced with the same number of workers. Free trade also improves the aggregate consumption efficiency, which implies that consumers have a more pleasing set of choices and prices available to them. Real wages and incomes of individual workers are also shown to rise in both countries. Thus, every worker can consume more of both goods in free trade compared with autarky. In short, everybody benefits from free trade in both countries.

Implications of theory for trade in developing countries

The theory was drawn on the assumption that those who understand the theory of comparative advantage would convince themselves that its ability to describe the real world is extremely limited, if not non-existent, especially in developing nations. The assumptions are easily challenged as unrealistic. For example, the model compares only two countries producing two goods using just one factor of production. There is no capital or land or other resources needed for production. The

real world, on the other hand, consists of many countries producing many goods using many factors of production. In the model, each market is assumed to be perfectly competitive, when in reality there are many industries in which firms have market power. Labour productivity is assumed to be fixed, when in actuality, it changes over time, perhaps based on past production levels. Full employment is assumed when clearly workers cannot immediately and costlessly move to other industries.

Also, all workers are assumed to be identical. This means that when a worker is moved from one industry to another, he or she is immediately as productive as every worker who was previously employed there. Finally, the model assumes that technology differences are the only differences that exist among the countries. Todaro *et al* (1997: 439) argued that the theory leads to conclusions which are not very relevant in many developing nations. The theory explains the relationship of production functions with trade, in a free trade economy, however, other factors such as the impact of supporting infrastructure on trade and trade policies, is not captured.

Neo-Classical Theories

The traditional theory of trade was modified by Eli Hecksher and Bertil Ohlin to take into account different factor supplies (land, labour, capital) on international specialization. This came to be known as the factor endowment trade theory. The model builds on David Ricardo's theory of comparative advantage by predicting patterns of commerce and production based on the factor endowments of a trading

region. The model essentially says that countries will export products that utilise their abundant factor(s) of production and import products that utilise their countries' scarce factor(s). Thus, the basis for trade in the Hechscher-Ohlin Model is differences in resource endowments and also known by the generic version "Factor Proportions Model".

The model assumes no difference in relative labour productivity by postulating that all countries have the same technological possibilities for all commodities. It also assumes a strong factor intensity and identical tastes and preferences in addition to the classical assumptions of constant returns to scale, a state of perfect competition, perfect factor mobility, free trade and zero transport costs (Appleyard & Field, 2001: 125).

The relative endowments of the factors of production (land, labour and capital) determine a country's comparative advantage. Countries have comparative advantages in those goods for which the required factors of production are relatively abundant locally. This is because the prices of goods are ultimately determined by the prices of their inputs. Goods that require inputs that are locally abundant will be cheaper to produce than those goods that require inputs that are locally scarce. Thus, the theory argues that capital abundant countries will tend to specialize in capital intensive products and countries with cheap labour specialise in commodities that make abundant use of labour, since they have relative cost advantages.

Implications for trade in developing countries

The factor endowment trade theory enables us to describe analytically the impact of economic growth on trade patterns and the impact of trade on the structure of national economies and on the differential returns or payments on various factors of production.

However, in practice developed nations are experiencing massive production of capital intensive goods both for their local and export markets and still remain with excess financial resources (revealed by their budgets). Instead of allocating the abundant capital resources to manufactured goods, as is assumed by the theory, they are subsidizing the production of goods in which they do not have a comparative cost advantage, such as agriculture, thereby disadvantaging the developing nations who mostly rely on agriculture. In this case, survival in agricultural markets depends less on comparative advantage than on comparative access to subsidies.

The model has been extended since the 1930s. However these developments did not change the fundamental role of variable factor proportions in driving international trade. The developments added to the model various real-world considerations (such as tariffs) in the hope of increasing the model's predictive power, or as a mathematical way of discussing macroeconomic policy options.

Notable contributions to trade models came from Paul Samuelson, Ronald Jones,

and Jaroslav Vanek. As a result, variations on the model are sometimes called the Hechscher-Ohli-Samuelson model or the Hechscher-Ohlin-Vanek model in the modern synthesis. The results have been the formulation of certain named conclusions arising from the assumptions inherent in the model.

Critique of the model (neo-classical theory)

Some criticisms of the Traditional Free-Trade Theory in the context of the Third World experience are derived from assumptions of the model that are often contrary to the reality of contemporary international relations. In that view, Todaro (1997: 441) departed from the neoclassical factor endowment theory, and argued that the theory applies only to basic factors such as undeveloped physical resources and unskilled labour, but does not apply to advanced factors such as skilled workers, research institutions and industrial associations.

The neoclassical theory also makes the prediction that real wage rates and capital costs will gradually lean toward equalization, assuming constant opportunity costs of production and full employment levels at all times. Under such a concept, trade tends to promote more equality in domestic income distribution. In that context, it is assumed that increasing the production capability of nations stimulate trade, sustainable economic growth and the development of an industrial base. However, in the real world, nations are formulating national protection policies and non competitive pricing policies. Hence the role of governments has been ignored in this model (Todaro, 1997: 439).

Some of these criticisms form the basis of other, non neoclassical theories of trade and development, technology based theories that emphasise that comparative advantage is not static. The next subsection discusses technology based trade theories.

Modern/ Technology based Trade Theories

Modern and or technology based theories focus specifically on trade relations between countries with different levels of technological development. The theories highlight the effects of dynamic changes in technology (arising through product cycle development) as basis for trade. According to this view, as the new product is developed, traded and imitated, comparative advantage in trade shifts from the initial innovating to the imitating country. Hence there is dynamism in comparative advantage in trade.

Some dynamic gains from trade may take the form of opportunities for firms to benefit from economies of scale through access to markets larger than the domestic ones. Improvements in efficiency of firms' performance may arise due to cost cut measures to survive competition in the international economy, improvement in products, production processes, knowledge and managerial systems resulting from international exposure. Increase in exports and improved imported technologies benefits will permit a pushing out of the production – possibility curve (PPC) (Clunies-Ross *et al*, 2009:220).

The favourable effects resulting from expanding trade under globalisation will have important pro-development consequences. It is likely that improvements in productivity made possible by the combination of the static and multi-faceted “dynamic gains” from trade liberalisation will result in accelerated growth, higher standards of living, reductions in the incidence of poverty, and improvements in income distribution (Clunies-Ross *et al*, 2009:220).

The theories assert that the world is characterized by changes in technology, factors of production are neither fixed in quantity nor in quality, capital accumulation and resource development do not take place all the time. Trade has always been and will continue to be one of the main determinants of the unequal growth of crucial productive resources in different nations. Subsequently relative factor endowment and comparative costs are not given but are in a state of constant change. The theory of trade goes further to argue that comparative costs are often determined by, rather than being the determinants of the nature of specialization. It is conceived that an initial state of unequal resource endowment will tend to be reinforced and exacerbated by trade.

The technology of production is fixed, according to the classical model and is similarly and freely available to all nations according to the factor endowment model. However, it has been pointed out by Appleyard and Field (2001: 159), that one of the most obvious examples of the impact of the developed countries’ technological

change on third world export earnings is the development of synthetic substitutes for many traditional primary products. The market share of natural products fell as the diverse quantities of synthetic substitutes increased.

Synthetic substitutes are commodities that are artificially produced but of like nature with and substitutes for the natural commodities; for example, those involving rubber, cotton and wool. Producers of raw materials, mainly LDCs are becoming more and more vulnerable to competition from synthetics from industrialised countries. Thus, technological substitution, together with the low income and price elasticity of demand for primary products and the rise of agricultural protection in the markets of developed nations, goes a long way in explaining why uncritical adherence to the theoretical dictates of a static comparative advantage can be a risky and often unrewarding venture for many developing countries.

The other modern trade model is the North South Trade Model which argues that higher initial endowments of capital in the industrialised north generate external economies in manufacturing output and higher profit rates. This in combination with the rise in monopoly power stimulates higher Northern growth rates, through further capital accumulation. As a result the rapidly growing North develops a cumulative competitive advantage over the slower-growing South (Todaro, 1997: 441).

While the traditional models are assumed to apply to all nations, the North-South trade model is closer to reality in that they focus on trade relations between rich and

poor nations. Trade relations in most developing countries are partly explained by this model. However, the model is silent on national and international policies, which are claimed to contribute to the growth of informal trade. The thrust of the North-South trade model is that the dependency on primary products, which brought about underdevelopment, resulted in the emergence of informal structures, including ICBT.

The traditional theory of trade (factor endowment theory) assumed free trade among nations. Rather than free trade, in practice, there are restrictions in trade arising in the form of tariffs, quotas and/or non-tariff barriers. When governments pursue restrictive economic policies designed to deal with purely domestic issues such as inflation or unemployment, these policies can have profound negative effects on other economies, especially the economies of poor nations. Regional integration or trading blocks were also formed by groups of countries in an attempt to minimise the adverse effects of trade restrictions (Todaro, 1997: 442).

Kinds of politically and institutionally generated structural rigidities include; product supply inelasticities, a lack of intermediate products, fragmented money markets, limited foreign exchange, government licensing, import controls, poor transport and distribution facilities, and scarcities of managerial and skilled labour. These structural rigidities often inhibit developing countries' ability to respond in the smooth and frictionless way of the neoclassical trade model to changing international price signals (Todaro, 1997: 443).

Thus, the criticism was that, trade theories neglect the crucial role that national governments can and do play in the international economic arena. Governments often serve to reinforce the unequal distribution of resources and gains from trade resulting from differences in size and economic growth (Todaro, 1997: 444). Traditional trade theory makes no mention of these powerful governmental forces. Its prescriptions are therefore, greatly weakened by this neglect. In addition to all these weaknesses, the theory explains only the formal and has not explained the aspect of the informal.

3.3.2 Alternative Theoretical Arguments explaining ICBT and Poverty Reduction

Arguments on ICBT's theoretical position

The concept of the informal sector cannot stand on its own theoretically as an economic category or concept; it depends on the existence of that which is formal (Mhone, 1996: 21). In this regard, the concept of ICBT is related or drawn from the concept of international trade. However, the theory of international trade has failed to explain/incorporate the aspect of ICBT. This is mainly because ICBT is an informal activity and the theory of International trade explains formal activities. Various arguments encountered in the literature explain that this informal activity emerged from developing countries' fallout from the modern world economic systems, or failure of developing world economies to catch up with the modern world economic systems.

Neo-liberal Economic Reforms Argument

One of the arguments which attempt to explain the emergence of ICBTs is the Neo-liberal Economic Reforms Argument. This argument is based on mainstream development economics and observes that growth in trade is based on the comparative advantage of exporting countries coupled with an open and multilateral trading system. National economies oriented toward integration into the world economy will be more successful in achieving growth in trade and in their overall economic performance. The understanding is that, given reasonable growth rates in industrialised countries and lower barriers to developing countries' exports, there is no good reason why developing countries' participation in world trade should not flourish.

The neo-liberals further identify, the problem as that of governments of developing countries having shackled their economies with restrictions that have limited the inclusion of Africa into the world economy (Agnew & Grant, 1996: 730). In many especially poor countries, a heavy burden of taxes, bribes, and bureaucratic hassles drive many producers into the informal sector (Azuma & Grossman, 2002: 19). Based on that understanding, national policies have contributed to the emergence of cross border trading as a survival strategy in reducing poverty.

Neo-liberal policy makers saw parallel economies (formal versus informal) as a by-product of market distortions, and claimed that the informal economy would be reabsorbed into the formal economy when distortions were removed by liberalisation

and exposure to global market forces. The argument was that, under the influence of structural adjustment and globalisation, informal cross border trading would be reabsorbed into the formal trading regimes.

However, contrary to the neo-liberal proposition, Todaro (1997: 42-43) attribute the existence of a large informal sector to the fact that the state cannot adjust the amounts of unobservable components of productive endowments. Thus some formal entities end up sourcing raw materials from informal suppliers, promoting the informal sector, for example cross border traders sourcing inputs externally. This proposition is based on the critique which refuted the assumption by the traditional theory of trade. The critique refuted the assumption by the traditional theory of trade that nations are readily able to adjust their economic structures to the changing dictates of world prices and markets. They highlighted that production structures in developing nations are rigid, implying that informal trading does not arise because of market distortions brought about by policies but by the rigidity of the economic structure.

Lack of Growth Model

According to Todaro (1997: 76), Informal Cross Border Trading is also explained by the Lack of Growth Model which derives its explanation from Lewis' two-sector model of development. Arthur Lewis formulated the two-sector model of development in the mid-1950s and the model was later modified, formalised, and extended by Fei and Gustav in 2004 (Todaro, 1997: 76).

The two-sector model looks at development from the agrarian point of view, where there was surplus labour in the agricultural sector. This unlimited supply of labour in the agricultural sector was expected to be absorbed by the industrial sector in the urban areas. As a result in the Lewis model, the underdeveloped economy consists of two sectors. On one hand a traditional, overpopulated rural subsistence sector characterised by zero marginal labour productivity. The situation permits Lewis to classify this as surplus labour in the sense that it can be withdrawn from the agricultural sector without any loss of output. On the other hand, a high productivity modern urban industrial sector exists, into which labour from the subsistence sector is gradually transferred (Todaro, 1997: 76).

The existence of these two sectors in a national economy was perceived to bring about economic development because the industrial sector would absorb the unlimited labour supply from the rural areas. This process of modern-sector self sustaining growth and employment expansion is assumed to continue until all surplus rural labour is absorbed in the urban industrial sector. Thereafter, additional workers can be withdrawn from the agricultural sector only at the higher cost of lost food production because the declining labour-to-land ratio means the marginal product of rural labour is no longer zero. The structural transformation of the economy will have taken place, with the balance of economic activity shifting from traditional rural agriculture to modern urban industry (Todaro, 1997: 76). Conversely high population growth rates, mechanisation and slow employment growth, produced what was later recognised as the informal sector, composed of a myriad of small,

unofficial establishments, from street vendors to mechanics, metal fabrication and wood work, to local beer breweries, as survival in the urban economy demanded innovation. Surplus rural migrant workers not taken up by the formal sector are absorbed into the informal sector economy and live in shantytowns (Lewis *et al*, 1954, quoted in Todaro, 1997: 78).

Lewis *et al* (1954), further explain that the existence of such informal sector as result of a lack of growth in the urban industrial sector is accompanied by the challenge of slums. Thus, the informal sector grows because the formal sector cannot absorb the expanding workforce. This was also supported in the United Nations Report on human settlements. According to the UN (2003):

“The growth of the global labour force due to increasing rates of population growth has imposed enormous strains on human settings, especially on employment and housing. Except in regulated societies such as the highly industrialised countries, in developing countries the formal sector fails to meet such demands. Small enterprises merge into what is known as the “informal sector” of unregistered enterprises and people struggling to eke a living through informal transactions”.

The model depicts a two-sector world, with only two factors at play, landlords and workers, and wages set in a bargaining context. Lewis, like Smith, saw the relatively small non-agricultural commercialized sector as potentially dynamic and expanding, but he was much more optimistic about the ability of the economy to mobilize the hidden rural savings in a static context as well as via a productivity change in agriculture. Landlords were seen as a saving class as well as potential commercial

and industrial entrepreneurs. Non agricultural growth is seen as vigorous and sustained and not, as in the classical system, a temporary deviation from basic agricultural pursuits (Todaro, 1997: 79).

Lewis focused more on organizational dualism and much less explicitly on product dualism. Neither Lewis nor the classical school concerned themselves in detail with the analysis of inter-sectoral relations or inter-sectoral terms of trade. Lewis' main focus was on the reallocation of labour until the turning point is reached, i.e the time when labour reallocation has outstripped population growth long enough for dualism to waste away and the economy to become fully commercialized. The fact that the terms of trade are a crucial determinant of inter-sectoral labour, finance, as well as commodity market clearance is not something he concerned himself with very much.

On the other hand, Lewis really moved beyond the classical school in a number of important dimensions. Firstly, he was interested in transitional growth from a dualistic to a one-sector, modern economic growth world, from organizational dualism to organizational homogeneity, i.e. he saw the development problem as focusing on a change in the basic rules of operation of an economic system. Secondly, he believed in the power of technology operating in both sectors, although he did not explicitly model it (Gustav, 2004).

3.4 Empirical Review: The role and impact of ICBT on poverty

There has been a lack of adequate and comprehensive information on the role of ICBT in economic activity and its potential in reducing poverty. However, this section tries to review the literature on Informal cross border trade as practised in some developing countries. Evidence from the literature on ICBT reviewed, was from experiences in some developing countries outside the region which include Europe, Asia and West Africa, and experiences in the SADC region.

3.4.1 ICBT in Europe, Asia and West Africa: Evidence from the Literature

The Poland Small Business Project of the Growth and Equity Through Micro enterprise Investments and Institutions (Metcalf *et al*, 1992) commissioned a study on the impact of cross-border trade on, new market development, employment generation and on providing a way to enter a more serious and formal market between Poland and the former Soviet Republics. The study was a component of Poland's national assessment of the role and impact of the small business sector on the economic restructuring process of Poland.

The method used was an unstructured in-depth interview of informal traders and local officials using a questionnaire. The results of the study revealed that political, economic and financial instability in neighbouring countries (in this case the Soviet Republics) as well as economic reforms (in Poland) provided opportunities for informal trading.

Impact of ICBT on Employment and Household Income in Poland

The results of the GEMINI study in Poland (Metcalf *et al*, 1992: 2-3) indicated that during the period, in the Polish economy, the potential of this trade as a way of expanding into more serious business, declined. Due to the decrease in profitability, the role of cross border trading in reducing unemployment was diminishing. Though trade satisfied immediate consumption needs, it was seen only as a reaction to a depressed labour market. The traders considered ICBT occupation as a way of supplementing unemployment benefits or saving up some money for consumption expenditures.

The study found that the possibility of accumulating capital for investment in one's own business was almost nil. However, a study by Bracking & Sachikonye (2006:36-39), established that cross border trading may contribute to the productive accumulation and acquisition of assets which can promote economic development. These differences in the roles of ICBT may bring in the issue of levels of development of the trading countries, in that, the causes and the size of impact of informal cross border trading are different, between countries of different levels of development.

Impact of ICBT on Economic Growth in Poland and some regions other than SADC

Results of the study in Poland also indicated that during the ICBT involvement period, in the Polish economy, the potential of ICBT trade to contribute to the growth

of the economy was not realised. The possibility of accumulating capital for investment in one's own business was minimal due to the decrease in levels of profitability driven by political and economic instability. The study found that other forms of entrepreneurship arising from petty trade were established across the border, and local production had not been stimulated by cross-border trade (Metcalf, 1992: 5). The same study also concluded that it is difficult to design a government policy to promote and regulate informal cross-border trade because many factors determining its development are beyond the control of any authorities. This conclusion was supported by Ntseane (2000: 1) in a study done in the SADC region. The findings of that study showed that the majority of businesses in this trade never grow.

In West Africa, changes that took place during the post-independence periods in the 1960s were central to the expansion of cross border trade in West Africa (Meagher, 2003: 57). The first involved the de-linking of many of the former British West African colonies from the Sterling Zone between the late 1960s and mid-1970s, while the Francophone states remained integrated to the semi-convertible Franc Zone. The second was the adoption in the tiny states of Benin, Togo and Gambia, of economic development strategies based on liberal import regimes and the transiting of goods to their more protectionist neighbours (Meagher, 1997, quoted in Meagher, 2003: 59). Structural adjustment was introduced in the 1980s aimed at redressing the resulting imbalances and eliminating incentives for cross border trade; however, they only ushered in a new phase in the development of cross border trade.

In the early 1980s, when cross border trade reached crisis proportions in many African economies, it was characterised as the product of price distortions, which led to the depletion of foreign exchange earning capacity into neighbouring countries. This constituted a justification for dramatic market reforms (World Bank, 1981, quoted in Meagher, 2003: 57). By the end of the 1980s popular resistance to structural adjustment reforms instigated a search for local constituencies supportive of liberalisation. The process ideologically transformed cross border trade from a product of price distortion into an activity rooted in pre-colonial economic organisation. Cross border trade was consequently affirmed as an activity that: increases competition, supplies products across borders, provides opportunities for employment in neighbouring countries, and encourages entrepreneurial activities, and Cross Border Trading activities were also cast as a form of popular resistance to the failures of the state (World Bank, 1989, quoted in Meagher, 2003: 58).

From the late 1990s, the ideological tide seemed to have turned against cross border trade once more. There was increasing frustration with the tendency of cross border operators to exploit the differential implementation of structural adjustment reforms among West African countries, accompanied by growing concern with the rising tide in many African States of corruption, violent conflict, the plunder of natural resources and involvement in the trafficking of drugs, arms and conflict diamonds (World Bank Report, 1997, quoted in Meagher 2003: 58). This focused attention on the other side of cross border trade, and raised questions about its capacity to nurture productive investment and competitive market behaviour within the context of increasingly deregulated and privatised economies.

Meagher (2003: 59) analysed how the West African experience of economic restructuring has led to an expansion and deepening of unofficial trade, as well as globalisation of its activities. The analysis traces the contemporary evolution of cross border trade. The conclusion reached was that, while cross border trading structures represent important institutional resources for economic development, they are structurally incapable of integrating West Africa into the global economy in the absence of an appropriate regulatory framework. According to Meagher's findings, cross border trade contributed to decreased agricultural and industrial output.

While the economic structural adjustment implemented, was seen as an ultimate weapon against the extensive informal cross border trading systems, these structures have not disappeared, but have been restructured and globalised. Thus, the overall effect of structural adjustment and globalisation in West Africa has been a significant expansion of cross border trade. Meagher (2003: 57) argued that, this expansion has taken place in the context of a dramatic transformation of the trade, involving shifts in the direction and composition of trade flows, as well as far reaching changes in the organisation of parallel trading networks, and in the role of parallel currency markets. This view supports the Neo-liberal Economic Reforms Argument for cross border trading.

Although this study identified cross border trading structures as representing important institutional resources for economic development, it did not establish the

role and impact of ICBT on poverty reduction. The study established that rising unemployment and decreasing real incomes had encouraged increased participation in cross border activities as a means of income generation.

3.4.2 ICBT in the Southern Africa Development Community: Evidence from literature

In the SADC, activities of people involved in informal cross-border trade appear to have been overlooked, despite the fact that national and regional policy initiatives, particularly the SADC Free Trade Protocol, portray regional trade as an important way of promoting growth and reducing poverty (Peberdy, 2004). Action Aid's Southern African Partnership Programme estimated that 40% of the SADC's 200 million people live in poverty. The regional growth in 2002 was 3.2%, which fell short of the 7% required to halve the level of poverty by 2015. According to the World Bank Report (2005), the SADC region is getting poorer, with more than 70% of its people relying on subsistence agriculture.

According to Mandaza (2002: 78), the SADC economies tend to engage in "self-defeating intra-regional competition for investment, aid and trade" and fail to collectively respond to globalisation. The result is that the SADC is "increasingly forced into unequal, exploitative and vertical integration in the world economy". The resultant effect is increased marginalisation and increased vulnerability to fluctuations in the world economy (Mandaza, 2002: 78). Consequently SADC states are weakened in their capacities to address poverty. The SADC Human

Development Report (2000: 105) stated that approximately one-third of the population in the region lived in poverty and about 30-40% people were unemployed or underemployed in the formal sector, resulting in the expansion of the informal sector.

Peberdy (2004, quoted in Sapa-IPS) emphasised that Africa may be overlooking a large proportion of their trade by ignoring informal workers. She estimated that informal trade contributes between 30% and 40% of SADC Trade. Seatini, a Harare-based organisation that campaigns for fair global trade, pointed out that about 50% of overall trade in rural Sub Saharan Africa is run by informal traders. Research suggests that the informal sector cross-border trade comprises a significant proportion of regional cross-border trade (Ackello-Oguto, 1996; Minde & Nakhumwa, 1997; & Macano, 1998).

Tekere *et al* (2000: 25), in a case study of the Beitbridge and Chirundu border posts which border Zimbabwe and South Africa and Zambia respectively, and selected households in Chitungwiza suburbs (in a high density residential area near Harare), based on household informal cross-border traders, concluded that effective cross-border trade requires an appropriate legal and regulatory framework in which conditions for border crossing would be favourable to traders.

Impact of ICBT on Employment and Household Income in SADC region

Muzvidziwa (2005: 31) also reiterated that “informal cross border trade is not only a

source of livelihood; it is also a source of employment, making up for the shortfall as a result of the reduction in formal employment under Structural Adjustment Programmes (SAPs). As a result, informal cross border trade plays a key role in poverty alleviation, complementing objectives sought under regional integration. For many of the economic poor, informal cross border trade has become a means of survival, a source of income and employment.

Bracking and Sachikonye (2006) explored the extent to which migrant remittances transfers affect poverty with particular reference to the medium of the informal economy. A household survey method was employed to provide data and 300 households were questioned from a number of suburbs of Bulawayo and Harare. The study established that, household receipt of remittances does reduce poverty. Some evidence that remittances accomplished more for some households than mere reduction of poverty was found. They contribute to productive accumulation and the acquisition of consumption assets (Bracking & Sachikonye, 2006: 36-39). The research revealed that a complex web of money and goods transactions within the informal sector supports the Zimbabwean economy in an unrecorded myriad of ways, thus mitigating the economic crisis of the late 1990s to some degree. However, the study could not establish the issue of sustainability of this support.

Tekere *et al* (2002), in their study on informal cross-border trade between Zimbabwe on one hand and South Africa and Zambia on the other, concluded that ICBT provides an opportunity for a large number of unemployed people to earn an income considerably higher than the minimum salary in the formal sector. It also concluded

that, by engaging in ICBT, people who otherwise have no jobs become gainfully employed and in turn a chain of other service providers such as transport and commuter operators get jobs where otherwise these operators would be unemployed. The study also established that some families depend on ICBT source of income even for school fees and other expenses, and that cross-border trading contributes positively to the empowerment of women and food security. This was supported by Bracking & Sachikonye (2006), Mwaniki (1998), Muzvidziwa (1998) & Meagher (2003). However, Tekere *et al* study might have been limited, since it merely concentrated on household traders who use commuter buses. Informal traders use other means of transport including small couriers (using small cars/pick-ups and wagons).

Mwaniki (1998: 1) supported the view that several people in the region were shifting to the informal sector where they hope to earn a living and among such groups are the cross border traders who travel frequently to neighbouring countries to sell their products and return home with more goods for resale and some foreign currency. Mwaniki (1998: 42) also noted that all the cross border traders interviewed managed to raise incomes that took their households out of poverty, as the incomes accruing to them were above the prevailing official poverty threshold.

Impact of ICBT on Economic Growth in the SADC region

Ntseane (2000) analysed a sample of 13 successful businesswomen who were selected and interviewed in 1999. The study described the situation of male

dominance over women and children within the family, and the extension of this male dominance into all other aspects of social life such as in government, the military, education, health and business. Similarly, the social responsibility of women as caretakers (mothers and wives) in a patriarchal society, coupled with legislation that perceives them as minors, restricted the movement of all participants at the initial stages of their businesses. The study focused on a small sample of successful cross border women, who might not be a true representation of all cross border traders. The conclusion from this study was that the majority of businesses in this trade never grow. The businesses either fail completely or remain at the initial stages of development. However, this study related failure of women's businesses to patriarchal structures, colonial experiences, and the international division of labour.

Mwaniki (1998: 3) noted that informal contacts strengthen regional integration networks and relationships, and also noted that informal cross border trade contributes immensely to the process of regional integration. The study concluded that regional integration processes demand participation of all sectors of the economy including the informal sectors. However, the SADC member countries agreed to remove all forms of trade barriers (TBs) and non tariff barriers (NTBs) as a process towards integration. The Protocol was designed to be consistent with regional trade arrangements (RTAs), stipulated in the open global economy procedures of the World Trade Organisation (WTO). Such a uniform policy for all member countries may not be appropriate in a region of different sizes and different levels of development like the SADC.

Impact of ICBT on Social Relations in the SADC region

Tekere *et al* (2000: 22) noted that, despite the economic benefits brought about by ICBT, for example, alleviating poverty, there is some evidence that ICBT contributes to the high divorce rate and the single parent families largely headed by women. However, this study did not go further to establish whether, or to what extent relations are being indirectly amended through possible positive attributes of ICBT. The positive attributes being considered are employment and job creation, bringing about affordability and thereby, social rest.

On the other hand, Mupedziswa & Gumbo (2001:74-81) noted that relations with parents and relatives were strengthened since the traders were remitting some of their proceeds as assistance, and their spouses were not against cross border trade, though they could not support them with start up capital.

In a study looking at ICBT from a gender perspective, Gaidzanwa (1997, quoted in Tekere *et al*, 2000: 4) argues that the assumptions made about ICBT cannot be isolated from the gender views of the social world. Her study revealed the public discourses around female cross-border traders and its impact and concluded that women are so creative in trading that formal traders could learn from their operations.

Impact of ICBT on Food Security in the SADC region

Policy restrictions in the region have hampered smooth food flows necessary for food security. An assessment by the United Nations World Food Programme (2004) revealed that trade barriers between Zimbabwe and her neighbours were the major constraint to informal food trade. Zimbabwe appears to have been relying on an official maize import programme, executed through the Grain Marketing Board (GMB), which has the monopoly on grain trade to cover deficits. The rising retail maize prices in Zimbabwe in 2004 implied that the official import programme became slower than anticipated, such that if restrictions were relaxed, Zimbabwe could tap some surplus from neighbouring countries through informal cross border trade. Although informal cross border trade has been shown to mitigate food supply gaps, by informally trading in food products, it was observed that such trade was mostly in sugar, cooking oil, wheat flour and less on maize.

3.5 An Assessment of the Literature

With regard to theoretical and conceptual issues, the previous section has explained how the formal trade theory fails to explain the concept of ICBT, possibly since the theory is concerned with formal activities. Despite failing to explain the informal, the formal Trade Theories in the context of Third World experience are derived from assumptions of the model that are often contrary to the reality of contemporary international relations; therefore, even fall short of explaining third world formal sector experiences.

Some of these criticisms of the formal traditional theory form the basis of other, non neoclassical theories of trade and development, which capture the informal sector. A good example is the neo-liberal economic reform which argues that policy interventions bring about informal trading and corrective policy intervention can remove them. However, Meagher (2003) found that, in West Africa, economic structural adjustment which was seen as an ultimate weapon against the extensive informal cross border trading systems failed. The cross border trading structures had not disappeared, but had been restructured and globalised.

Peberdy and Crush (1998) examined the participation of non-South African street traders in regional cross border trade and its implications for customs and immigration policy. The findings of the study contradict or challenge much of the conventional wisdom about the informal sector and the migrants who work in it. The study finds that a system of restrictive regulation has negative consequences for informal cross border traders and that the issuing of single entry visas increases the work-load of the issuing officers as traders have to constantly re-apply, resulting in high costs to both government and traders. It also established that the ambiguous visa status of traders and complex schedules present opportunities for corrupt Home Affairs and Customs and Excise officials as well as the police. The finding thus supports the Neo-Liberal Economic Reforms Argument discussed in the previous section.

On the other hand, though Lewis' lack of growth may explain situations in some developing countries, in some countries and regions such as in the Southern Africa

region, the influx in the supply of labour has mainly been due to de-industrialisation or shrinking of an existing industrial base rather than an influx of labour migrating from rural areas. When workers get retrenched, the rising level of unemployment pushes people into engaging in informal sector activities.

The methods used in most of the research on ICBT done in Africa, relied mainly on survey data and secondary data to augment the surveys. Primary data would be collected and quantitative approaches in analysing the data used. However, in most studies samples were too small to correctly represent the population, thus secondary data are used to augment findings (Tekere *et al*, 2000:7). In some studies quantitative data are found to be inaccurate, unreliable or inadequate when survey samples are small. Studies by Muzvidziwa (1998), Chipeta (2000), Chari (2004), and Sachikonye (2006), were mainly based on small survey samples and had to be augmented by secondary data.

In order to circumvent the problem of relying on secondary data (which may have been collected for different purposes), this study dwells on a relatively much bigger survey sample, large enough to correctly represent the population. For instance, the Metcalfe *et al* (1992) study was more quantitative than qualitative since an extensive survey was done on a bigger sample. Such surveys produce comprehensive results which may not need to be supplemented by qualitative data.

3.6 Conclusion

Informal cross border trade has received mixed views in the literature. One view is that ICBT is socially and economically undesirable. In this regard ICBTs has the potential to undermine established industries as they distort price incentives to producers. ICBT has also been viewed as having the potential to undermine the efficiency and returns of intra -regional trade.

On the other hand, ICBT has been considered as having the potential to push back the frontiers of poverty. Households are managing to support their families using ICBT incomes and poor families are increasingly escaping poverty. The next chapter covers the research methodology of this study.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction

This research uses a survey methodology. It is a case study which seeks to establish the impact of ICBT on poverty reduction. In this survey, in-depth interviews form the basic instruments of collecting data. The research is co-relational in that it seeks to determine if there is a relationship between variables. The poverty reduction indicators are the ICBT's achievements in terms of acquiring assets, food provision/ food security and expenditure patterns. The non material measure or the social dimensions of poverty reduction indicators are also included in the study. These include ICBT's impact on family relations.

The data collected help explain how the informal cross-border trade system works; the people involved, how they operate, the nature of the business conducted, incomes earned and obstacles encountered. Variables of analysis include incomes generated from activities, the frequency of trips to South Africa or Botswana, time spent in South Africa or Botswana, assets acquired over the trading period and the ability to afford services such as education, health, rentals and water and sanitation. On goods traded, the variables of analysis include types and values of goods traded. The variables of analysis on ICBT's activities include ICBT employment status and profitability levels of the ICBT business.

Non material measures or the social dimensions of poverty reduction are captured

through variables such as ICBT perceptions with regard to family relations, government policy and ICBT perceptions of their wellbeing.

4.2 Survey Method

The study uses the survey method in which in-depth personal interviews were conducted. Interviews were conducted making use of a questionnaire. The field work for this study took place during the period 29th September 2008 – 31st January 2009. The period was chosen so as to observe ICBT movements and activities in three phases, the pre-peak period (September – October), the peak period (November – December) and the post-peak period (January). November to December falls under the peak period of ICBT activities as people would be preparing for the Christmas festive season.

The survey focused on men and women who visit South Africa and Botswana as their countries of destination, and excluded those who go to Mozambique and Zambia, which are also Zimbabwe's neighbouring countries. The survey excluded traders who go to Mozambique and Zambia so as to scale down the scope of the study to manageable levels within the set time frame. This was also done since previous studies had established that traders who visit South Africa or Botswana are usually the same ones who also visit other neighbouring countries (Mozambique or Zambia). A study by Muzvidziwa (1998: 40) on informal cross border trade in Masvingo – Zimbabwe noted that most respondents had developed business networks in the Southern Africa region and beyond. Some respondents in that study

had even travelled as far as Mauritius. The traders were either in Zimbabwe, the country of origin, or in South Africa during the time of interview. Only Zimbabwean traders were targeted.

The survey research has been found to be an efficient way of collecting primary data from people who have experienced certain phenomena to reconstruct these phenomena for others. When conducting personal interview, the researcher approaches and asks questions of individuals presumed to have undergone certain experiences and interviews them concerning those experiences. Thus, the survey method is one of the most important data collection methods in the social sciences (Nachmias and Nachmias 1987: 240).

The survey method has been used in most studies of ICBT in Africa. Some examples are Tekere *et al* (2000), Muzvidziwa (1998), Chipeta (2000), Chari (2004), and Sachikonye (2006). Secondary data used is often to augment primary data collected through surveys. However, in most studies, samples were too small to be true representatives of the populations and therefore rendering some quantitative analysis unreliable, for example in the surveys named in this paragraph.

Most studies mentioned in the previous sections used simple random sampling when designing the survey sample. With a random sample every unit of population has a known non-zero probability of selection and is randomly selected. This study focused on a targeted population of Zimbabwean traders. In that view, the study used

purposive random sampling, which is useful for situations where you need to reach a targeted sample. Random purposive sampling is explained in the following subsection.

4.3 Random Purposive Sampling

This study relied on random purposive sampling. This was adopted taking into consideration that the research needed to reach a targeted sample. Random purposive sampling involves taking a random sample of units in the purposefully selected target population. Random purposive sampling is non probability sampling and hence can be subjected to bias and error (Peter in Greenfield, 2002). However, the sampling method is most suitable since a sampling frame for informal traders is not available. Moreover, the population of informal traders is so widely dispersed in Zimbabwe that cluster sampling would not be efficient.

Interviews were conducted on a random but purposive sample in towns and rural business centres of South Africa and Zimbabwe. Traders who go to Botswana were interviewed during their stay in Zimbabwe. Interviews were conducted both in urban and rural sites, and the population sample comprised both rural and urban dwellers.

There are numerous suggestions about the size of a sample. The sample size was as an improvement on previous surveys. For example the studies by Tekere *et al* (2000) and Muzvidziwa (2006) had sample sizes of less than 150 traders. Due to the socio-economic problems which have affected Zimbabwe over the years, the

incidence of ICBT has been rising. However, a sample of 310 traders was found to be a sufficient representative, considering that previous studies were characterised by much smaller samples. Bradburn and Sudman (1978: 95) pointed out that any increase in the sample will increase the precision of the sample results. The size of this sample is bigger than those cited in this study. The sample was comprised of purposefully selected units, thus was a representative of the target population. A sample is said to be representative if an analysis made on its sampling units produces results similar to those that would be obtained had the entire population been analysed.

Interviewers were assisted by the community in identifying people who engage in ICBT activities. Respondents were also identified at bus stations and at borders as they were crossing the borders to engage in ICBT activities. Some were identified at flea markets, shops, and social gatherings like churches. At these points, appointments were made for interviews and follow ups. Appointments allowed the interviews to be done in a relatively relaxed environment.

In South Africa most interviews were conducted at the respondents' places of accommodation, after respondents had retired for the day. Though the place of interview was not necessarily the place of residence, for interviews done in South Africa, information on residential places in country of origin was captured. In Zimbabwe interviews were conducted in the places of residence, ICBT work places (i.e business offices if trader is formally employed), or places of ICBT business activities like at flea markets. The survey instrument used in data collection during

interviews was the questionnaire. The following sub-section elaborates on the design of the questionnaire.

4.4 Design of the Questionnaire

A questionnaire was found to be an essential instrument in collecting data for this study. Webster, (2008) defined a questionnaire as a written or printed form used for gathering information on some subject or subjects, consisting of a set of questions. A questionnaire is also defined as a list of survey questions asked to respondents and designed to extract specific information. Although survey data can be obtained with other methods, the structured questionnaire remains the most common method of obtaining a structured set of survey data (Greenfield *et al*, 2002).

The questionnaire was designed to capture both statistical and non-statistical information on activities of ICBTs. The questions were framed in such a way that information obtained could help understand how the ICBT system works, the people involved, the nature of the businesses conducted, earnings and main obstacles. A subsequent analysis enables the research to evaluate and estimate the impact of activities on poverty reduction, i.e to validate the hypotheses of the study.

Nachmias and Nachmias (1987: 244-260) noted that a questionnaire must be able to translate the research objectives into specific questions, and answers to such questions will provide the data for hypothesis testing. Some authors have gone further to say that questionnaire construction is by no means the first stage in

carrying out a survey. Many weeks of planning, reading, design, and exploratory pilot work is needed before any sort of specification for a questionnaire can be determined (Oppenheim, 1966: 3).

Before starting the data collection exercise, the researcher drafted a questionnaire which was to undergo a process of refinement as discussions with, and inputs from supervisors were being captured. A four page comprehensive questionnaire was constructed that captured various activities of ICBT. In this questionnaire both factual questions⁵ and opinion and attitude questions were crafted. Some deliberate overlap or duplication was incorporated to provide for internal consistency checks.

Factual questions are thought to be easier to design than other types of questions. However Oppenheim (1966: 43) highlighted that they may point to a possibly different frame of reference between the investigator and the respondents. Such a difficulty can be avoided by having a clear definition of concepts. Thus under this study interviewers were also tasked with the duty of clarifying concepts to respondents.

The issue of the length of the questionnaire was also taken into consideration. The length of the questionnaire is presumed to affect the morale of both the interviewer and respondent, and probably also refusal rates (Moser and Kalton, 1979). The

⁵ Factual questions are questions that raise issues concerning matters of fact, rather than theoretical or moral issues, while opinion and attitude questions are questions that are used to obtain statements of attitudes and opinions, (Nachmias and Nachmias, 1987).

presumption may lead to a certainty that the shorter questionnaires are preferred by both the interviewer and respondent. However, the length may not be the best yardstick for a good questionnaire. A short questionnaire may suit the respondent but not the purpose of the enquiry or the interviewer since too short a questionnaire may give little chance to create rapport and secure full cooperation.

The questionnaire was subjected to a pilot survey from 29 September – 12 October 2008. The reasons for conducting a pilot survey included the need to ensure that the language used was clearly understood, to gauge the appropriateness of the length of the questionnaire and to test the reactions of respondents to different questions. Thus, the overall objective of the pilot survey was to pre-test the survey questionnaire for purposes of assessing its ability to bring out the required information and to improve on it before the commencement of the main study. After the pilot study, some double-barrelled⁶ and leading questions⁷ were deemed inappropriate and were subsequently reconstructed to improve the quality of the questionnaire.

The final questionnaire had both close-ended and open-ended questions. Open-ended questions allow the respondents to talk extensively about their experiences and perceptions. Contingency questions⁸ were also included as some questions

⁶ Double barreled questions are questions that lead themselves to different possible response to its subparts.

⁷ Leading questions refer to questions phrased in such a manner that it appears to the respondent that the researcher expects a certain answer.

⁸ Contingency questions are questions that are answered only if the respondent gives a particular response to a previous question.

were relevant to some respondents and irrelevant to others.

The Structure of the Questionnaire

The questionnaire was organised into seven sections (ref Appendix 1). The first section contained personal questions which enabled the researcher to categorise ICBTs activities by independent variables such as gender, age, marital status and level of education. In this section, factual questions were designed with the intention to elicit information on the respondents' background and characteristics. These questions were included in the first section of the questionnaire since they are easy to answer and would motivate the respondent to cooperate. Moreover, open ended questions were not placed in the first section, but were placed later, as they usually require more time and thought and thus may reduce the respondent's initial motivation to cooperate (Nachmias and Nachmias, 1987: 250-260).

The second and third sections included questions that seek information on ICBT activities. The set of questions in these three sections enabled the researcher to establish the nature and extent of ICBT activities in Zimbabwe and its neighbouring countries. The fourth section contained questions on ICBT incomes and assets acquired. The set of questions enabled the researcher to establish the impact of ICBT activities on peoples' livelihoods and poverty. This corresponds to the third and main objective of this thesis.

Sections five and six contained questions on sensitive issues such as perceptions on

family relations, government policy and other characteristics of those practising illegal activities. Thus, they are placed at the end of the questionnaire. This is because if they are placed in the first sections of the questionnaire, in all likelihood they would increase the refusal rate.

Sections five and six also incorporated questions that help reveal the life styles of the traders. Such knowledge enabled the researcher to ascertain the impact of ICBT activities on peoples' life styles. The sixth section also contained questions that helped the researcher understand the policy conditions under which ICBTs operate. Responses in this section facilitate policy recommendations which are the fourth objective of this study.

Section seven which is the last section, also contained threatening questions⁹. Nachmias and Nachmias (1987: 269) noted that there is considerable empirical evidence that threatening questions lead to response bias, that is denial of the behaviour in question. However, the ICBTs were found to relate and interact with one another. For this reason, the questions were crafted in such a way as to solicit information on such behaviours of ICBT activities from respondents about other ICBTs. The questionnaire was administered in a single interview.

⁹ Threatening questions, are, according to Bradburn *et al* (1978), "anxiety-arousing questions about, for example, behaviours that are illegal or contra-normative or about behaviours that, though not socially deviant, are not discussed in public without tension",

4.5 Selection and Training of Data Collectors

The interviewers were first to third year Economics students from the University of Fort Hare in South Africa and the University of Zimbabwe. An additional two Assistants, who are teachers by profession, were also nominated to carry out the survey in Johannesburg since their place of residence (Park Station Flats, Johannesburg) was in a strategic position for linking with ICBTs.

A one day training session was held and seven research assistants, students from the University of Fort Hare participated. Two assistants in Johannesburg and one University of Zimbabwe student were trained in their respective home areas. The training was conducted by the researcher. The training covered the aim and objectives of the study and survey, as well as the research methodology and instruments to be used. The purpose was to ground or to prescribe the approach and requirements carefully for all interviewers. Unless this was done, the different interviewers may apply their own methods of carrying out the survey which may not be desirable to the researcher. It is desirable that the interviewers have a common understanding, of the survey approach, with the researcher. Interviews were conducted at selected places in urban and rural areas, both inside and outside Zimbabwe. The following sub-section gives an outline of geographical survey sites.

4.6 Selection of the Geographical Survey Sites

Zimbabwe shares borders with four countries, Zambia to the north, Mozambique to

the east, South Africa to the south and Botswana to the west. Traders, who cross the Beitbridge border and the Plumtree Border posts, were purposively selected for this study. This was mainly for three reasons. Firstly, historically South Africa has been the major trading partner of Zimbabwe both formally and informally.

Secondly, the size/scope of this study would not allow the researcher to carry out surveys on traders who cross all border posts. Moreover, as noted before, some traders who cross the Beitbridge and Plumtree border posts, cross the Nyamapanda to Mozambique and Chirundu Border post to Zambia as well. Thirdly, South Africa is the most developed country in the region, from which most products such as industrial equipment and intermediate products are sourced by other countries in the region. In Zimbabwe, informal traders were also engaged in sourcing raw materials for registered manufacturing companies. Anecdotal evidence also shows that South Africa accounts for the majority of ICBT activities.

Seven provinces in Zimbabwe and two provinces in South Africa, as shown in Table 4.1, were deliberately chosen as survey sites. This was decided on, taking into consideration the coverage of the geographical areas of business operation by ICBTs who cross the Beitbridge and Plumtree border posts. The Gauteng province in South Africa was chosen as a major area of ICBT activities, since arrivals from the country of origin (Zimbabwe) and departures from the country of destination (South Africa) of the ICBTs usually takes place in Johannesburg. The Eastern Cape Province in South Africa was chosen as one with coastal towns where trade on tourists' items such as souvenirs and curios takes place.

Table 4.1: Geographical sites where interviews were conducted

Country	Province	No of Questionnaires administered
South Africa	Gauteng	85
	Eastern Cape	64
Zimbabwe	Bulawayo & Midlands	25
	Matabeleland North	23
	Mashonaland East	13
	Harare	47
	Manicaland & Masvingo	53
Total		310

Source: ICBT Survey Data, October 2008 – January 2009

As for the Zimbabwean side, interviews were conducted in seven provinces, out of the ten provinces of the country. In some studies mentioned in the literature for example Tekere (2000) and Muzvidziwa (1998), surveys were conducted in only one city of a province. In this study, surveys were conducted in rural and urban areas in seven provinces. Seven provinces were chosen so that the sample would represent the different groups of people in ICBT, considering that ICBT is being practised in the whole country. Figure 4.1 shows the provinces of Zimbabwe numbered.

Figure 4.1: Map of Zimbabwe with the Provinces numbered.



Map Key	Province	Capital
1	Bulawayo	City
2	Harare	City
3	Manicaland	Mutare
4	Mashonaland Central	Bindura
5	Mashonaland East	Marondera
6	Mashonaland West	Chinhoyi
7	Masvingo	Masvingo
8	Matabeleland North	Lupane
9	Matabeleland South	Gwanda
10	Midlands	Gweru

4.7. Interviewing Procedure

Research Assistants (RA) were issued with letters of introduction which clarified who they were and the purpose of the survey. The survey was based on in-depth individual interviews with men and women involved in ICBT activities. The method was selected because it was necessary to get first hand information and experiences of respondents. Though questionnaires were written in English and answers were filled in English, interviews were held in either English or the local languages, whichever the respondent was comfortable with. With every respondent interviewed, the research objectives and questionnaire were first discussed and explained. Permission to go ahead with the interview was then sought from the interviewee. When granted permission the researcher would commence the interviews. In most cases the respondents were willing to be interviewed.

The research assistants/ interviewers helped by simplifying the questions to respondents. At times respondents would disrupt interviews to attend to other issues thereby prolonging the interview time. However, this was also found to be helpful as it would give the interviewer time to reflect on both answered and unanswered questions and to prepare for the next step of the interview process. This also gave more insight into the characteristics of the respondents. Although the questions have been numbered and ordered in a logical sequence, they were actually brought up in a different order depending on the course taken by the conversion.

Research assistants conducted face to face interviews and forwarded completed

questionnaires to the researcher for the decoding and standardization of the data. Interviews with respondents were individually conducted, that is in the absence of respondent's family members and friends so as to reduce external influences on the respondent to a minimum. The time for interviews and to complete the questionnaire ranged, in most cases, from forty (40) minutes to one hour.

The interviewing procedure in this survey incurred some identified advantages of personal interviewing. Personal interviewing is considered to be the most accurate form of gathering data in a survey. Its strength includes a face to face encounter with informants and it enables researchers to collect data in a natural setting. Face to face interviewing gives flexibility in the questioning process as it allows the interviewer to determine the wording of the question, to clarify terms that are unclear, to control the order in which the questions are presented and to probe for more detailed information (Hughes, 2002, in Greenfield, 2002). It also enables the interviewer to include people who have difficulties in reading or writing, or those who do not fully understand the language. Personal interviewing enabled large amounts of expansive and contextual data to be obtained.

Hughes (2002, in Greenfield, 2002) also identified some weaknesses of interviewing. These include the issue that data is open to misinterpretation due to cultural differences, and that there is dependence on the cooperation and honesty of informants. It is also argued that flexibility in the questioning process leaves room for the personal influence and bias of the interviewer. Though interviewers were instructed to remain objective and avoid communicating their own personal views.

Nachmias and Nachmias (1987: 241) have pointed out that cues are often given and may influence the answers given by the respondents. They further argued that even when verbal cues can be avoided, there are forms of non verbal communication which the interviewer may not have full control of, and for instance, interviewer's race or gender may influence respondents who try to please the interviewer by giving socially desirable answers.

When conducting this survey, not all of the above problems were encountered. Problems were only encountered with regard to the size of the questionnaire as some respondents were not patient enough to endure a long interview, or were no longer comfortable with the interview. In such instances, the interview stopped; such respondents were therefore excluded and were not considered as respondents. Questions about marriage status and perceptions with regard to illegal trade were found to be too sensitive. However, the interviewer's knowledge of the respondents' background guided the interviewers in employing the relevant interviewing techniques to circumvent the problem.

From the 355 questionnaires distributed to interviewers, 310 questionnaires (87, 3%) were successfully interviewed. The response rate was poor in some parts of Mashonaland East Province. In this province interviewers cited problems in finding traders who visit South Africa or Botswana. Most traders claimed that they visit Mozambique since the area shares a border with Mozambique. The following subsection gives a brief account of how data was processed and analysed

4.8 Ethical Considerations

During period of survey there was politicised violence in most areas of Zimbabwe especially in urban areas where the survey was being conducted. This made it difficult for some interviewers to secure successful interview appointments as some traders were suspicious that the interviews might be politically motivated. However, this was circumvented by that most interviewers were conducting interviews in their home towns and town ships where they had social connections. With regard to interviews conducted in South Africa, some Zimbabwean interviewees lacked legal status in South Africa and were therefore not comfortable in being interviewed. Some interviewees were therefore avoiding some questions especially those linked to legal issues. However, the questionnaire was designed in such a way that sensitive questions were repetitive in different forms and sections of the questionnaire in order to reduce the risk of failing to gather all views from interviewees.

4.9 Data Processing and Analysis

Data analysis is an integral part of research. It involves reducing accumulated data to a manageable size and applying statistical techniques. In this study, data analysis was performed using the Microsoft Excel Package. The process began by coding responses. Data were captured from various questionnaires onto an excel spreadsheet which resulted into compilation of the dataset. The data were captured from both open-ended and closed questions. Thereafter, the data were processed using the Excel Package. Responses from interviews and open-ended questions were summarized and were used to explain the responses in the closed ended

questions or as justification for some questions or concepts. Cross tabulations of variables were done, so as to establish the relationships between variables.

The analysis of data closely followed the survey objectives, highlighting earnings from ICBT activities, assets acquired, ability to pay for services and food security. Descriptive statistics and analysis were used to estimate the extent of ICBT and implications of ICBT activities on livelihoods of ICBTs' households. To estimate the impact of ICBT incomes on poverty reduction, the poverty datum line (PDL) measure, from the Central Statistical Office of Zimbabwe was used. The method was chosen since it enables poverty comparisons over time and in this case the income levels before engaging in ICBT activities were being compared with income levels after engagement in ICBT activities.

The PDL method also enables an evaluation of a specific project and in this case it is an evaluation of the impact of ICBT activities on poverty reduction. The method also captures the multi-dimensional concept of poverty, in that, the logic and rationale behind the money-metric approach to poverty is that in principle, an individual above the monetary poverty line is thought to possess the potential purchasing power to acquire the bundle of attributes yielding a level of well-being sufficient to function.

The official poverty datum line during the period of the survey was used to calculate poverty indices. Poverty indices calculated were the prevalence index of poverty, depth of poverty index and severity of poverty index. The percentage of the population living below the poverty datum line captures the prevalence of poverty.

The prevalence of poverty is measured by the head count ratio, i.e. the head count index when given as a percentage. The Head Count Index of poverty is calculated using the following formula:

$$P0 = \frac{q}{n} \times 100$$

Where: - $P0$ is the head count ratio, i.e. Prevalence of poverty

- n is the number of people in the sample population

- q denotes the number of people in the sample whose incomes are below the poverty datum line.

Although this statistic is easy to interpret, the prevalence rate is totally insensitive to differences in the depth of poverty, that is, on how deprived the poor are. The prevalence rate does not change when a very poor person becomes less poor, nor does the ratio change when a poor person becomes even poorer. A way to look at the poverty deficit of the poor relative to the poverty line is to use the Poverty Gap Index. The poverty gap measures the depth of poverty and is defined as the difference between the poverty line and the average income of the population living under the poverty line. The intensity of poverty is reflected in the extent to which the income of the poor lies below the poverty line. This measure gives an idea about the total resources required to bring all the poor up to the poverty line. The Poverty Gap is given by:

$$P1 = \frac{1}{n} \sum_{i \in Q} \frac{(z_i - y_i)}{z_i} \times 100$$

Where: - y denotes the average income of those below the poverty datum line

- z denotes the poverty line

- Q is the sub group of the poor

One shortfall of the poverty gap measure is that it may not capture differences in the severity of poverty. The way to tackle this problem is to include the Severity of Poverty Index in the poverty analysis. By squaring the poverty gap index, individuals in poorer households receive greater weight in computing the index than do those in less poor households. Thus, the index gives more weight to the income gap of those households located further below the poverty line and is defined as:

$$P2 = \frac{1}{n} \sum_{i \in Q} \frac{(z_i - y_i)^2}{z_i^2}.$$

The index is useful in comparing poverty status of populations in two or more areas, as it takes into account the variations in distribution of welfare amongst the poor.

Processed data yielded qualified statements about the impact of cross-border trade on poverty. Data analysis also included an assessment of government efforts in promoting ICBT from the traders' point view.

Findings of this research were presented using bar graphs, line graphs, histograms, pie charts and tables. The findings were tested using an approved statistical method so as to improve them. A hypothesis testing on incomes was conducted. The process of hypothesis testing involved the formulation of the null and the alternative hypothesis. In this study the null hypothesis was defined in Chapter One as:

H₀: ICBT impacts positively on poverty reduction.

H₀: According to this hypothesis the incomes of informal traders generated from informal cross border activities managed to alleviate poverty in their households. Poverty was alleviated in the sense that households could afford basic necessities like food, payment for education, health, rent and rates, electricity and other bills. During period of survey unemployment and inflation were high as has been highlighted in Chapter Two. People's incomes were marginal and the majority were living in absolute poverty.

H₁: ICBT does not impact positively on poverty reduction

H₁: This means that the incomes from informal cross border trade failed to lift households of those participating from absolute poverty.

The next step was to determine the areas of acceptance and compute the appropriate sample static. Since in depth, face to face interviews were conducted on a large sample the result was expected to be statistically significant¹⁰. A hypothesis testing (Two-sample z test) of the finding at 5% level of significance was carried out (see appendix 6). Below is the formula for the test:

$$z = \frac{(\bar{x}_1 - \bar{x}_2) - d_0}{\sqrt{\frac{\sigma_1^2}{n_1} + \frac{\sigma_2^2}{n_2}}}$$

Where: $n =$ sample size

$z =$ is the distance from the mean in relation to the standard deviation of the mean

$\sigma =$ population standard deviation

¹⁰ In statistics a result is called statistically significant if it is unlikely to have occurred by chance.

\bar{x} = sample mean

d_0 = hypothesized population mean

The expected results of the test would tell whether the levels of income from ICBT activities managed to improve livelihoods of respondents' households, and thereby contributing positively to poverty reduction. In this case, levels of ICBT incomes in comparison to the poverty datum line are being used as a measure of ability to attain well being.

4.10 Conclusion

The study was based on face to face in-depth interviews using a questionnaire as the basic tool for collecting data. This enabled the collection of survey findings that could help to explain and describe how the informal cross-border trade system works, the people involved, how they operate, the nature of the businesses conducted, the incomes earned, and the obstacles encountered. An exploration of the relationships between particular variables will enable a deduction of the impact of ICBT on poverty reduction.

The survey focused on ICBTs who carry out their trade between South Africa and Botswana. Those who carry out their trade in Botswana were interviewed during their stay in the country of origin Zimbabwe. The following chapter contains the research findings, analysis, and results.

CHAPTER FIVE

RESEARCH FINDINGS AND ANALYSIS

5.1 Introduction

Trade in general is widely believed to be an important tool for poverty reduction and development. As a country's economic gains from international trade increase, resources tend to be allocated efficiently, thus leading to an improvement in the welfare of the people. However, this assertion is believed to be true only for formal trade. The question still remains as to whether informal cross border trade, which does not conform to the international trading agreements, has the potential of pushing backwards the frontiers of poverty.

The policy dialogue in many developing countries is driven by the perception that ICBT is not only welfare reducing and economically non-viable, but socially undesirable (Tekere *et al*, 2000: 1). It has been argued that ICBT undermines local industries, distorts price incentives to producers, misguides domestic trade policies, negatively impacts on foreign exchange earnings, reduce tax revenues and distorts the correct picture of intra regional trade (*Ibid*).

However, on the other hand research has found that many people make a living from ICBT. ICBT traders have been able to raise income that enabled their households to escape poverty (Muzvidziwa, 1998 & 2006; Tekere *et al*, 2000; & Bracking & Sachikonye, 2006).

This apparent divergence of opinion regarding the impact of ICBT on the welfare of traders warrants some thorough and rigorous empirical investigation. This chapter presents such evidence. The investigation of the impact of ICBT on traders and their households' welfare is based on a survey of 310 cross border traders. This chapter starts by examining the characteristics of this sample. This is followed by an analysis of the research findings.

5.2 Characteristics of the Sample

The sample characteristics under review include demographic and socio-economic attributes of the survey units. Characteristics which include gender of ICBTs, marital status, race, age, level of education, head of household, household size and number of dependents, place of residence and employment status were examined to find out whether there was any correlation between them and the respondents' trading activities.

Table 5.1 gives some general demographic and socio-economic characteristics of the sample. The characteristics are explained in the following sections.

Table 5.1: Basic characteristics of the sample

Characteristic	% of Sample	Total
Age of respondent: 18 -25 years	18%	100%
26 – 45 years	71%	
46 and above	11%	
Minimum Age (18), Average Age (33.8), Maximum Age		

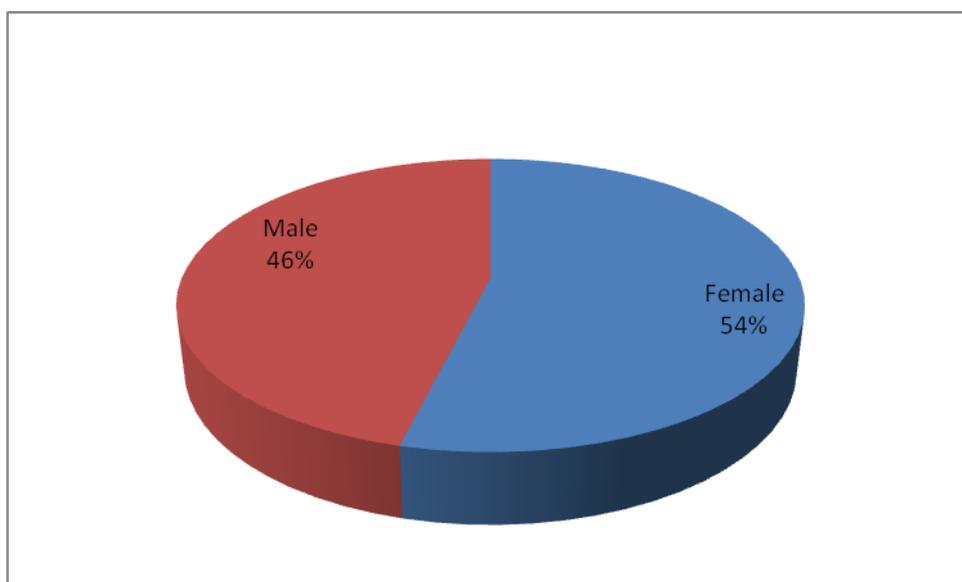
(60)		
Education level: Primary	7%	100%
Secondary	63%	
Tertiary	30%	
Size of Household: 1 – 4 persons	66%	100%
5 or more persons	34%	
Gender of respondents: Females	54%	100%
Males	46%	
Number of Dependents in Household:		100%
1 – 4 persons	69%	
5 or more persons	20%	
Zero	11%	
Respondent's knowledge of children under 16 yrs who engage in ICBT: Know them	38%	100%
: Do not know them	62%	
Ethnicity: Africans	100%	100%
Non Africans	0%	
School going age, not going to school in Households: Presence of such children	14%	100%
:Absence of such children	86%	
Respondent's employment status: Employed	27%	100%
:Unemployed	73%	
Head of Household: ICBT Trader	63%	100%
: Spouse or other family member	37%	

Source: Own calculations from ICBT Survey Data, October 2008 – January 2009

5.2.1 Gender of Respondents

In this survey 54% of the respondents were female as indicated in Figure 5.1 and Table 5.1.

Figure 5.1: Gender Distribution of the ICBT Sample



The finding is in line with most previous studies which have observed that more women than men are involved in informal cross border trade. However, in this study the difference between men and women is not as significant as in the literature, indicating an increase in male participation in ICBT activities. According to the South African officials - SA High Commission (1999, quoted in Tekere *et al*, 2000: 15), about 80% of the informal cross border traders were women. According to Tekere *et al* (2000: 15), in December 1999 female adults dominated the informal cross border trade between Zimbabwe and South Africa and Zimbabwe and Zambia. Only 20% of the respondents were males.

However, in this study the proportion of male to female increased when compared with previous studies. 46% of the respondents were males. The increased proportion of male participation in ICBT could have been due to the economic hardships in Zimbabwe, which resulted in increased number of retrenchees. The majority of the

retrenched were men since the formal sector was dominated by men (CSO, 2005).

On the other hand, in the GEMINI study in Poland, among the 45 respondents, the majority (73%) were men (Metcalf, 1992: 5). The study related such a big proportion of men in the sample to the selection criteria of the sample. The selection of the sample was non-random in that it targeted people with higher education and pupils the majority of whom happened to be men. Similarly, Peberdy and Crush (1998: 14) also observes that women traders in the Southern Africa region were fewer than men. However, the reason for fewer women may have been that her study focused on traders in the handcraft and curio sector. Tekere *et al* (2000: 15) noted that the handcraft and curio sector is mainly dominated by men. Thus, the proportion of male to female among the traders may also depend on the type of the goods being traded.

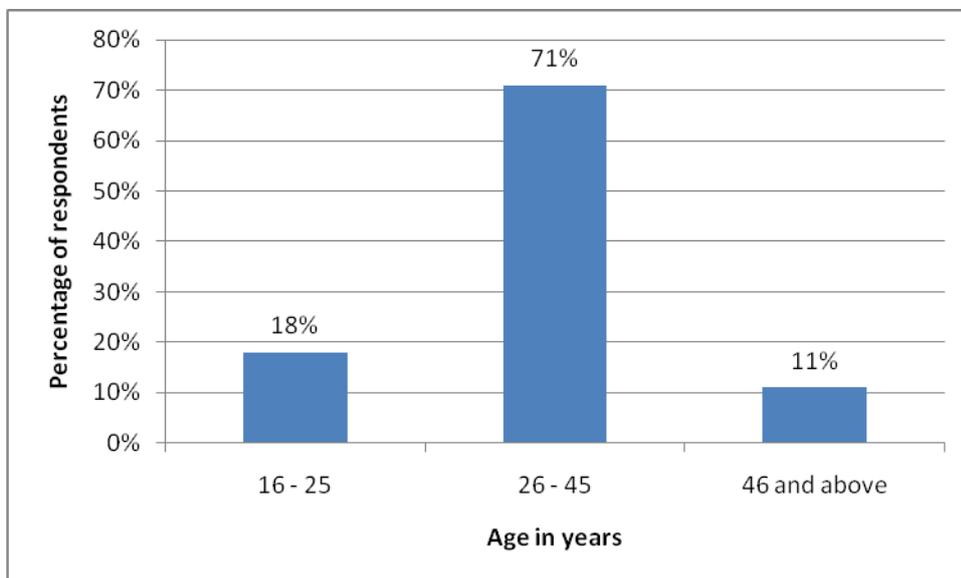
All respondents in the sample were Africans by ethnicity, as shown in Table 5.1. This supports the finding of Macamo (1999: 17) that people engaged in ICBT are mainly indigenous citizens of their countries of origin. People of foreign decent are mainly involved in formal cross border trade. In this study all respondents were black Zimbabweans.

5.2.2 Age of Respondents

The majority (71%) of the respondents were found to be within the 26 to 45 age group, (see Figure 5.2). This is in line with the findings of Peberdy and Crush (1998: 15) and Tekere *et al* (2000: 15) who also observed that the young and the middle aged individuals were the main ICBT traders. This may be linked to the problem of

high unemployment among this age group. The youth are the most economical active population group. Usually this group is less skilled at work places, and was largely affected by retrenchments. Luebker (2008: 26) found that most of the unemployed in Zimbabwe were the youth. The unemployment has risen due to the deteriorating economic environment in Zimbabwe before and during the period of survey.

Figure 5.2: Percentages of respondents according to age



The older respondents, ranging from 46 years and above are in the minority age group, comprising only 11% of the respondents and amongst them only 0.6% of the respondents were above 60 years. This may indicate the hectic nature of the business, which attracts mostly the young and the middle aged.

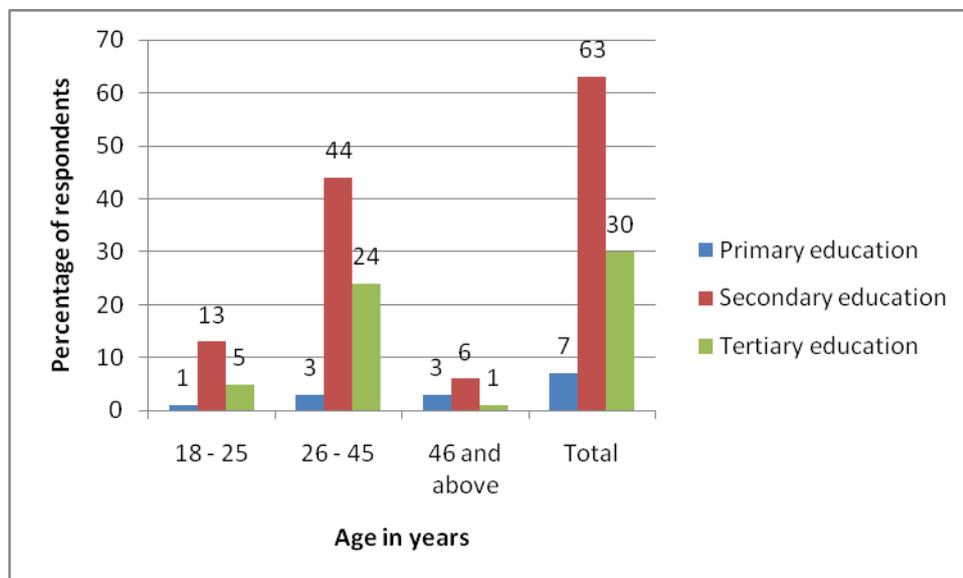
There was no respondent under the age of 16 in the sample. The acceptable age for work is 16 years in Zimbabwe. People aged 16 or below are considered to be under the custody of parents or guardians (Government of Zimbabwe, 1982) and they are

usually of school going age. Only 18% of the respondents were in the 16 - 25 age groups. However, (as indicated in Table 5.1), 38% of the respondents knew of children under the age of 16 years who engage in ICBT activities.

5.2.3 Education levels of Respondents

In this study, education levels were categorised into primary, secondary and tertiary levels¹¹. As shown in Figure 5.3, all, but 1% of the respondents had some formal education. The 1% indicated that they could not properly read and write, though they had some primary education. These traders were among the elderly, above 46 years of age.

Figure 5.3: Respondents' level of Education by age



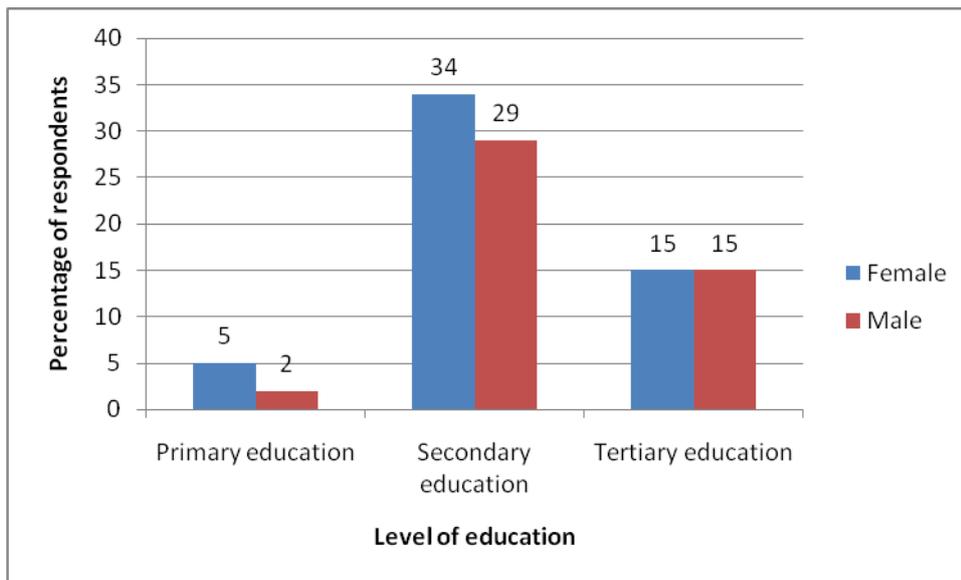
A majority (63%) of the traders had some secondary education and nearly a third (30%) of the sample had some form of tertiary education. Tertiary education

¹¹The formal education system begins with a 7-year primary cycle. The secondary system consists of a 6-year programme. The tertiary level consists of universities, teacher training colleges, polytechnic and technical colleges, and agricultural colleges (CSO, 1997).

qualifications included university degrees, teaching qualifications, and accounting qualifications, secretarial, clerical and bookkeeping. Welding, electrical, mechanics, sewing and cookery certificates were some forms of qualification which also characterised the sample in all categories. This indicates that the study sample was characterised by people with formal education and qualifications, as all respondents had some formal education. The finding is in line with other studies done, which found that the majority of participants had some education. A study on cross border traders and the South African informal sector by Peberdy and Crush (1998: 16) found that the cross border traders would rate among the educated in their home countries.

While the secondary education category dominated in all age groups, those aged (26 – 45) had a greater proportion in the category (see Figure 5.3). The tertiary category was also dominated by those aged (26-45), followed by those aged (18 – 25). Traders above 46 years of age contributed only 1% in the tertiary category, indicating that the sample was dominated by the economically active group. In this study, high levels of unemployment and poor remuneration for those employed, could have been the contributing factor to having many educated people in the informal sector.

Figure 5.4: Respondents' level of education by gender

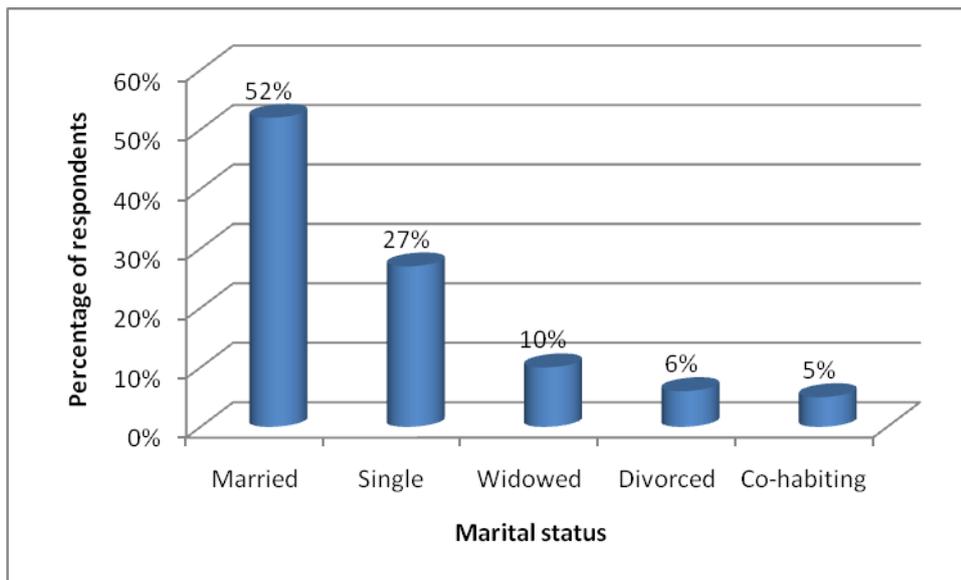


The difference in education levels by gender shows that, the primary education and the secondary education categories were dominated by women, as shown in Figure 5.4. However this difference in education levels by gender is not significant considering that the sample had more women than men (see Figure 5.1).

5.2.4 Marital Status of Respondents

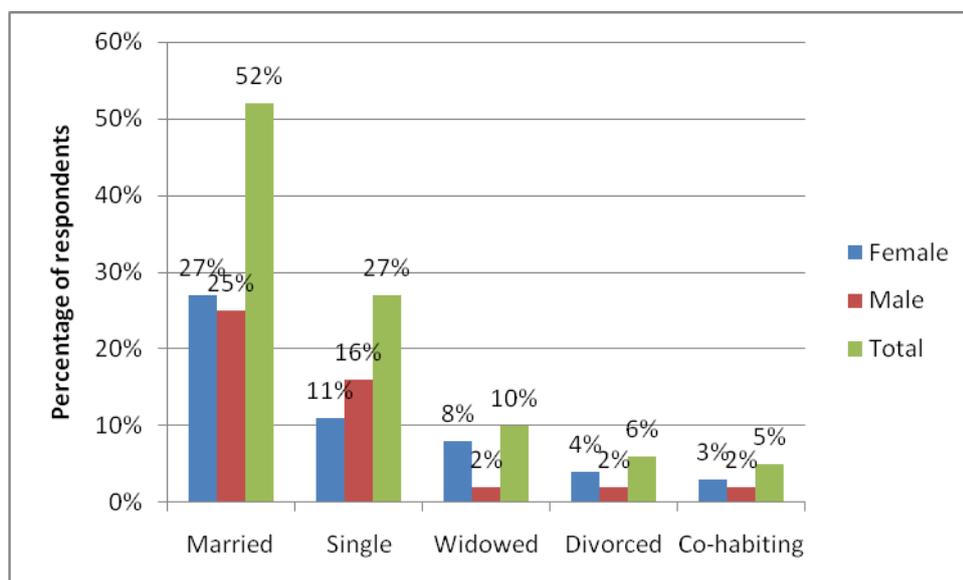
The marital status of the respondents is shown in Figure 5.5. The majority (52%) of the respondents were married. A substantial percentage of traders (27%) were single, and 10% and 6% of the respondents were widowed and divorced, respectively.

Figure 5.5: Marital Status of the respondents



Only 5% of the interviewed were co-habiting. However, this may not be the true reflection of the sample, since co-habiting in Zimbabwe is socially undesirable and such sensitive issues may elicit biased responses, as respondents often deny the behaviour in question Bradburn (1978: 10). The finding that the majority of traders are married is not in line with some previous studies which noted that cross border trading correlates significantly with widowhood and divorce (Cheater, 1996, quoted in Muzvidziwa, 1998: 39). High levels of unemployment in Zimbabwe could have been a push factor for many people (including the married people) to engage in ICBT during the time of survey.

Figure 5.6: Marital Status of the respondents by gender



The majority of traders are married and the proportion of men to women for those who are married, is not significant, as shown in Figure 5.6. This is contrary to some studies on informal traders which noted that ICBT is dominated by women (Muzvidziwa, 1998: 47), and is dominated by unemployed women trying to eke out a living (Tekere *et al*, 2000: 16). High levels of unemployment in Zimbabwe may also have been a significant push factor for men’s involvement, during the time of survey. Those who used to be formally employed, and were then retrenched, engaged in informal activities including ICBT. The retrenched had proportionally more men than women, since the formal sector in Zimbabwe used to be dominated by men.

In the single category, the proportion of men is greater (16% of the sample), than that of women (11% of the sample). This is unlike in all other categories where women dominate. The scenario of having more men in the single category may have been a result of the Zimbabwean culture which allows men to be independent at an

earlier age in life, even before marriage. On the other hand, women usually become independent from parents after marriage. Moreover, this independence is limited as they are expected to be submissive to their husbands. This indicates that in some societies such as Zimbabwe, gender relations still play a role in individual participation in economic activities. Women do not always have full control over their own labour, such as their participation in informal cross border trade, thus resulting in them being more vulnerable to poverty.

In the widowed and divorced categories, the proportion of women is relatively greater than that of men (8% and 2% of the sample) and (4% and 2% of the sample) respectively. Since engaging in informal cross border was a means of escaping poverty, the finding indicates that the burden of losing a spouse falls on the woman more heavily than on the men. This pointing to the fact that the incidence of extreme poverty is higher among women divorcee or widows than men divorcee or widowers. This may be due to gender power relations under which most women do not own wealth or resources in a family. They are therefore left with nothing after divorce or the death of a spouse.

5.2.5 Family Size

Family size is an important variable for ICBT. Given the employment status of family members, the family size enables us to weigh the dependency burden of the traders, and subsequently the incidence of poverty in traders' households. Todaro (1997: 218) noted that, the greater the proportion of dependent persons in a family, the more difficult it is for people who are working in that family to support those who are not. The higher the incidence of poverty, the more family members would seek

alternative sources of income. Thus, family size and family patterns influence individual decisions and engagement in economic activities. During high unemployment periods, high dependency burdens can push the economically active members of a family to engage in informal economic activities as alternative means for family survival.

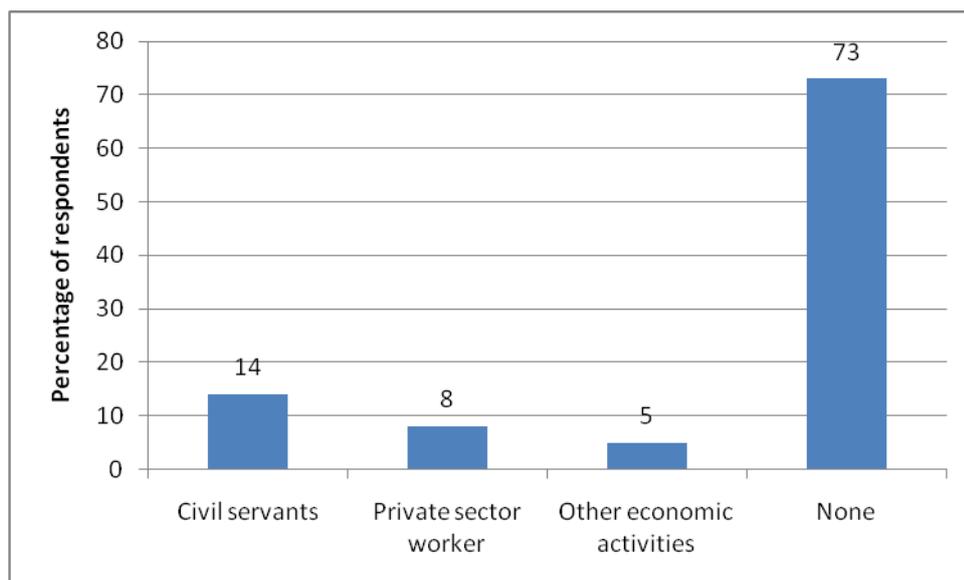
In this survey as shown in Table 5.1, the majority (66%) of the sample had household sizes which ranged from one to four persons and 34% had household sizes of five or more persons. Besides the big household sizes, 89% of households had dependants, other than a spouse and their own children. 20% of the households had five or more dependants among their family members indicating heavy dependant burdens for the traders. Moreover, 29% of the households have orphans among the dependants. 14% of the households had children of school going age, who were not going to school. These characteristics showed that ICBT incomes were spread over a big number of beneficiaries, indicating high dependence ratios among respondents' households.

This finding is in line with other studies on ICBT. Peberdy and Crush (1998: 16) observed that, besides large family sizes which ranged from one to nine children per family, the traders also supported other dependants. 70% of the respondents in that survey indicated that they had dependants to support beside their spouses and their own children. Such high dependant ratios put extra pressure on the bread winners, and is associated with high prevalence of poverty.

5.2.6 Employment Status of Respondents

The status of ICBTs' households in regard to income is partly shown by the trader's employment status. Traders with other forms of employment besides trading are considered to be financial stable, when compared to their colleagues who have no other forms of employment. In this study, 73% of the respondents mentioned that ICBT business is their only economic activity as they were not employed elsewhere (see Figure 5.7). Only 27% of the sample were engaged in other economic activities; ie civil servants (14%), private sector workers (8%), and other business or informal activities including farming (5%), respectively. Some people had engaged in ICBT as a secondary source of income to augment existing incomes. Incomes were being eroded by hyper-inflation in Zimbabwe during time of survey, pushing people to engage in alternative employment to supplement incomes.

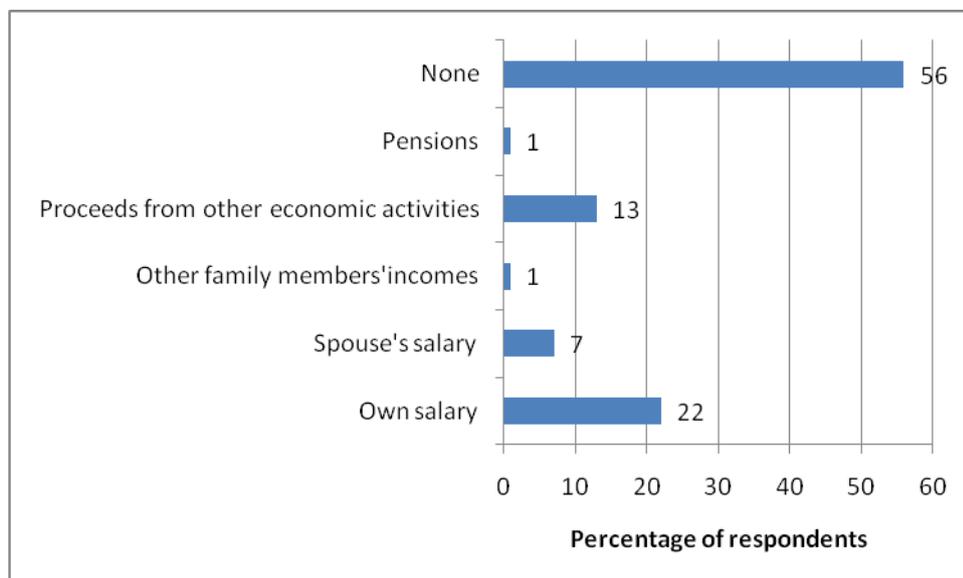
Figure 5.7: Employment status of the respondents



The trader's employment status and ICBT activities were some of the determinants

of income status in their households. Other sources of household income, for example spouse’s salary, pensions, other family members’ incomes and proceeds from other economic activities, can partly determine the income levels of the households, as shown in Figure 5.8. The data suggest that 56% of the households had no other sources of income besides income from trading. This indicates the plight of households with regard to income status, since the majority of households relied on nothing more than proceeds from ICBT activities. Thus, the majority of traders were bread winners in their families. Besides having large family sizes, the households were also characterised by high levels of unemployment. High levels of unemployment among household members points to high dependency ratio, since it implies that there are relatively more dependents than there are workers. A high dependency ratio is associated with more poverty.

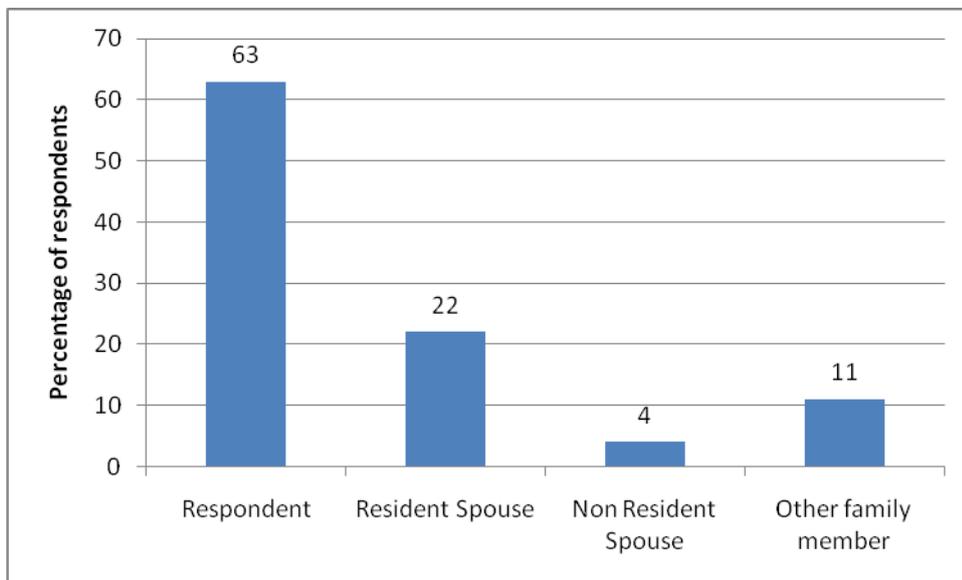
Figure 5.8: Household’s other sources of income besides ICBT trading



Most of these traders were also heads of households as shown in Figure 5.9. The head of household is the person assumed to be responsible for the day-to-day

running of the household. He/she is a person living in the same household as other household members. The person is acknowledged by other members to be its head (CSO, 1997). Such a person holds some primary authority and responsibility for the household's affairs, mainly economic and cultural. Figure 5.9 shows that (63%) of the ICBT traders are heads of households, which shows that the majority of traders were responsible for their households' welfare. This may be a good indication that ICBT contributed positively to poverty alleviation.

Figure 5.9: Heads of Respondents' Households

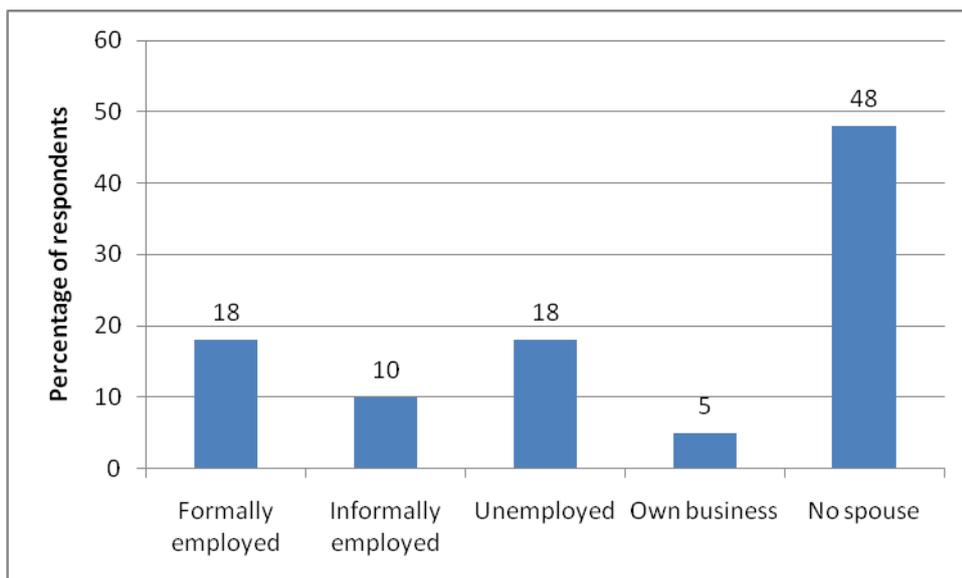


22% of the respondents indicated that their spouses were heads of their households and were currently living with them. 4% indicated that their spouses were heads of their households but were not residing with them as some were residing out of the country. The 11% of ICBTs who indicated that other persons were heads of their households were mainly people who resided at their parents' home. Either a parent or other family members of the respondent were stated as household heads and such respondents were mainly those in the younger age group and/or unmarried

categories. The fact that ICBT incomes were mostly administered by mature household heads increases the probability that it was being administered for the benefit of household members, thereby contributed positively to poverty alleviation.

As noted before, the spouse's economic activity is also an influential factor when it comes to the sharing of responsibilities in a household. From the whole sample, only 18% had spouses who were formally employed and 5% own businesses. 10% and 18% were either informally employed or unemployed, respectively. This indicates that unemployment was high among spouses of ICBTs. A substantial proportion of the respondents (48%) had no spouses, as shown in Figure 5.10. This further shows that fewer traders were being assisted by spouses in bearing family responsibilities, implying high prevalence of poverty among respondents' families. This could have led them into engaging in ICBT activities.

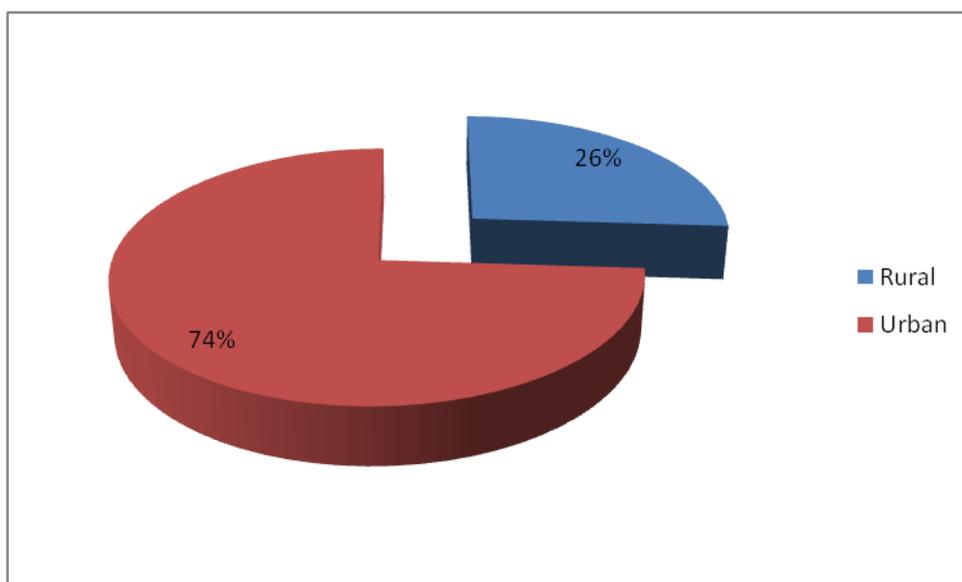
Figure 5.10: Respondents' spouse's economic activity



5.2.7 Respondents' Place of Residence

In this study the majority (74%) of the respondents reside in urban areas and only 26% were from rural areas as indicated in Figure 5.11.

Figure 5.11: Respondents by place of residence



70% of the Zimbabwean population reside in rural areas, and like most African countries, Zimbabwe is characterised by large rural-urban migration flows, especially within the economically active group. Rural-urban migration results in the majority of the unemployed residing in urban areas and engaging in informal economic activities, as explained below by the Lewis two-sector model.

According to the two-sector model rapid urban growth and accelerated rural-urban migration in some developing countries has been a result of high population growth rates. The process of economic development was in essence seen from the dualistic

nature of developing countries, where the highly productive urban industrial formal sector, would absorb surplus labour from the less productive traditional rural sector, which in turn would slowly wither away (Lewis, 1954, quoted in Todaro, 1997: 76). However, in reality, this labour transfer did not happen as smoothly as foreseen by theory. In the early 1970s it was observed that massive labour additions to the urban labour force resulted in the existence of the informal sector, where the unemployed seemed to create their own employment or to work for small-scale family-owned enterprises (Todaro, 1997: 76).

Previous studies on ICBT did not focus on the rural-urban dichotomy. The sampling designs usually focused on urban dwellers. For instance the study by Tekere (2000) focused on women traders who reside in Chitungwiza urban area, and Muzvidziwa (1998) focused on women in Masvingo urban area. However, findings in some previous studies associated high levels of unemployment and informal activities with urban areas. A survey on informal employment in Zimbabwe that was carried out by ILO indicated that only 17,2% of all interviewed labour force participants were unemployed, however, though the vast majority of respondents were working, they were only holding informal jobs (87,8%) and to a small extent formal jobs (12,2%), ILO (2008). This scenario reflects high levels of unemployment and informal activities in urban areas. In Zimbabwe the rural-urban migration was fuelled by successive droughts pushing rural people to migrate to urban areas. This resulted in the majority of the unemployed residing in urban areas in search for employment, and some of them being driven into ICBT.

The deteriorating economic environment in Zimbabwe may better explain why the

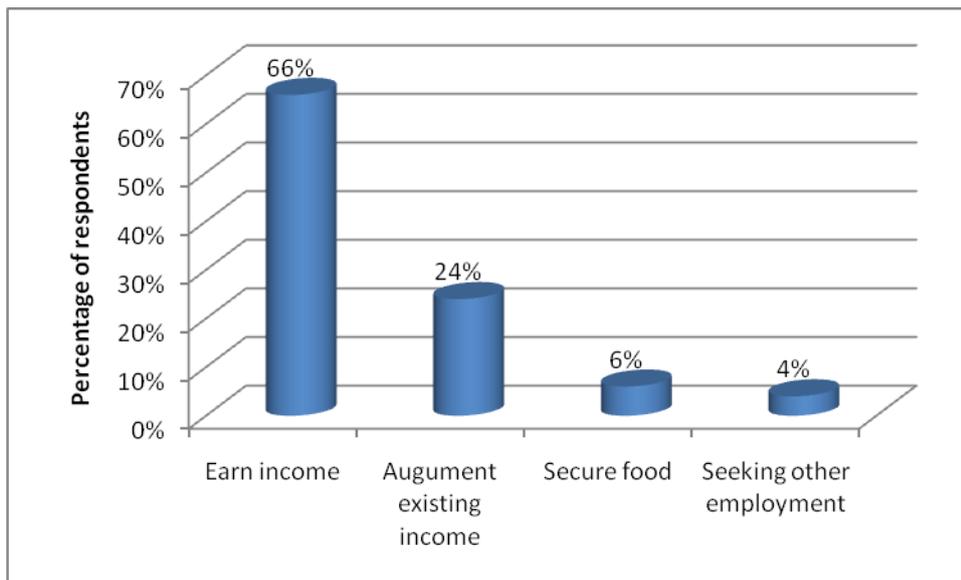
majority of traders reside in urban areas. At the beginning of the 1990s, the urban population of Zimbabwe was less poor and generally more economically and socially secure, than probably any other African urban population in Sub-Saharan Africa (Rakodi, 1995). However, in the 2000s, Zimbabwe experienced a profound economic crisis which devastated the livelihoods of most of its urban population and created conditions of extreme poverty in towns. As companies were down-sizing and some shutting down, unemployment rising, the country's economic crisis was accompanied by rising levels of urban poverty. Urban living standards declined so much that by 2005, 77% of urban households were considered poor and 57% very poor (Potts, 2006: 287). The outcomes of urban poverty could have been the rise of the informal sector, including ICBT.

5.3 Analysis of ICBT activities

5.3.1 Reasons for trading

Reasons cited for participating in informal cross border trade include the need to earn income and the need to secure food.

Figure 5.12: Respondents' reasons for participating in ICBT



Traders were asked why they were involved in ICBT. As shown in Figure 5.12, the majority, (66%) joined ICBT for survival or as an income earning activity to sustain their livelihoods. ICBT was the only source of income. Another 24% noted that, though they earn other incomes, those incomes were not enough; therefore ICBT activities were simply to augument their income streams. Those supplementing income were mainly civil servants. The reason was that, civil servants were the ones who were still formally employed. In the private sector the majority had been retrenched. The low remuneration in the formal sector coupled with high levels of inflation in Zimbabwe, seemed to be the driving force for ICBT. As an alternative, ICBT activities provided an additional income to support family needs.

4% of the respondents engaged in ICBT business in order to explore other employment opportunities. This was due probably to the fact that the country of origin (Zimbabwe) was faced with a shrinking economy with high levels of unemployment during the period of survey. When in destination countries, they

combine ICBT business activities with a job search. This group of those exploring employment opportunities comprised of the young, educated and trained. The lack of economic growth or the deteriorating economy led to low or no job creating investments such that an increasingly large proportion of the working population was unemployed, necessitating a search for alternative sources of income.

The proportion of the sample which cited the need to earn an income, as a reason for trading totalled 94%. These were traders who cited earning an income, augmenting an existing income and seeking other employment as reasons for trading. Another 6% cited the need to secure household food as the major driver for engaging in ICBT. Though they had money to buy food before engaging in ICBT, they engaged in ICBT business to use the opportunity to buy food items from the countries of destination. Even the majority (94%) of traders who were seeking income mentioned that, the incomes would enable them to buy food. During the period of the survey, there were severe food shortages in Zimbabwe. One 40-year old female trader who frequently visited South Africa said:

“My sister and brother who are abroad always send us enough money, but I am only engaged in this ICBT business so as to buy food for the family. Relatives and neighbours are starving and suffering. I am fighting hunger and reducing suffering”.

The sample is characterised by large family sizes, high dependence ratios, high levels of unemployment among household members, relatively low or no other sources of income, which is a sign of poor households. The majority of traders were heads of households. This shows a heavy dependency burden for the traders, which may have acted as a push factor to engaging in ICBT activities.

5.3.2 Types of goods traded, frequency of trips and subsistence

From the country of origin (Zimbabwe), goods traded in the countries of destination (South Africa and Botswana) as listed by respondents include items as shown in Table 5.2.

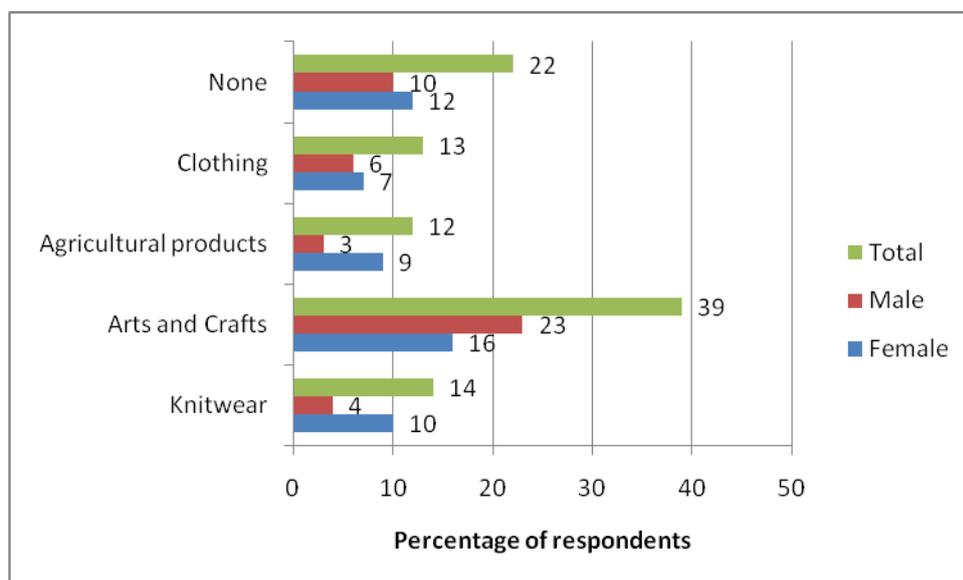
Table 5.2 Goods sold in countries of destination (South Africa & Botswana)

Agricultural Products	Clothing	Arts & Crafts	Knitwear
Dried beans	Door covers	Stone carvings	Doilies
Mufushwa(Dried vegetables)	Curtains	Wire products	Seat covers
Madora(Dried caterpillars)	Leather jackets	Baskets	Knitted linen
	Clothes	Wooden drawers	Table cloths
	Bedding sheets	Washing baskets	Chair backs
	African attires	Ornaments	
		Wooden crafts	
		Small drums	
		Wooden plates	
		Sculptures	

Source: ICBT Survey Data, October 2008 – January 2009

Goods traded in the countries of destination were categorized into four categories namely, Knitwear, Arts and Crafts, Agricultural products and Clothing. The categories of respondents as per types of goods sold were as shown in Figure 5.13.

Figure 5.13: Types of goods sold in countries of destination by gender of ICBT



The analysis shows that, 39% of respondents cited that their major trading items were arts and crafts. 59% of respondents in this category (which is 23% of the sample), are men, showing that men trade mainly in arts and crafts. This result is in line with the findings of Tekere *et al* (2000). Figure 5.14 indicates that, in the country of origin, more men than women are engaged in spare parts and raw materials trade. Women do not engage much in arts and crafts (wooden and stone) which take long to sell. Table 5.4 shows that most women do not want to stay away from their families for long periods, thus they would not deal in items that take long to sell such as crafts. This is in line with some previous studies. Tekere *et al* (2000: 16) noted that women’s family concerns contributed to women engaging in crochet wares and dried vegetables which take less time to sell. Men do not mind trading in items which take long to sell.

Only 12% of the respondents cited that they bring agricultural products into destination countries, mainly dried vegetables. However, they highlighted that they do not bring cereal grains such as maize, wheat and sorghum from Zimbabwe to countries of destination. The reason for having fewer respondents in this group is that there was food shortage in Zimbabwe during the time of the survey, resulting in fewer food items being available for export. Restrictive export controls on grains in Zimbabwe may also be the other reason. The United Nations – World Food Programme (2004) established that:

“Very little informal cross border food (agricultural) trade has been recorded between Zimbabwe and her neighbours, because Zimbabwe imposed restrictive import and export levies”.

There were more female traders who brought agricultural products into destination countries; only 25% of respondents in that category were males. In the Knitwear category, the majority (71% of the respondents) were women. Thus, in Zimbabwe arts and crafts (wooden and stone) tend to be men’s business while Knitwear and production of dried agricultural products is women’s business.

In the clothing category, the data indicated no significant gender differences in trade. Only 13% of the respondents brought clothing to the countries of destination. This finding is not similar to ICBT activities of the 1980s. Previous studies by Tekere et al (2000) and Muzvidziwa (2005) show that clothing was one of ICBTs’ major trading items in the countries of destination. They would bring African attires and leather products. The economic crisis in Zimbabwe may have made it difficult for traders to

secure such items for resale. Some traders also mentioned that demand for such clothing was declining in the countries of destination.

22% of respondents mentioned that they do not bring goods to countries of destination, denoted as “none¹²” in Figure 5.13. They visit destination countries just to buy goods for resale in the country of origin (Zimbabwe). Most of them brought groceries to Zimbabwe, which suggests that food shortages in Zimbabwe may have been a push factor. The list of goods imported by ICBT from the destination countries include items shown in Table 5.3.

Table 5.3: Goods sold in country of origin – Zimbabwe

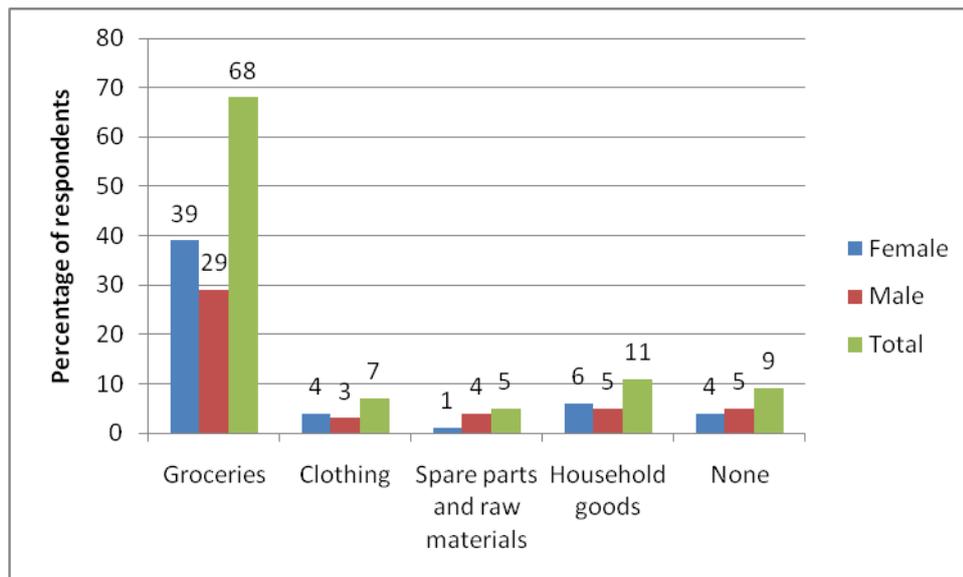
Groceries	Clothes	Household Goods	Spare parts & Raw Materials
All groceries	Clothes Winter blankets Shoes	Television sets Refrigerators Decoders Cell phones Beds Radios Bicycles Kitchen utensils Other household goods	Building materials Saloon products Printing inks Spare parts for vehicles Spare parts for electrical equipment Stationery

Source: ICBT Survey Data, October 2008 – January 2009

¹² “None” refers to traders who did not bring goods to destination countries and those who did not bring goods to country of origin.

Goods traded in the country of origin were put into four categories namely, groceries, clothing, spare parts and raw materials and household goods. The categories of respondents as per type of goods sold were as shown in Figure 5.14.

Figure 5.14: Types of goods sold in country of origin by gender of ICBT



The majority (68%) of the respondents indicated that they bring and sell groceries to Zimbabwe. This finding could have been the result of the economic crisis prevailing in Zimbabwe, which was accompanied by food shortages. In this category there were more women than men. In the 68% of the respondents who bring groceries to Zimbabwe, the majority 57% of that category (39% of the sample) were women, pointing to the Zimbabwean culture on gender roles. Men are expected to work and bring money to the family, whilst women are supposed to secure food at household level.

There were no significant differences between male and female traders in the clothing and household goods categories. As has been mentioned above, the spare

parts and raw materials categories were dominated by men. Only (7%) of the respondents stated that their major trading items were clothes and this was due to a shift in demand from other items to food. Traders selling clothes mentioned that dealing in clothing was no longer as lucrative as it used to be. As a result some were planning to sell more of groceries than clothes. Some traders who did not deal in clothing indicated that they used to trade in clothes but had shifted to food.

A small proportion of the sample, 5% of the respondents mentioned that they sell raw materials and spare parts. Respondents indicated that this used to be big business; however there had been a decline in demand. Company closures and down-sizing of production in some companies could have contributed to a decrease in demand for raw materials and spare parts.

9% of the respondents indicated that they do not bring goods to country of origin, but just bring home foreign currency, they would have earned from selling their goods. They are labelled as “none” in Figure 5.14. Some persons from the category were youths who mentioned that fending for the family was not their responsibility, but that they were raising an income to pay for their education. Part of that income they gave to their elders who were responsible for the planning for family. Some of the persons ended up having two homes, one in country of origin and the other in destination countries, where they would operate from, as they sold their wares. This increased costs of ICBT operations, reducing net profits thus impacting negatively on poverty reduction.

Frequency of trips

To determine the relationship between frequency of trips, types of goods traded and the time traders spent away from their families, a cross tabulation was constructed (see Table 5.4).

Table 5.4: Frequency of trips by type of goods traded, by duration away from home (% of the sample)

		FREQUENCY OF TRIPS				TOTAL
		Once per year	Twice per year	3 - 4 times per year	More than 4 times per year	
Goods	Groceries	0	3.6	16.8	47.7	68.1
Sold in country of origin	Clothing	0	0.3	1.3	5.5	7.1
	*SP & RM	0	0.3	1.0	3.9	5.2
	*HH Goods	0.3	0.3	1.0	9.0	10.6
	None	0.3	0.3	1.6	6.8	9.0
	TOTAL	0.6	4.8	21.7	72.9	100
Goods sold in destination countries	Knitwear	0	0	2.9	10.6	13.5
	Arts & Craft	0.6	1.6	9.7	26.5	38.4
	*Agric Products	0	0.6	2.3	8.7	11.6
	Clothing	0	1.6	3.6	7.1	12.3
	None	0	1.0	3.2	20.0	24.2
	TOTAL	0.6	4.8	21.7	72.9	100
Times spent away from home	1 – 7 days	0	1.9	2.6	22.9	27.4
	7 - 14 days	0	1.6	7.4	23.6	32.6
	14 – 30 days	0	0.65	5.2	11.9	17.75
	31 days or more	0.6	0.65	6.5	14.5	22.25
	TOTAL	0.6	4.8	21.7	72.9	100

Source: Own calculations from ICBT Survey Data, October 2008 – January 2009

*SP – Spare parts, RM – Raw Materials, HH – Household, Agric – Agricultural

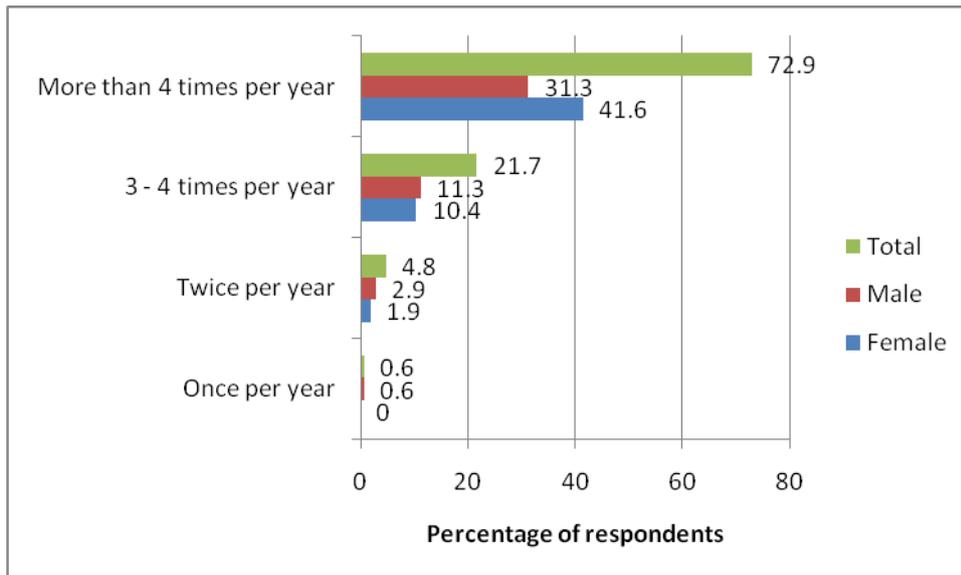
Table 5.4 shows that very few traders visited countries of destination once or twice per year. Their trading items were arts and crafts and they also spent more time away from home. The majority of traders frequently visit the countries of destination, with the majority trading in groceries in the country of origin. This majority who trade in groceries also had high frequency rate and they spent less time away from their homes. This finding implies that the duration required by a trader to sell goods and wares depends on the type of goods and wares traded, and usually the time required to sell off goods determines the frequency of trips (see Table 5.4).

An analysis of the frequency of trips also indicates a rise in the number of trips by traders to countries of destination as compared to the frequencies established in previous studies. The rate of stock turn-over may also be linked to the rate of frequency of trips. The faster the imported goods are sold in country of origin, the higher the frequency of trips to country of destination to buy more goods for resale. In this study, it was found that groceries were the major trading item in Zimbabwe as compared to previous ICBT studies. Groceries as consumables always need replenishment. These findings point to the fact that, the contributing factor to high frequency was the economic deterioration which resulted in shortages in Zimbabwe, leading to the majority of Zimbabweans relying on cross border trading for food security.

Respondents who deal in arts and crafts seem to spend more time away from home as their wares take long to sell. Those who do not take goods to sell in the country of destination but rather travel there to purchase goods for resale, are the ones who

also spend less time in the countries of destination (see Table 5.4). An analysis on the relationship between gender and frequency of trips was also done, and results were as shown in Figure 5.15.

Figure 5.15: Respondents frequency of trips by gender of respondents



Though there is no significant difference in frequency by gender (see Figure 5.15), frequency is high among all traders. The majority of traders, 72.9 % of the respondents travel on business to the country of destination, more than four times per year. Both men and women were frequently visiting the countries of destination. The high frequency of trips may be due to the economic deterioration especially with food shortages in Zimbabwe, during the period of the survey. An analysis was also done to show the relationship between the period traders spent away from their homes, gender and the age of the respondents. The results are as shown in Table 5.5.

Table 5.5: Average number of days respondent is away from home, by gender, by age (% of the sample)

Gender of the respondents	Age of the respondents	Average number of days respondent is away from home				TOTAL	
		1 – 7 days	7 - 14 days	14 – 30 days	31 days or more		
FEMALE	16 – 25 years	1.9	1.6	1.6	1.3	6.4	54
	26 – 45 years	14.2	14,2	6.5	5.2	40.1	
	46y & above	2.6	2.6	1.3	1.3	7.8	
MALE	16 – 25 years	0.3	4.2	2.9	3.5	10.9	46
	26 – 45 years	6.5	10.0	4.8	10.3	31.6	
	46y & above	1.9	0.6	0.6	0.3	3.4	
		27.4	33.2	17.7	21.9	100	100

Source: Own calculations from ICBT Survey Data, October 2008 – January 2009

Table 5.5 shows that, 27,4% and 33,2% of the respondents spent less than a week away and two weeks away from home on business. These two categories comprise the majority (60.6%) of the respondents. Thus overall a greater proportion of the respondents spent 14 days or less away from home and fewer spend more than 14 days. Such a finding may be linked to the types of goods they traded in. Table 5.4 shows that the majority of traders were either dealing in goods which sold faster or were not taking goods to countries of destination. Goods from countries of destination were mainly food, which need frequent replenishment, implying that many households were relying on ICBT to acquire food. This indicates that ICBT had a positive impact in ensuring food security in many households in Zimbabwe during this period of survey.

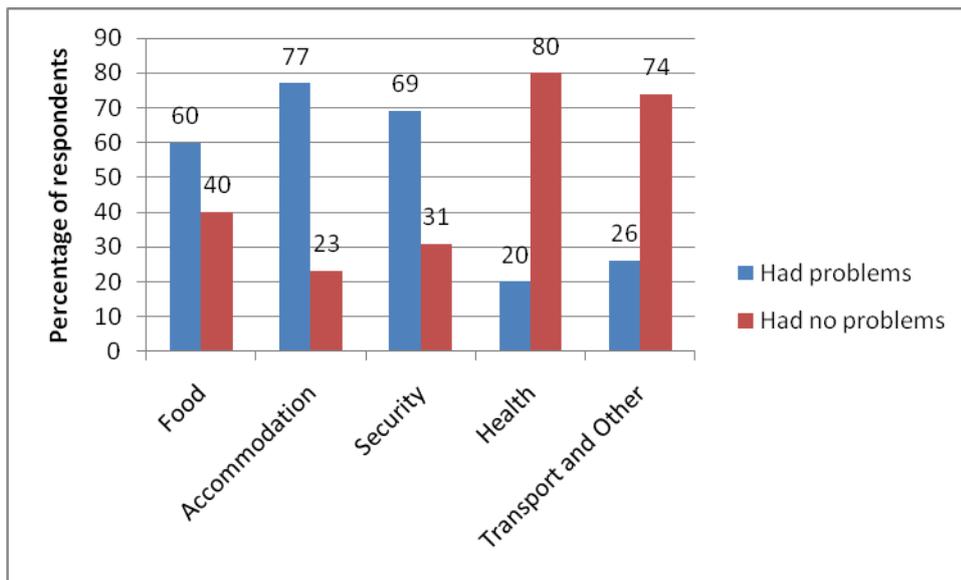
Table 5.5 also shows that generally all women spent less time away than men. This finding confirms what has already been noted in this study , that women prefer shorter periods away from home, and therefore traded in goods which sold faster.

While men generally spent more time away from their homes, the elderly men (those above 46 years of age) spent less time away from their homes. The elderly could have already established good homes during times when the economy was stable. Some of them mentioned that they were receiving assistance from their children and grand children. Thus they were not prepared to endure the hardships and challenges faced by informal traders. Some of the challenges of ICBT and the impact of long periods away from home on some traders are explained in the next sub- section.

Challenges faced during business trips

Traders mentioned that they encountered various problems during business trips with regard to food, accommodation, security, health and transport, as shown in Figure 5.16. Poor access to these services not only indicate poor living conditions but also help perpetuate the vicious cycle of poverty. Poor living conditions are associated with more frequent illness and overall discomfort that lower earning potential among adults.

Figure 5.16: Problems encountered by respondents during business trips



The majority 60% of respondents were failing to secure a decent meal per day, as they would prefer to save money. Some mentioned that they survive on cheaper sub-standard food or only one meal per day to save money. Some also cited illness due to the different food culture. However, 40% indicated that they could afford and were satisfied with the meals they take during business trips.

The majority 77% of respondents stated that they could not afford decent accommodation when on business trips. This includes those who sleep at relatives' places during business trips. Since decent accommodation is too expensive for the majority, some opt for cheaper or overcrowded accommodation or sharing rooms. Some sleep at bus or railway stations, where there are ablution facilities, where they would bath and change clothes. Others sleep in their vehicles to save money. This finding revealed that the majority of ICBTs encounter poor living conditions during their stay in destination countries.

Only 23% of the respondents could afford decent accommodation and sometimes they sleep in boarding homes where a large number of people share a room. However, some traders mentioned that they would prefer to secure decent accommodation to having a decent meal, in order to minimise the risk of theft.

69% of respondents mentioned that they do not feel secure because of the high crime rate in the country of destination. They said that sometimes, their goods are stolen and sometimes they encounter xenophobic and corrupt security officials who require bribes in return for assistance. Insecurity was linked to types of accommodation used. Those who can not afford decent accommodation end up in high crime areas or dilapidated insecure buildings. This shows that ICBTs operate under risky and insecure environments.

The service most traders cited that they had good access to, was the provision of health. The majority (80%) indicated that the health system in the countries of destination was very supportive. They accessed health facilities freely when ever they were ill. Only 20% of the respondents mentioned that it was difficult to access health facilities.

Traders indicated that they experienced health problems while on business trips. They cited suffering from headaches, backaches and the swelling of feet. They linked those illnesses to stress, since when selling their wares they travel long distances on foot, carrying heavy luggage. Some also linked those illnesses to the dirty, unhealthy environments they stay in, when on business in the countries of destination.

26% of the respondents mentioned that sometimes they face transport problems as fares are too high when they conduct business. Traders facing problems also mentioned that, sometimes language barriers and xenophobia hinder smooth business activities. On the other hand, the majority 74% of respondents commended the efficient transport systems of destination countries.

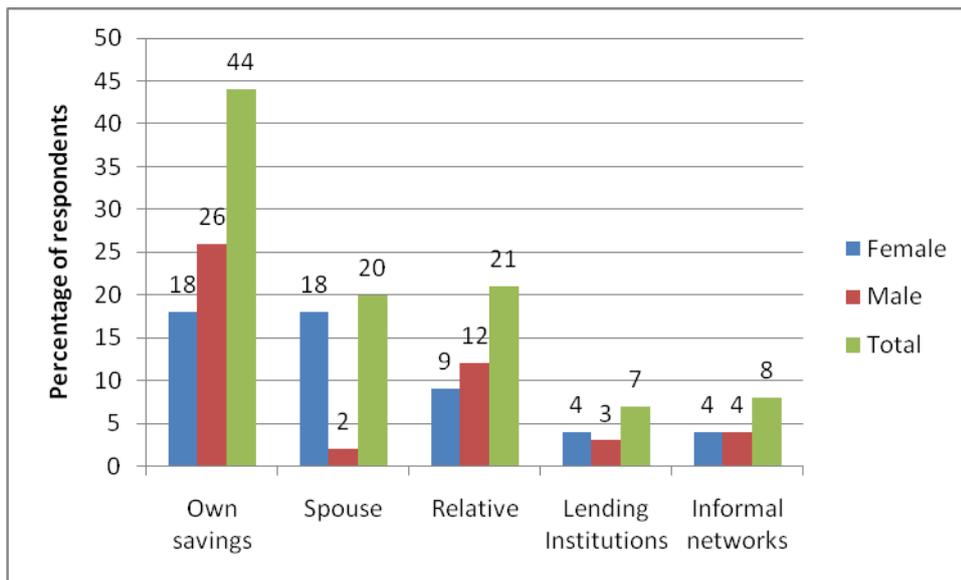
Despite accessing health facilities when in the country of destination, the majority of traders encountered various problems during business trips. These involved securing decent food and accommodation, and security, which negatively affected their well-being.

5.3.3 Sources of funding and problems encountered

Sources of funding

The respondents mentioned different sources of funding which range from utilising their own savings, getting funds from a spouse or relatives, borrowing from lending institutions and raising funds through informal networks. Figure 5.18 shows the traders' major sources of funding. However, some traders mentioned that, the sources are complemented by other sources, to help them raise enough capital.

Figure 5.17: ICBT Source of initial capital



For their start-up capital, own savings was recorded as the main source of capital with 44% of the respondents. In most cases capital from own savings was not enough and they are complemented by other sources such as borrowing. 21% of the respondents sourced capital from relatives. Relatives cited as lenders of initial capital include parents, sisters, brothers, cousins, aunts and sometimes in-laws.

7% and 8% of the respondents got support from lending institutions and informal networks¹³, respectively. Those two sources of capital were least influential in financing informal traders. One of the reasons may have been that, some traders do not want to apply for loans from formal institutions as the institutions expect repayments within stipulated timeframes, which they may be unable to meet. Thus most traders were reluctant to approach such institutions for funding. On the other hand, it was said that these two sources of capital were least prepared to finance

¹³ Informal Networks – Group of informal traders who take turns in raising capital for each and every member at different times.

informal traders. Some traders indicated that credit institutions were not viable alternatives for raising capital, since these institutions considered the ICBT a risky business area. Others indicated that they approached credit institutions but were turned down because of their lack of collateral. This result supports Tekere *et al* (2000) finding that financial institutions are not prepared to finance informal traders owing to the unpredictability nature of the trade and their lack of collateral.

Figure 5.17 shows that, the majority of men, (26%) respondents used initial capital from their own savings. On the other hand, relatively fewer women, only 18% of the respondents got capital from their own savings. This shows that men got capital from own savings more often than women. A substantial proportion (18% of the respondents) was women who got support from their spouses, while only 2% of the respondents were men who got support from their spouses. This finding shows that more women got support from their spouses, than men. One of the reasons for this difference is the different gender roles. While men are employed in income earning jobs, most women are housewives who are engaged in household chores which are not valued. Cagatay (2001) noted that, time spent on household chores affects women's access to better education, skill acquisition and the ability to earn money. Consequently men access more income generating opportunities and had more savings, than women.

Though gender mainstreaming and empowerment programmes are being promoted in Zimbabwe, gender balance is not yet established. Women still lag behind in terms of formal employment. Therefore, in times of economic deterioration and retrenchments, men were seen to have "own savings" from severance packages. On

the other hand, most women whose main function is household chores do not earn financial incomes. Moreover, with the different gender roles within a household, women are expected to provide for the family in the domestic sphere resulting in many income earning women using their money on their families and not being able to save any. This may indicate that the harsh aspects of poverty are mostly borne by women than men.

Problems encountered in sourcing start-up capital

Some traders experienced numerous challenges when raising capital. Thus, there were multiple responses among both female and male respondents with regard to what they faced. 52% of respondents encountered problems in raising capital as shown in Table 5.4. Some of the problems cited included too long a time to raise capital as banks did not have foreign currency, the unstable exchange rate which reduced the value of raised capital, and the unwillingness of both institutions and individuals to lend. These problems were some of the symptoms of the economic meltdown which was taking place in Zimbabwe during the survey period.

Table 5.6: Challenges faced by ICBTs, by Gender of ICBT (some multiple responses)

Problem/ Challenge	% Female facing challenge	% Male facing challenge	% of respondents facing challenge	% of respondents not facing challenge	% Total of respondents
Problems in raising initial capital	28	24	52	48	100

Source of funding still unreliable	16	14	30	70	100
Changes in items traded	35	25	60	40	100
Problems in accessing foreign currency	36	28	64	36	100

Source: Own calculations from ICBT Survey Data, October 2008 – January 2009

The majority (60%) of the respondents mentioned that they had experienced changes in demand and therefore shifted their main items of trade, as shown in Table 5.6. They cited a number of factors which contributed to the shifts. These include: changes in goods demanded by their customers, a general increase in the costs of trading and a shortage of foreign currency. However, the major changes in demand were on basic necessities especially food. Some traders who used to trade in household goods, clothes or spare parts shifted to groceries, owing to an increased demand created by food shortages.

A substantial proportion (31%) of the respondents had unreliable sources of funding since they commenced ICBT business. Some of the contributory factors cited included; too long a time to recapitalise due to social demands, the fluctuating exchange rate reducing the value of available funds, and banks not having foreign currency. The majority (64%) of respondents indicated that they have problems in accessing foreign currency, either from the official or the existing illegal black market.

The findings point to the fact that, traders were encountering problems in securing capital for their operations, and women traders were facing more challenges than men traders.

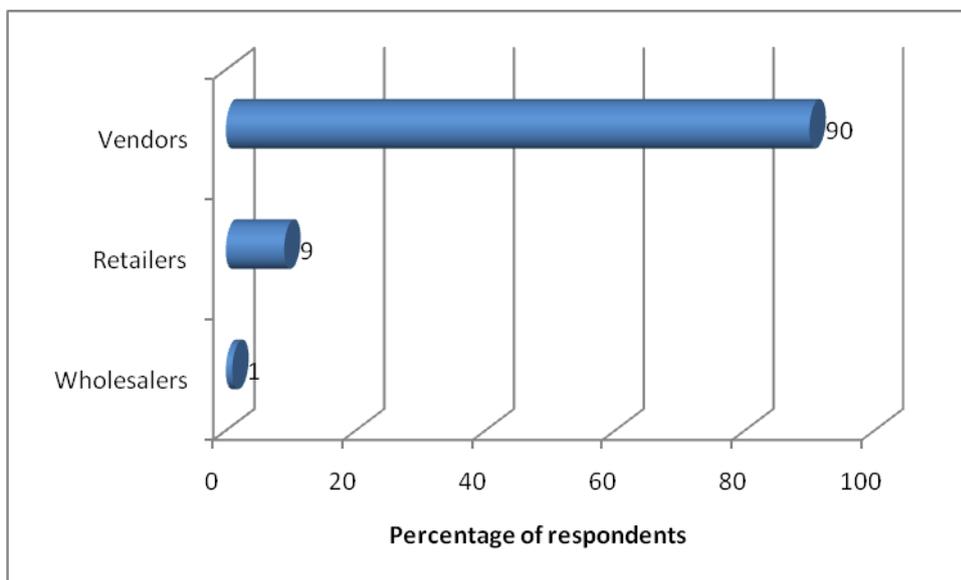
5.3.4 Marketing channels and mode of transport

The informal sector is a collection of economic activities which defies a precise and universally acceptable definition (World Bank Report, 1990: 1). The World Bank noted that 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. In Zimbabwe there is an official definition of the informal sector which appears in the Central Statistical Office’s (CSO) Labour Force Survey (1986). The designation “informal sector” is based essentially on the legal status of the activity. All enterprises not registered (by a prescribed statutory authority) or licensed (by a government authority) are informal. However, a complication arises with licensing, since many informal sector activities such as hawkers and tuck-shop owners require a licence to operate. Licensing is considered a form of government control over the informal sector, and this illustrates the difficulty of a precise definition, since those with licenses still fall under the informal sector.

For the purpose of this study which focuses on the informal sector, the sampled wholesalers, retailers and vendors were all being viewed as informal since they were sourcing goods and sometimes selling goods and yet avoiding some stipulated legal procedures. For instance a registered wholesaler in Zimbabwe would be replenishing

his/her stock by importing goods through informal channels, since he/she may not have an import licence, though they may, or may not have vending licenses. Products were then sold to retailers who were owners of supermarkets and tuck shops, who sell to final consumers. Retailers replenish their shops and sell directly to consumers. Vendors are those who import goods mostly without import licences, with or without vendors' licenses and avoid levies. In this study the majority of respondents (90%) said that they were vendors, (see Figure 5.18).

Figure 5.18: ICBTs' marketing channels



Vendors included those who conducted their business on street corners, at places of residence, moving from building to building, in flea markets or operating some unregistered tuck-shops. Door to door selling was preferred as it creates standing buyer-seller relationship, such that traders could sell on credit and could collect orders from buyers. Some vendors sold their products in flea markets where they rent space. Some vendors, especially professionals with formal employment in the country of origin, sold their goods from their work places.

Following the vendors category, was the retail category accounting for 9% of respondents. This category includes retailers and sole traders. These were registered traders who bought goods in either South Africa or Botswana to sell in their retail shops in Zimbabwe, and they indicated that sometimes they engaged in vending so as to speed up the sale of goods.

Only 1% of respondents in the survey were found to be in the wholesale trade. These were registered traders who bought goods in either South Africa or Botswana to stock their warehouses in Zimbabwe. They would then supply retailers. The proportion of wholesalers in this sample is small since ICBT operations are small scale with limited funds that prevent them from expanding to wholesale enterprises. Those in wholesale business practice operate on a large scale, thus they usually register and would no longer be in the informal sector. Moreover, wholesale business practice would need bulky/large buying which requires the trader to have transport. The wholesalers indicated that they had their own transport. However, the majority of ICBTs said that they used public transport. Table 5.7 shows the results of an analysis of the association between the mode of transport used and gender of the respondents.

Table 5.7: Mode of transport, by gender (% of the sample)

Gender of the respondents	Mode of transport used by the respondents					TOTAL
	Rail	Air	Buses	Minibuses	Private cars	
FEMALE	1.6	1.3	43.0	3.2	4.9	54
MALE	0	0.6	35.4	1.9	8.1	46
TOTAL	1.6	1.9	78.4	5.1	13.0	100

Source: Own calculations from ICBT Survey Data, October 2008 – January 2009

More than 78% and more than 5% of the respondents informed that they use buses and minibuses respectively. Bulky quantities of goods attracted high transport and storage costs, thus a common feature of those who used public transport was that they were dealing in small quantities of goods per given period of time. Only 1.6% of the respondents indicated that they sometimes use rail transport and they were all women (see Table 5.7). The traders stated that this mode of transport, though cheapest, is associated with delays and unreliability, as a result it is rarely used. Male traders never mentioned the use of rail, indicating that women were bearing more hardships which are associated by ICBT business, than men.

A small group, only 1.9% of the respondents indicated that they sometimes used air transport and the group was comprised of those whose deal in minute, expensive products such as high value electronic spare parts. The group may not be categorised among the poor as they revealed that they were mostly dealing with large sums of money. Consequently, they could afford to travel by air which is

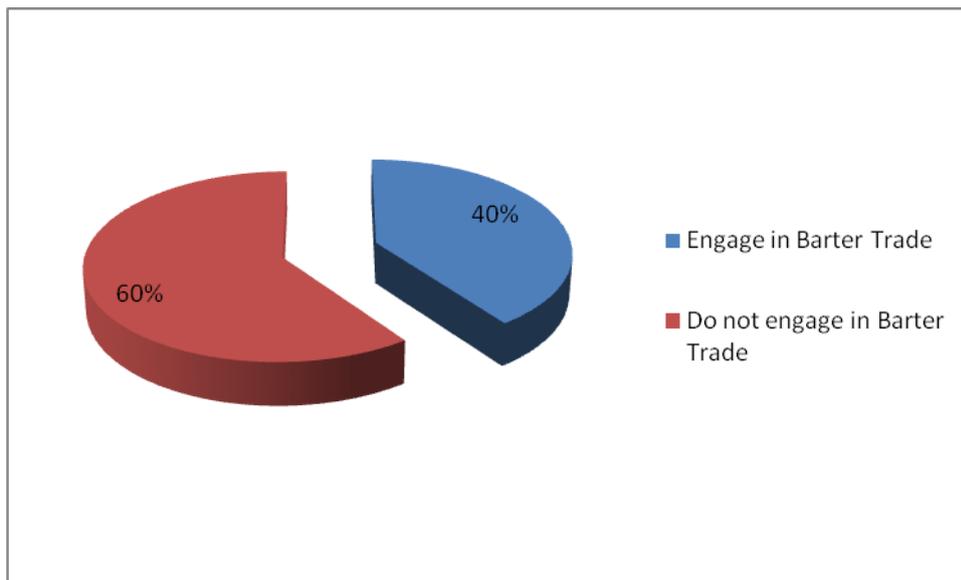
relatively more expensive than other forms of transport.

12.5% of the respondents indicated that they use own transport. Some mentioned that they owned pickup trucks or small commercial trucks which they used to carry out their own ICBT activities, and they are sometimes hired by fellow traders. Sometimes informal traders hired vehicles in groups in order to reduce transport costs. The survey found that the majority of ICBT participants used and relied on public transport.

5.3.5 Practice of barter trade

While barter trade has not been mentioned in previous studies, this study found that 40% of respondents practice barter trade as shown in Figure 5.19. Respondents mentioned that barter trade was sometimes practiced in countries of destination where buyers would offer their used household items in exchange for goods from Zimbabwe. However, it was mentioned that barter was not common in these countries of destination. Barter trade in Zimbabwe became common as traders exchanged goods (especially groceries) for either livestock or any other assets at hand. Traders mentioned that some landlords were even demanding rentals in kind, mostly in the form of groceries from their tenants.

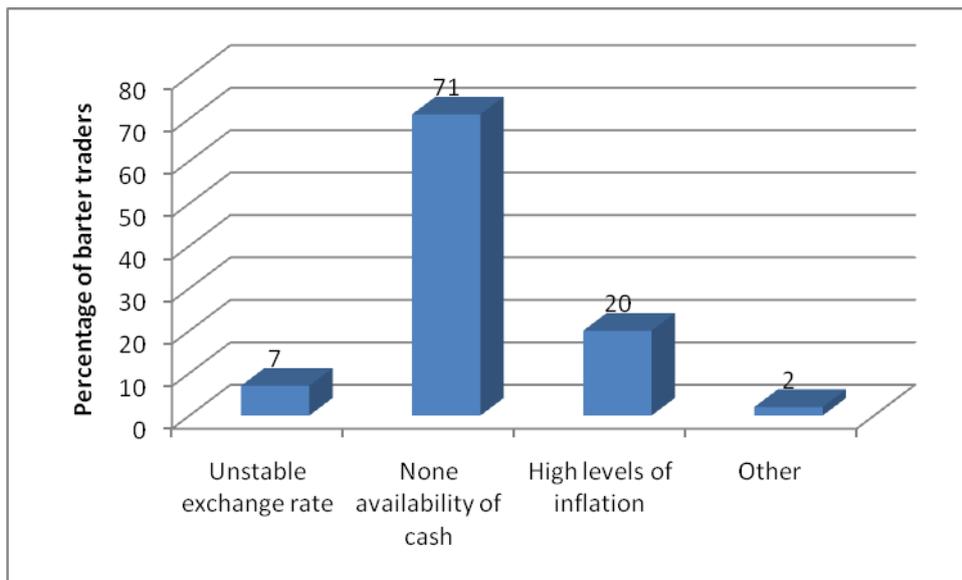
Figure 5.19: ICBTs who engaged in barter trade



Reasons for engaging in barter trade cited are shown in Figure 5.20. Out of the 40% of the respondents who practiced barter trade, the majority 71% of the barter traders sub sample cited the scarcity of cash as their reason for practising barter trade. 20% and 7%, respectively cited high levels of inflation and an unstable exchange rate, as reasons for engaging in barter trade. 2% of respondents shown as “Other”¹⁴ in Figure 5.20, mentioned that they engaged in barter trade in exchange for goods for resale in countries of destination. For example, groceries were exchanged for arts and crafts items. Goods for resale were being secured through barter, since cash was not available and it was difficult to price the items due to high levels of inflation and a fluctuating exchange rate.

¹⁴ “Other” refer to those who engaged in barter trade in exchange for goods to resale in countries of destination

Figure 5.20: ICBTs reasons for engaging in barter trade

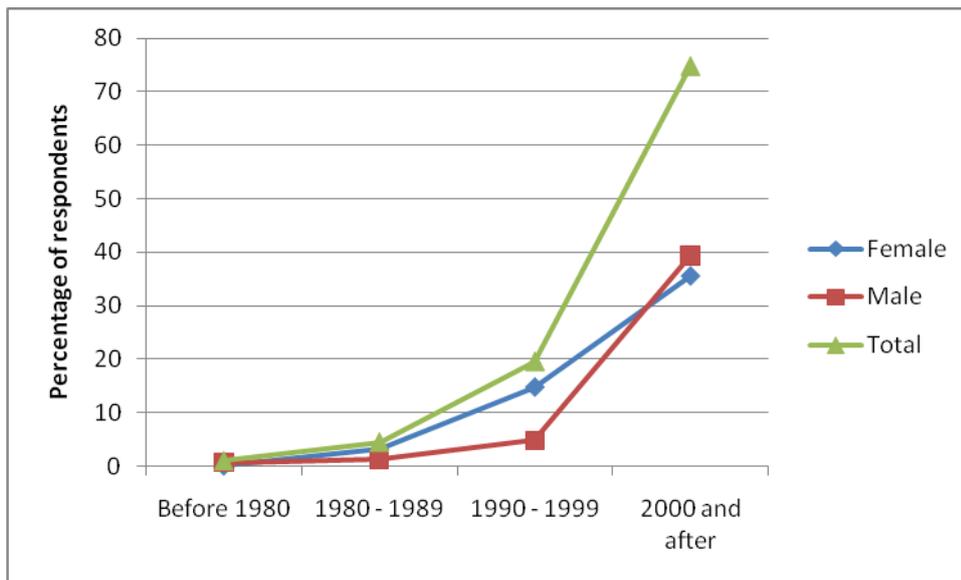


The findings show that the prevailing economic environment which was characterised by high levels of inflation, unstable exchange rate and scarcity of cash led to the emergence of barter trade in Zimbabwe.

5.3.6 Period of engagement in ICBT activities and perception on business

The findings of this study show an era characterised by relatively fewer traders in the 1980s, followed by a gradual increase of traders in the 1990s, and then a sharp rise in ICBT after year 2000 (see Figure 5.21). The majority (74.8%) of respondents started to engage in ICBT after the year 2000, as shown in Figure 5.21. This rise may be attributed to the deteriorating economic environment in Zimbabwe during the survey period, which pushed people into the informal sector resulting in an increased number of people engaging in informal cross border trade.

Figure 5.21: Trend in engagement in ICBT by gender



The finding indicates that before 1980, and during 1980 – 1999, 73% of respondents who had commenced ICBT activities were women. During that period the Zimbabwean economy was still stable. However, people’s incomes were being eroded gradually by inflation, especially towards the end of the 1990s, as the country’s economic deterioration set in. The majority of men were still employed, and their wives were sometimes engaged in ICBT to supplement their husbands’ incomes. In addition, women comprised the majority of the unemployed, thus females who were heads of households, but not employed were engaged in ICBT to earn a living. This confirms the observation by previous studies that ICBT used to be an activity for unemployed women who were trying to eke out a living (Tekere *et al*, 2000: 16).

The period 1990 – 1999 shows an increase of ICBTs numbers with the number of female participants still surpassing males. However, the period 2000 and after indicates a significant increase in ICBTs, 74, 8% of respondents, with more men than

women. This finding is in contrast with findings of the 1980s and before, when there were fewer participants, and these were mainly women. The influx of men into the ICBT business was due to the worsening economic hardships in Zimbabwe, which was characterized by dwindling incomes and retrenchments. As a result of economic deterioration, engaging in ICBT activities became a survival strategy.

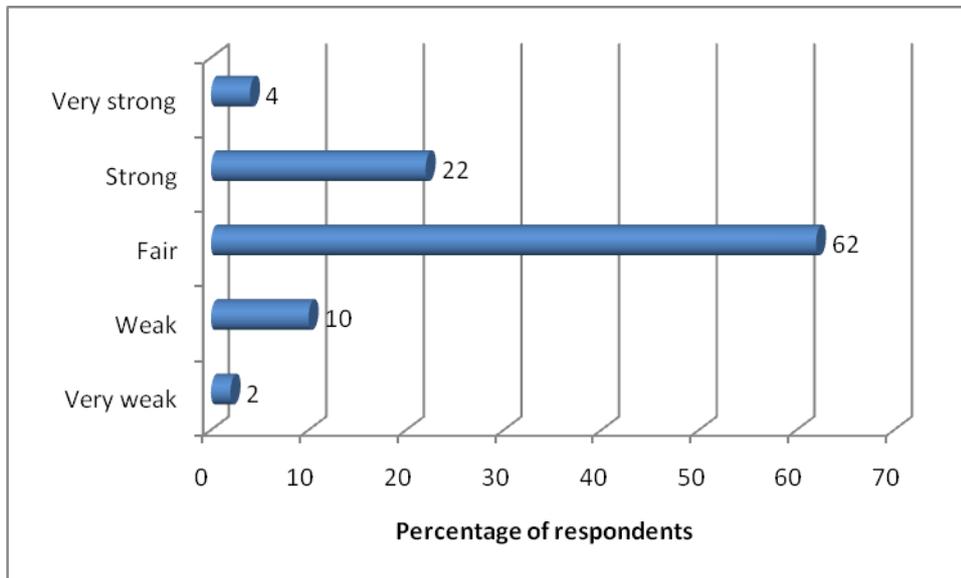
ICBTs' Perceptions on Business Growth

In this study, the majority (62%) of the respondents perceive their business performance with regard to growth and development in the past year as fair, as shown in Figure 5.22. Fair, may have been their perception since they were able to survive on incomes from ICBT business involvement. However perceptions that business performance was fair showed that performance was not viewed as good. 2% and 10% perceive their business performance in the past year as very weak and weak respectively. The then prevailing economic conditions in Zimbabwe were not suitable for good business performance. Some traders stated that recapitalisation was difficult and profit margins were being eroded by the then prevailing high levels of inflation. Transport problems due to the shortage of fuel were also cited as a major problem which hindered good business performance.

Social needs and responsibilities were cited by some respondents as reasons for the negative performance of their business activities, as these were consuming much of their income at the expense of reinvestment. The general decrease in demand for some goods due to a dwindling economy, a distressed financial environment and natural disasters like droughts were also cited as hindrances to growth. Some

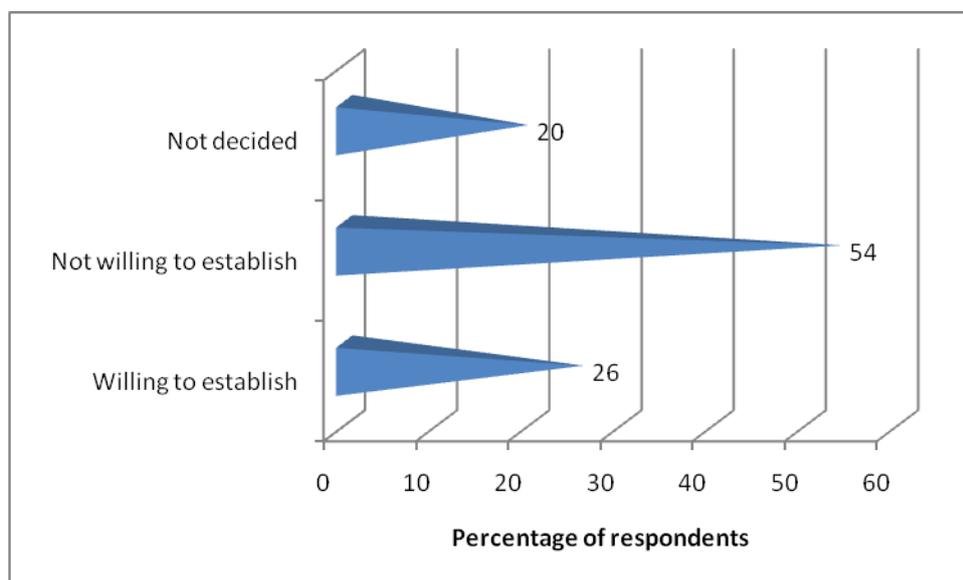
respondents who were formally employed indicated that they were overstretched since they had two jobs.

Figure 5.22: Respondents' perception on their business performance



Only 22% and 4% of the respondents perceived their businesses as growing strong and very strong respectively. They indicated that they were thinking of establishing formal businesses in the future as shown by Figure 5.22. 32% of respondents indicated that they employed at least one person to assist in the running of the business. These were mainly traders dealing with retailing or wholesaling. Some vendors also employed persons who sell their goods when they travel away on business. However, persons employed by vendors were mainly relatives who were sometimes paid in kind. These may not have the necessary entrepreneurial skills especially where financial accounting and management is involved. This may hinder business growth which is an important phenomenon to poverty reduction, in so doing mitigating the positive impact of ICBT on poverty alleviation.

Figure 5.23 Respondents who were thinking of establishing a formal business



The majority of traders (74%), though participating in informal trade, would not prefer to establish a formal business. Their engagement was just for survival due to economic hardships in Zimbabwe. This finding is in line with some previous findings. Metcalfe (1992), on ICBT in Poland, found that though ICBT trade satisfied immediate consumption needs, it was seen as a reaction to a depressed labour market. Findings from that study showed that traders treated ICBT as a way of supplementing incomes or saving up money for consumption expenditures. This was also supported by Ntseane (2000) and Meagher (1992).

On the other hand, Peberdy and Crush (1998: 1) dismissed it as a myth that participants in the informal sector are poverty stricken and desperate people engaged in a struggle to survive. However, Peberdy established that the majority of respondents were pursuing a future, where they would establish their businesses as small entrepreneurs.

5.4 Analysis of ICBT encounter with government policies

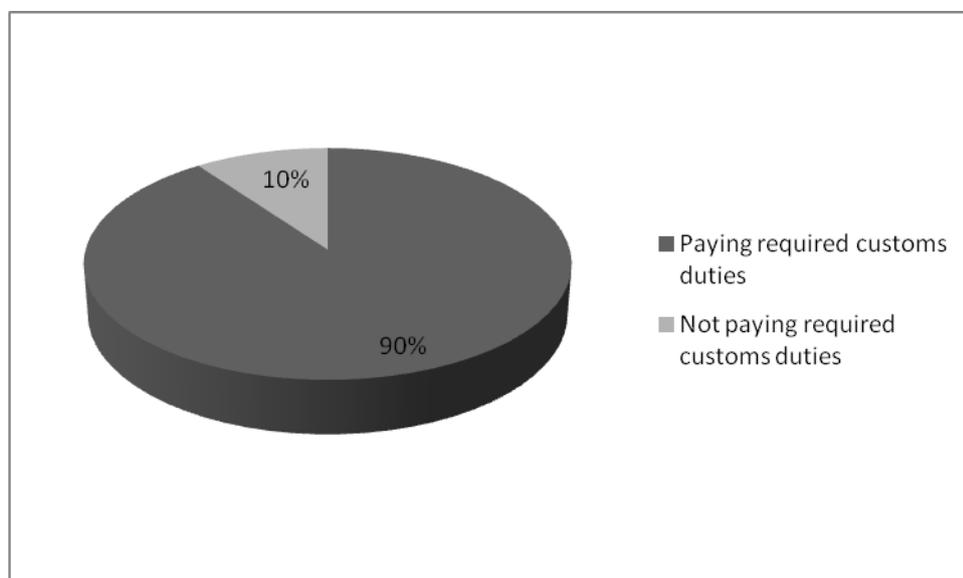
Government policy can either support or hinder ICBT activities (Tekere et al, 2000: 1). In this study, respondents were asked to give their experiences with various government policies, and to give their opinions with regard to ICBT and government policies.

5.4.1 Payment of customs duty

One of the controversial issues with regard to ICBT is related to the revenue lost in the form of customs duties and tax evasion. In an effort to reduce their cost of trading, some traders may seek ways to avoid and evade duties through under declarations, hiding and avoiding official borders. Such behaviour by traders may have been induced by high duty rates placed by governments to generate revenue or to discourage importation of certain goods that would normally compete with local production.

In this study, the majority 90% of the respondents claim that they pay the required amounts of duties if any, (see Figure 5.24), though they usually buy amounts of goods with values equivalent to or less than the travellers' rebate, so as to avoid the payment of duties. Some traders also said that the attention of customs personnel was mostly focused on large volumes of goods, so they usually deal in less bulky goods to avoid payment of customs duties. Those who exceed the rebate and pay customs duties said that they prefer to be obedient citizens and always operate above board.

Figure 5.24: Respondents' payment of required customs duties



10% of respondents indicated that sometimes they do not pay duties since they trade in prohibited goods and use smugglers. Others preferred payment of bribes as it would be lower than the duties. This is done as a way of cutting costs.

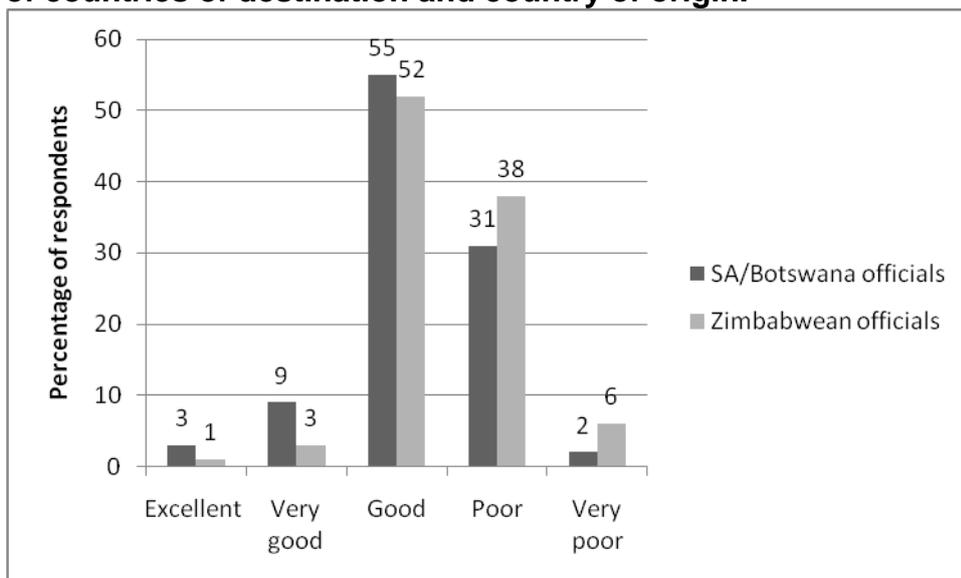
5.4.2 Experiences with government officials

Respondents were asked about their experience with Zimbabwean customs and immigration officials and the majority 56% indicated that their experience was either good, very good or excellent as shown in Figure 5.25. They pointed out that, as long as their travel documents were in order, they did not experience problems with officials. However, a substantial percentage, 44% of respondents indicated that their experience with Zimbabwean customs and immigration officials was poor. They mentioned harassment and exaggerated body searches by officials when they

crossed the borders. Some claimed that their goods were sometimes confiscated and heavy penalties imposed.

Respondents recommended some amendments to the customs and immigration rules and regulations to improve their trading conditions. The recommendations include improving efficiency at the border by increasing the number of trained officers and computerising the system at the borders. Respondents also proposed an increase in the value of rebate and a decrease in duty rates so as to decrease the costs of trading and increase the value of duty free goods.

Figure 5.25: Respondents' experience with customs and immigration officials of countries of destination and country of origin.



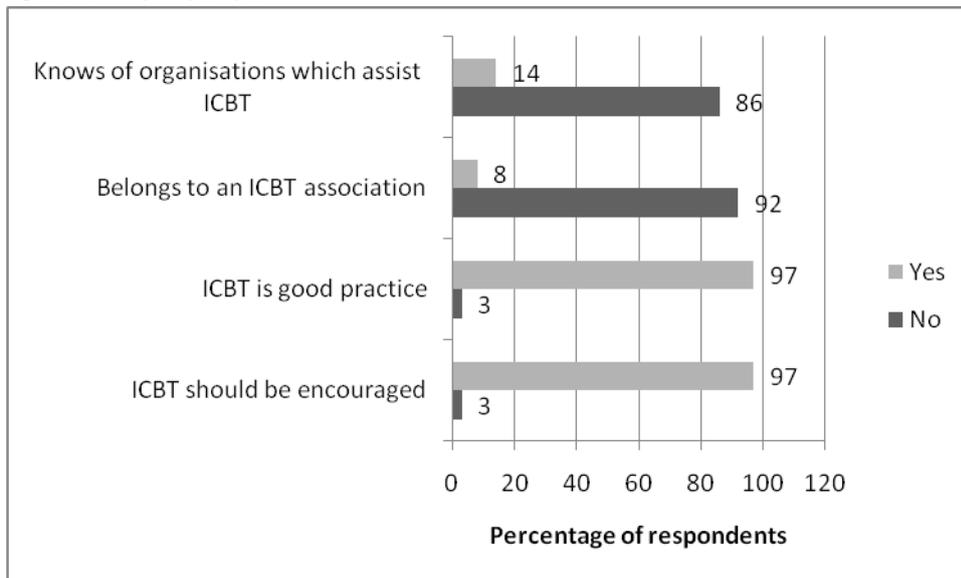
Respondents noted that the bureaucratic procedures to acquire the required documents is cumbersome. Some proposed an ease of the import and export licensing system and visa requirements. Corruption of officials was mentioned as a problem, and therefore recommended that Government find ways of combating corruption.

67% of the respondents mentioned that their experience with either South African officials or Botswana officials was good, very good or excellent as shown in Figure 5.25. Traders also pointed out that as long as their travel documents were in order, they did not experience problems with officials. A substantial 33% of respondents indicated that their experience was poor, as the officials harass and delay them. Traders related the abuse to the perception the officials had about the informal traders. The officials viewed traders as criminals and a nuisance, even labelling them as 'village people'. If regional policy could recognise these traders maybe, perception would change.

5.4.3 Knowledge of relevant associations

Tekere et al (2000: 23) noted that lack of knowledge of where to get help as well as clear policies that can benefit them, are some of the constraints to ICBT. In this study, only 14% of the respondents were aware of associations aimed at handling ICBT issues or have knowledge of any channels through which traders could access government intervention to solve their problems as shown in Figure 5.26. The government ministries mentioned include: Ministries of Small and Medium Enterprises, Industry and International Trade, Labour and Social Welfare, Lands and Agriculture, Home Affairs and Ministry of Gender and Employment creation. Government ministries assisted them with advice and also the issuing of relevant documents such as permits and licences.

Figure 5.26: Respondents' knowledge of associations and perception about ICBT involvement



Non governmental organisations mentioned include; the Zimbabwe Association of Informal Cross Border Traders, Small Enterprise Development Corporation (SEDCO), Micro King and some Christian Church Organisations. These non-governmental organisations assisted them with both advice and finance. The majority 86% of the respondents indicated that they were not aware of any association which can assist them.

Amongst the 14% of respondents who knew about ICBT associations, only 8% of the respondents had registered for membership of an association. This indicates that the majority were ignorant about any ICBT association. Tekere *et al* (2000: 23) pointed out that, the lack of knowledge on where to get help was one of the problems against the viability of ICBT.

5.4.4 Opinions with regard to ICBT and government policies

A significant proportion, 97% of the respondents were of the view that ICBT is a good practice and should be promoted. Some reasons cited as to why ICBT activities should be promoted was that participants earned a living out of ICBT activities, therefore ICBT activities provide some form of employment. Some respondents mentioned that importation of duty free raw materials and consumption goods, was promoting competition and thus lowering the price of the food basket.

Traders recommended that government support ICBT activities through policy. Some even indicated that they would prefer that the regional policy allows free movement of people and goods in the region. Financial assistance was also their major concern. They suggested that governments assist in setting up structures in financial institutions (through legislation) which promote funding of their activities.

A few, (3%) of the respondents, who felt that ICBT practice is not good and should not be encouraged, were of the view that the ICBT business discourages local production. Some mentioned that it is socially undesirable as it attracts some incurable diseases such as AIDS, since participants were sometimes away from their families for too long. They recommended that the government promote employment creation in Zimbabwe and boost local production rather than introducing ICBT promotion policies.

5.5 Conclusion

The majority of respondents were middle aged. The sample is characterised by large family sizes, few sources of income, and high levels of unemployment among family members. This is a sign of the high dependency ratios and poor households. The majority indicated that they were heads of households and their main reasons for trading were to earn an income and a few mentioned that they were looking for employment in countries of destination. For the majority, informal cross border trading was the only source of income for their households. All respondents were literate, as they have had at least a primary education.

Types of goods traded in countries of destination included Knitwear, Clothing, Arts & Crafts and Agricultural Products. Goods traded in the country of origin included Spare parts & Raw Materials, Household Goods, Clothes and Groceries. Most traders brought groceries to country of origin and frequency of trips increased over time, which suggest that food shortages may have been a push factor.

The respondents' ICBT activities indicated that they managed their activities at small scale levels of business operation. Though the majority faced challenges in acquiring funds, women faced more challenges than men. A substantial proportion indicated that they practised barter trade due to the unstable economic environment.

The respondents' perceptions and experiences with government policies is negative and need to be improved. The majority of respondents felt that ICBT is good business and should be encouraged. The following chapter gives an impact assessment of ICBT on poverty reduction.

CHAPTER SIX

IMPACT ASSESSMENT OF ICBT ON POVERTY REDUCTION

6.1 Introduction

There is still a big debate with regard to the contribution of ICBT activities to development. Some studies, for example Tekere *et al* (2000: 1) noted that the policy dialogue in many developing countries continues to be driven by the perception that ICBT is not only economically non-viable but also socially undesirable. On the other hand some researchers, for example Tekere *et al* (2000: 21) found that some households were able to break out of poverty through cross-border trading. From this study, it has been found that a lot of people are making a living from ICBT activities, however the question remains as to whether poverty was significantly reduced.

Traditionally, the monetary measure of people's incomes was the standard way of assessing their well-being. However, the new evolving concept of poverty argues that the economic aspect is just part; numerous factors contribute to the concept of poverty, including social, political and cultural forces (Carney, 1992: 74-80). The economic aspects of poverty depicted by the deprivation of basic human material needs can be attained through acquiring income. However, aspects of social, political or cultural needs, which are none material, may not be measurable in monetary terms. Thus poverty is viewed as a multi-dimensional phenomenon which needs to be examined through both money-metric and non-money metric means.

This study utilises a combination of both money-metric measures and non money-metric means of examining poverty. In non money-metric terms, the impact of ICBT activities on poverty reduction are qualitatively assessed using the effect of ICBT on food security and its effect on family relations. Using non-metric measures enables us to recognise that poverty is a social state that can not be defined in monetary terms alone (CSO Zimbabwe, 1998: 24). However, in this study these indicators did not quantify the depth or any comparisons of poverty levels before and after engagement in ICBT activities.

Money-metric measures being used in this study are incomes earned from ICBT activities, assets acquired and expenditure patterns. This approach enables quantification of the level of poverty and also enables comparison of incidences of poverty before and after engagement in ICBT activities. With regard to income, the basis of comparison is whether the size of income earned is enough to lift a person out of poverty. An assumption was made that the majority of traders were poor as determined by their income status which was below the poverty datum line before trading. This assumption was based on the prevailing deteriorating economic environment which was characterised by high levels of poverty during the survey period, as highlighted in the second chapter. Consequently, the prevailing dire economic situation pushed people to engage in ICBT activities for survival.

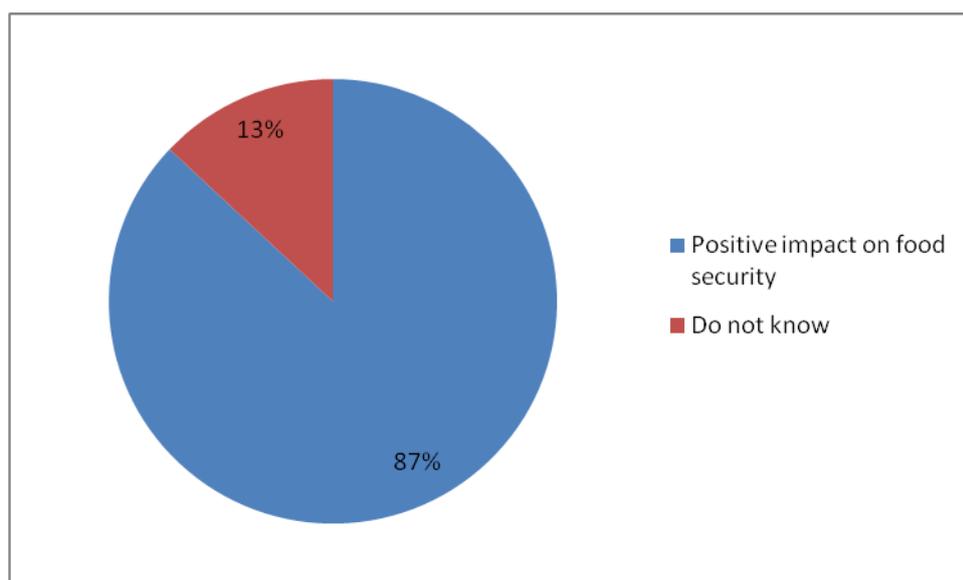
Thus, the variables of analysis in examining poverty reduction are food security, social relations, acquiring of assets, expenditure patterns and household incomes. These variables take into account the definition of poverty, which does not only consider the monetary aspect, but other factors as well.

6.2 Food Security

In this study, data which enable an assessment of poverty from the point of view of the respondent were also gathered. Respondents were asked to give their views on whether ICBT activities had an impact on food security. An analysis of the findings revealed that respondents felt that ICBT activities significantly improved food security, (see Figure 6.1 below). 87% of the respondents had a view that ICBT had a positive impact on food security in the country of origin, through affordability and availability of scarce food in their households and those of other families in the country. Only 13% of the respondents indicated that they did not know if ICBT business had any impact on food security.

Figure 6.1: Respondents' perception on the impact of ICBT activities on food security

(No respondent stated ICBT had a negative impact on food security).



From the findings of this study, it is evident that informal cross border trade had a positive effect on food security in Zimbabwe, during the period of survey. Firstly, as shown in the previous chapter (Figure 5.12), 6% of the respondents cited the need to secure household food as the major driver for engaging in ICBT. This group had money to buy food even before they began in ICBT activities, and they engaged in ICBT business in order to use the opportunity to buy food which was scarce in Zimbabwe.

Secondly, food was also made available even to those families who were not in the ICBT business, since some traders supplied shops and also bought groceries for their relatives. This is shown in Figure 5.14, where the majority (68%) of traders, indicated that the major trading items they brought from South Africa and Botswana to Zimbabwe were groceries. As a result the availability of food was improved through the importation of food products.

Thirdly, improved income status also led to improved food security. Figure 5.12 revealed that the majority of traders, 94% of the respondents mentioned that their reasons for trading were either to earn an income, supplement an existing income, or seeks employment. Respondents mentioned that this was being done in order to earn a living. Out of the 94%, 66% of the respondents had no alternative sources of income. The poor status of their income before trading implies they could have been facing difficulties in affording food. ICBT incomes cushioned them from food poverty.

Fourthly, even those families who did not have money at hand due to the instability of the economy, 40% of the respondents (as shown in Figure 5.19), ended up

securing food by bartering their wealth such as livestock to access groceries. A substantial 40% of traders indicated that they engaged in barter trade. Though such a group of customers were depleting wealth which they had accumulated, making them poorer in terms of asset ownership, they were able to secure food.

Fifthly, as shown in Table 5.4, the majority (59%) of the respondents, experienced changes in the demand for the goods they supplied and therefore they changed the types of goods they were trading in. One of the reasons cited was changes in consumer demand, as most of their Zimbabwean customers were shifting from other goods to groceries. This finding may point to the fact that the ICBT activities were characterised by food importation from countries of destination into Zimbabwe. Though, this may be a phenomenon that characterises bad economic situations, during stable economic situations, food importation has also enhanced availability of a wide variety of foodstuffs and other commodities not available locally (Tekere et al, 2000: 20). The analysis revealed that, informal cross border trade improved food security status for the majority of households.

6.3 Social Welfare

An assessment of the respondents' views indicated that informal cross border trade impacted positively on some social aspects and negatively on others, depending on the categories of people. Demographic characteristics such as age, marital status, gender, family size and level of education of an individual, were causal factors as to how ICBT business affected that individual, with regard to certain social aspects. The following sub-sections discuss how ICBT activities impacted on family relations and

business practices. The family relations discussed include child care practices, relations with spouses, relations with relatives and child bearing.

Family Relations

Previous studies have established that, as parents struggle for the survival of their families such as engaging in ICBT activities, they are often unable to pay attention to the importance of parental care. As a result children in such families usually miss the personality development teachings from their first learning institution, the family. Lack of parent's attention, especially in early childhood years, could negatively impact the child's personality and therefore their future welfare in the long run (Zaslow and Eldred, 1998).

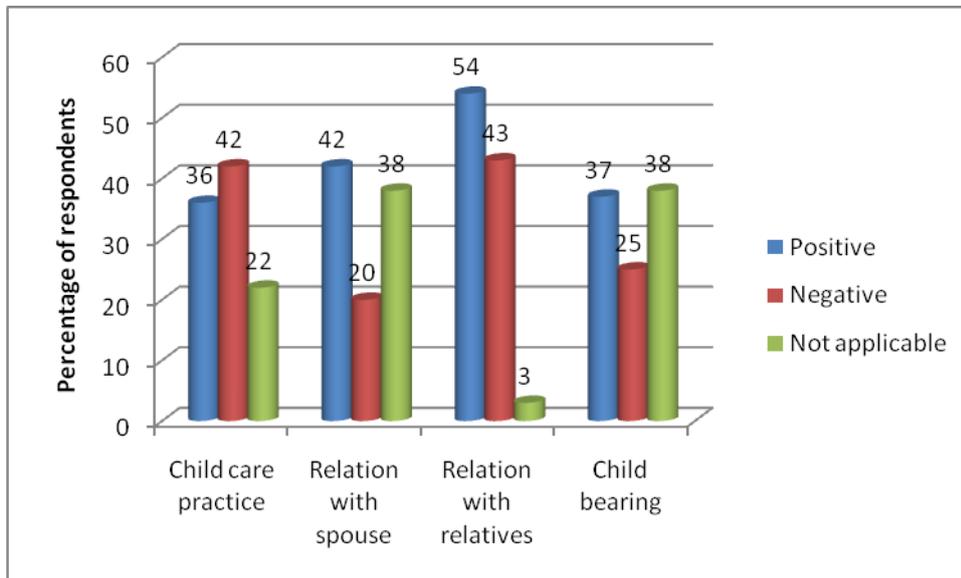
Strained family relations are also associated with high levels of poverty, as the chances of sharing available income equally among family members may be minimised. According to the Family Stress Model, family distress causes problems in the relationship between adults that are, in turn, linked to less parenting. A functional family and parenting had been considered important to children's development.

Child care practice

An analysis of ICBT activities and its impact on child care practice was done and the results are shown in Figure 6.2. 36% of the respondents felt that ICBT involvement had positively affected their child care practices, in that they were able to bring necessities for their children. However, for male respondents, their spouses took

care of their children. Some said that their children were old enough to understand their parents' business involvement, and also that they no longer needed child care.

Figure 6.2: Impact of duration away on family relations



However, a substantial 42% of respondents felt that ICBT involvement had negatively affected their child care practices, and those were mainly female respondents. Those respondents felt that due to their long periods away from their children, they had no control over what happened to the children while they were away on business. Of much concern was attendance at school and children who were being influenced by their peers to engage in illegal activities such as, taking drugs, alcohol and promiscuity. With regard to the young children, some respondents mentioned that they were losing the family bond with their children, which may have a negative impact on the growth of the children. This implies that ICBT had a negative impact on some families with young children who needed parental care and some families with the youth who needed parental guidance.

22% of the respondents felt that questions on child care practices do not apply to them. This category of respondents comprised either those who do not have children of their own or have no children under their custody; or some men who, though they had children at home, felt that child care was not their responsibility, but a women's job.

Relations with spouses

ICBT activities involve spending time away from home and sometimes away from spouses. There are different perceptions of the impact of ICBT on relationships that traders have with their spouses. There are arguments that ICBT contributes to the high divorce rate and single parent families headed by women (Muzvidziwa, 1998: 47). On the other hand, as has been noted, the same authors did not go further to establish any connection between improvements in family relations and ICBT employment. This study investigated the impact of ICBT on spousal relations.

Analysis of the gathered data revealed that, a substantial proportion, 42% (see Figure 6.2) of the respondents felt that ICBT involvement had positively affected relations with their spouses. Respondents in this category mentioned that since ICBT is a source of income, their spouses were very understanding and supportive. However, some 20% of the respondents felt that ICBT involvement had negatively affected relations with their spouses. They explained that strained relations emanate from the uncertainties of prolonged periods of absence from their families which generates suspicions about extra marital affairs. 38% of the respondents felt that they were not affected as they were either single or widowed.

52% of the respondents are married, as shown in Figure 5.5. A substantial proportion (42%) of the respondents (80% of the married respondents) felt that ICBT had a positive impact. It follows that the majority of the married group indicated that relations with their spouses were positively affected. Such a finding is expected in a country rocked by hardships, as those who bring any sort of relief are valued highly. Therefore, the income that traders earn may have strengthened relations with their spouses.

Relations with relatives

ICBT activities involve spending time away from home and from family members and relatives. Such life styles are perceived differently by different people. An analysis of the data as shown in Figure 6.2, revealed that 43% of respondents felt that ICBT involvement had negatively affected their relations with their relatives. However, a significant proportion, 54% of respondents felt that ICBT involvement had positively affected their relations with relatives, as respondents were then able to help their relatives by providing food, money and even paying for services such as school fees and hospital bills for their relatives.

This finding is not in line with findings in previous studies which revealed a negative portrayal of female cross border traders as smugglers, prostitutes and greedy by their relatives (Cheater & Gaidzanwa, 1996: 193). Muzvidziwa (1998: 30) observed that the negative portrayals and perceptions of cross-border female traders were not confined to Zimbabwe, indicating the gender dimension of ICBT.

In this study, though a substantial proportion (43%) of traders confirmed findings of previous studies which show a negative impact on relations with relatives, a significant proportion (54%) felt that ICBT involvement impacted positively on their relations with relatives. These traders gained favour from some of their relatives, since they had become sources of survival for their relatives.

Child bearing

Figure 6.2 also shows that, 37% of respondents were of the view that ICBT involvement did not have a bearing on the number of children they have, and 38% felt it is not applicable to them as they were either men or were not in the child bearing age group, and therefore were not directly affected. 25% of respondents felt that ICBT involvement had influenced child bearing. They mentioned that they ended up planning to have fewer children, and avoiding pregnancy as this would curtail their ability to travel on business.

Since only women are affected by this aspect, it follows that in a sample comprised of 54% women, if we exclude women who are not of child bearing age, 25% of the sample whose child bearing was influenced, represents a significant proportion of women of child bearing age. This implied that, ICBT had a negative impact on reproduction.

6.4 Asset Ownership

Acquirement of assets using ICBT incomes

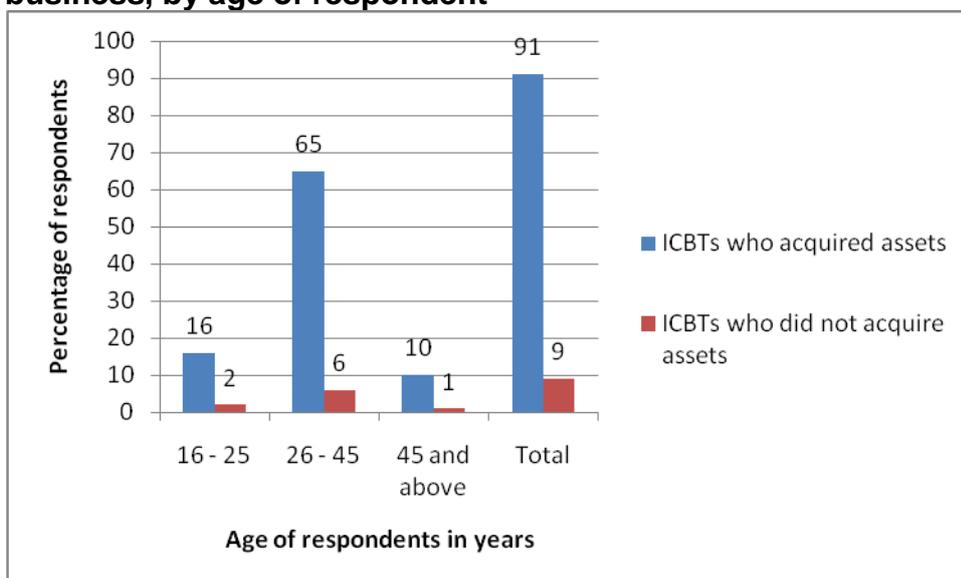
Wealth is a money-metric indicator of well-being and asset ownership is considered a form of wealth. It is considered an indicator of well-being, since it is a resource

which can be transformed for consumption purposes. The more assets people have, the less vulnerable they are to falling into poverty and the greater the depletion of peoples' assets, the greater their economic insecurity (Moser & Kalton, 1997).

However, wealth is difficult to measure because measurement requires valuation of assets which correspond to individual attributes, and an asset can have different attributes to different people. This survey covered assets acquired by the respondents' households using income from trading; however, the study could not value the assets using the respondents' information on the attributes of assets. The monetary values of these assets are being assumed to correspond with the level of the asset's contribution to well-being.

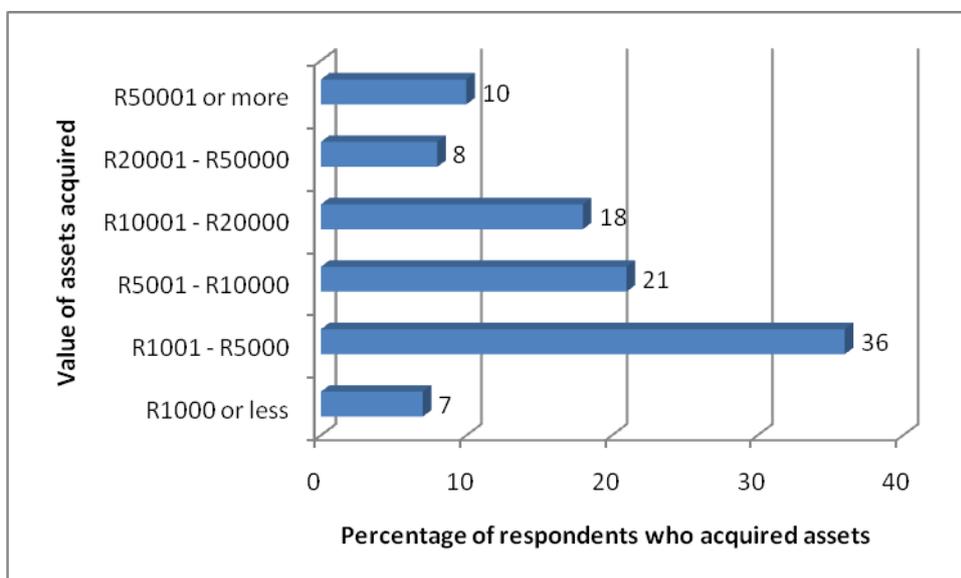
The majority, 91% of the respondents indicated that they managed to improve their economic wellbeing by acquiring at least one asset using income from ICBT business, as reflected in Figure 6.3.

Figure 6.3: ICBTs who managed to acquire assets using income from ICBT business, by age of respondent



(9%) of the respondents indicated that they did not acquire assets since they either could not afford it or did not need the assets. Out of the 91% of the respondents who managed to acquire assets using income from ICBT business, 93% acquired assets with an asset value of R1000 or more, as shown in Figure 6.4.

Figure 6.4: Percentage of respondents who acquired assets within a given range of assets value

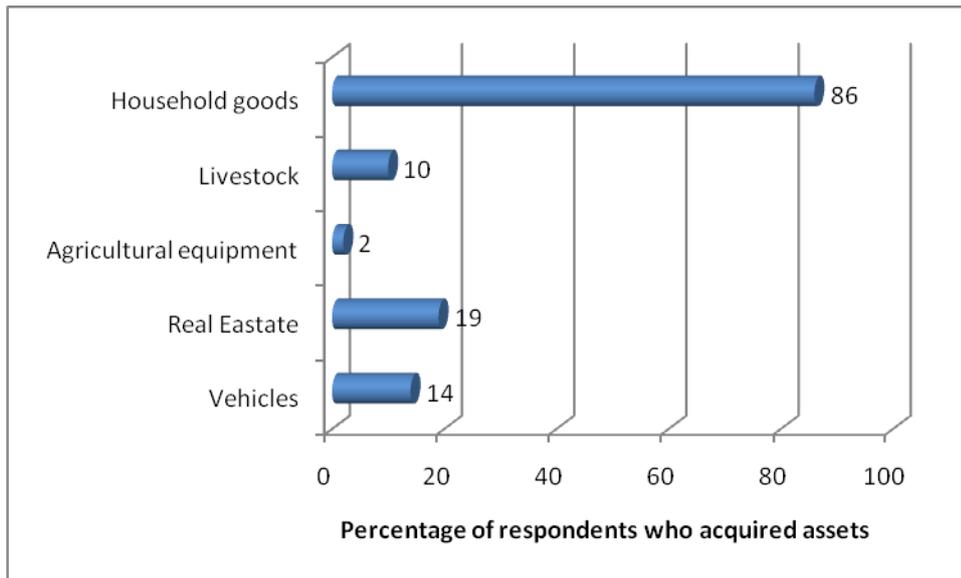


36% of the respondents acquired assets with a value between R1001 and R5000. 57, 7% acquired assets with a value of R5001 or more. Among those with assets with a value of more than R5001, 10% acquired assets with value of more than R50 000, which included vehicles and real estate. The study found that a significant number of traders managed to acquire at least an asset, and a substantial number acquired more valuable assets using ICBT incomes, indicating generally an improvement in economic wellbeing.

Types of assets acquired

Out of the 91% of the sample, the majority (86%) of these respondents indicated that they managed to acquire a variety of household goods as shown in Figure 6.5.

Figure 6.5: Types of assets acquired by respondents (multiple responses)¹⁵



These include television sets, video players, refrigerators, radios, home theatres, stoves, solar panels, beds, wardrobes, sofas, decoders, and other household utensils. 19% of the respondents indicated that they bought real estate which includes houses, vacant plots of land for building houses, business or for agricultural purposes. 14% and 10% of the respondents mentioned that they managed to acquire vehicles and livestock respectively. Only 2% mentioned that they managed to acquire agricultural equipment which includes; scotch carts, ploughs, wheelbarrows, generators, irrigation equipment and others.

¹⁵ Percentage total of respondents are not adding up to 100 due to multiple responses.

Though some traders managed to acquire productive assets, Figure 6.5 shows that the majority (86%) of traders acquired households' goods. This implies that the majority of traders used their incomes on basic necessities to sustain livelihoods, and fewer traders used their incomes to acquire productive assets, which contribute to the growth of the economy. This finding is in line with findings from previous studies. Bracking & Sachikonye (2006: 39) established that cross border trading may contribute to the productive accumulation and acquisition of assets for consumption.

Income levels and assets acquisition

An analysis of the relationship between income levels and the acquisition of assets reveals that, some who earn high income levels did not acquire assets. The correlation coefficient between incomes earned from ICBT activities and assets acquired was found to be ($r = 0, 3125$), hence the association between these two variables is positive but small. The relation was small since some traders did not prioritise assets, but provision of food. However, the positive relationship is a good indication that the level of income was a determinant of acquiring assets. Also the finding that a substantial proportion of traders managed to acquire wealth creating assets such as livestock, vehicles, agricultural equipment and real estate (see Figure 6.5), also implies that ICBT contributed to creation of wealth and hence had a positive impact on poverty reduction.

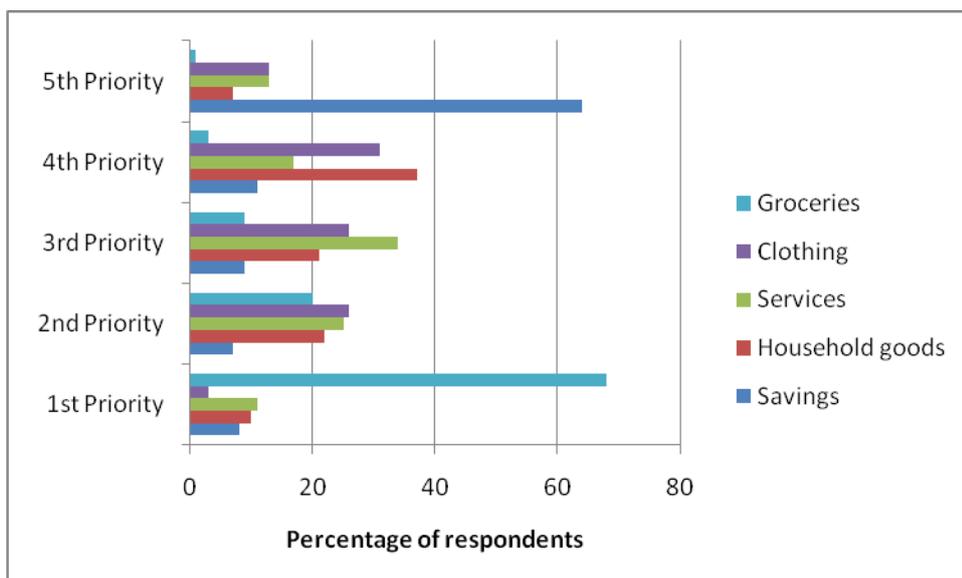
6.5 Expenditure Patterns

Besides the acquisition of assets using ICBT income, traders' expenditure patterns also portray the impact of ICBT activities on their households' welfare. In addition, to buying groceries, clothing, and other household goods, traders also mentioned

payment for services and saving for future use. The majority 67,7% of the respondents said that they spent much of their incomes on buying groceries for their families and relatives. Services rank second on the expenditure list as shown in Figure 6.6. The analysis indicates that saving is the least priority for the majority (64%) of traders, implying that very little of their incomes was being saved for future consumption.

This indicates that much of the traders' incomes were for present consumption. Since savings is one of the important sources of liquidity in times of emergencies and also a means of investment, the finding indicates that the futures of these families may still be vulnerable to poverty due to lack of investment. This is in view of the understanding that poor households use assets to protect themselves against risks and vulnerability. The assets include savings-in-kind, (held as store of value such as livestock) and household items such as utensils and furniture.

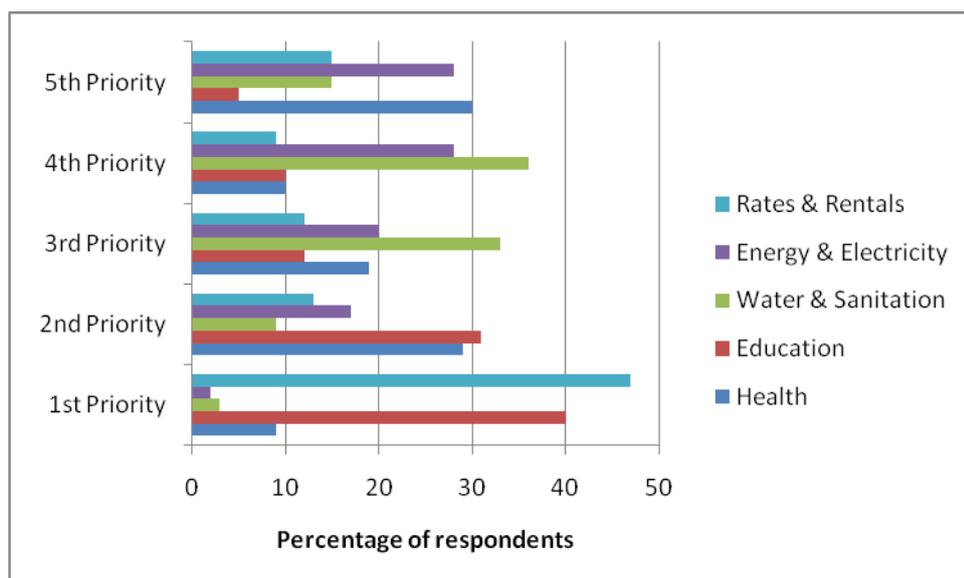
Figure 6.6: Percentage of respondents' expenditure rankings by type of expenditure



The portion of their expenditure on services was distributed among several items which include; paying school fees for their children, rates and rentals (those from urban areas), health care services, energy and electricity and payments for water and sanitation. The findings show that much of the expenditure on services was being allocated to rates and rentals followed by education as shown in Figure 6.7.

Rates and rentals were a big expense since most of the respondents mentioned that they incurred these expenses both in their country of origin and in the country of destination. Energy and electricity, and water and sanitation were least prioritised because a substantial proportion of traders was from rural areas and where most of them stayed in urban areas, there was no water and electricity for long periods, during the survey.

Figure 6.7: Percentage of respondents' expenditure rankings on services expense



Though the ranking of expenditure items was different among traders' households (see Fig 6.7), all respondents indicated that ICBT income enabled them to access necessary services. ICBT income was used for a variety of purposes by different respondents. Thus, the analysis of respondents' expenditure patterns reveals that ICBT activities and subsequent incomes earned enable those involved acquiring basic necessities for survival; as a result, ICBT is contributing positively to poverty reduction.

6.6 Household incomes and Poverty

Income levels before engagement in ICBT activities were assumed to be so minimal that the average monthly salary was far too little to meet even basic costs of living (Potts, 2006: 288). As noted in Chapter Two, by December 2008 (period of the survey), the national average income had been so swept by inflation that it could no longer be relied upon for survival. As a result, in this study, consumption expenditure by ICBT households before engaging in ICBT activities is assumed to have been mainly autonomous¹⁶.

Poverty Datum Line (PDL)

The study uses the Poverty Datum Line (PDL), to represent the cost of a given level of living which must be attained for a person to be deemed not poor, and it was used for comparisons of the respondents' poverty status before and after they engaged in ICBT activities.

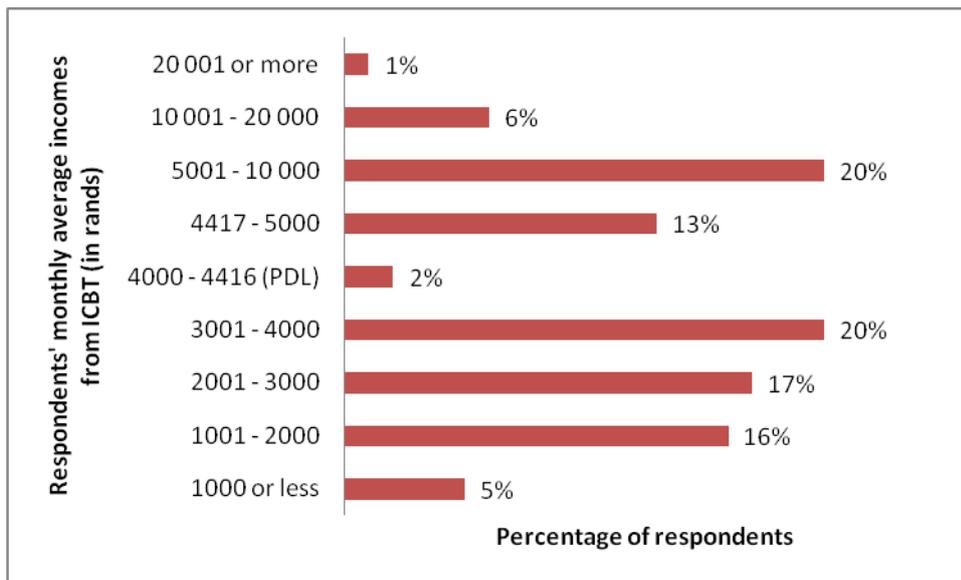
¹⁶ Autonomous consumption is a term used to describe consumption expenditure that occurs when income levels are zero. This comes from past savings or depletion of acquired assets.

The Poverty Datum Line (PDL) as of January 2009 stood at US\$552 per month which was equivalent to R4416 per month at the then official exchange rate of US\$1 = ZAR8 (Government of Zimbabwe Publication, 2009). The figure is based on an average family of five people. The figure was far much higher than the UN poverty line of less than US\$1 per day. Therefore, a family of five in Zimbabwe required as much as R4416 per month for basics as at January 2009, the period when this survey was on-going. According to the CSO, US\$177 (R1416) per month was needed for food, and US\$375 (R3000) per month for basics such as accommodation, transport to get to and from work, school fees, clothes, among other basics. There is no provision for luxuries. This PDL focuses on both rural and urban residents. This PDL, according to the CSO, represents the cost of a given standard of living that must be attained if a household is not to be considered poor. One of the poverty indices calculated was the prevalence of poverty index.

The Prevalence of Poverty

The percentage of the population living below the poverty datum line captures the prevalence of poverty. In this study it was computed as the percentage of respondents whose average incomes were below the poverty datum line as a proportion of the sample population. A head count index when given as a percentage was used with the formula as stipulated in Chapter Four. The majority (60%) of the respondents raised an average income of less than US\$552 (R4416) per month from their ICBT activities. A substantial proportion (40%) of the respondents managed to raise incomes which lifted their families above the poverty line, ie incomes above R4416 per month (see Figure 6.8).

Figure 6.8: Respondents' monthly average incomes earned



ICBT traders relied on autonomous consumption before engaging in ICBT activities. According to the income poverty concept, the traders were absolutely poor since they did not have the means to acquire basic necessities. Therefore, the prevalence of poverty was at 100% among traders' households before their engagement in ICBT activities. After engaging in ICBT activities, poverty decreased among the traders' households. The prevalence of poor households declined by 40%, representing a 40% decrease in the percentage of households below the poverty line as shown in Table 6.1.

Table 6.1 Respondents' Poverty Indices before and after engaging in ICBT activities

Item	Before ICBT	After ICBT	Percent change
Prevalence of Poverty	100	60	40
Depth (Income gap ratio)	1.0	0.38	62
Severity Index of Poverty	1.0	0.44	56

Source: Own calculations from ICBT Survey Data, October 2008 – January 2009

The reduction of households whose incomes were below the poverty line implies that ICBT business activities made a major contribution to poverty alleviation. However, the prevalence rate does not change when a very poor person becomes less poor, as a result the majority (60%) of the respondents' incomes remained below the poverty line after they engaged in ICBT activities. The impact of their involvement in ICBT, on their poverty status could then be shown by computing the depth of poverty index.

The Depth of Poverty

As indicated in Chapters Four the poverty gap index is defined as the difference between the poverty line and the average income of the population living under the poverty line. The greater the gap the deeper poverty they are in. In this study it was computed by calculating the average income of those who remained below the poverty line after engaging in ICBT. The gap between this average income and the poverty line is then compared to the gap prior to engaging in ICBT. The intensity of

poverty is reflected in the extent to which the income of the poor lies below the poverty line.

In this study, though a significant proportion (60%) of families earned incomes which were below the poverty line, the gap between the income poverty line and the average income of those below the poverty line decreased by 62 percentage points. This is based on the assumption that the average income of those below the poverty line was marginal before their ICBT activities. The average income rose to a monthly average of R2744 after they engaged in ICBT activities. Thus, after their involvement in ICBT activities the income gap ratio decreased, implying an improvement in the welfare situation for those ICBT households whose ICBT incomes were below the poverty line.

The Severity of Poverty

The severity index is sensitive to the distribution of wellbeing among the poor. It measures the degree of inequality among the poor by capturing the differences in the severity of poverty. In this study it was computed by squaring the poverty gap index, as shown in formula in Chapter Four.

Poverty severity is basically a poverty gap. When analysing the depth of poverty index, comparison is done between average income of the poor and the poverty line. However, with the severity index the gap between the poor and the poorest of the poor is compared. In this study the slightly lower percentage decrease of the severity index than the poverty depth index, means that the distribution of well being among the poor became slightly less unequal.

The findings on poverty indices were unlike in previous studies. For example, according to a study by Tekere *et al* (2000: 20), all cross-border respondents earned incomes above the poverty threshold. Muzvidziwa (1998: 36) also noted that 85% of his sample was in difficult circumstances when they started operating. However, within a year they had managed to raise incomes that took their households out of poverty. All cross-border respondents had incomes above the official threshold. Findings from this study showed that only a substantial proportion of respondents managed to earn incomes above the poverty threshold. The finding that the majority (60%) of traders' incomes were below the poverty line may have been due to the deteriorating economic conditions which made most economic activities unviable. High levels of inflation were also eroding incomes and pushing the value of the bread basket up.

The World Bank (1995: 9) defined poverty as a condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information and not only on income but also on access to social services. Findings of this study revealed that traders were enabled to secure these basic human needs, implying that ICBT contributed positively to poverty alleviation.

Incomes and the Gender Dimension

The monthly average income from ICBT was R5246.61. However, the monthly average income for women was relatively lower (R5200) than the total average. On the other hand the average income for men (R5270) was above the total average

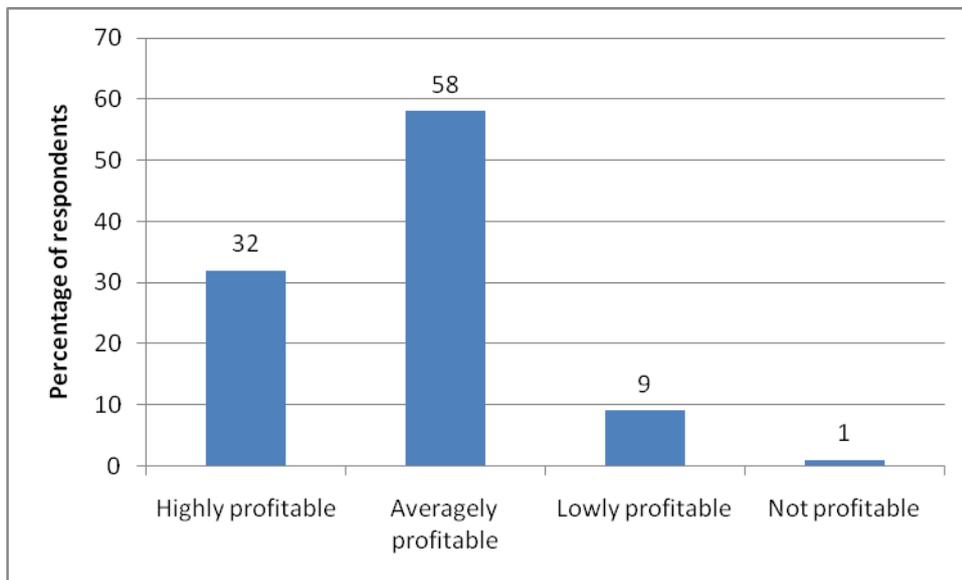
monthly income. This implies that financially men were benefiting more in ICBT activities than women. This could be due to gender inequalities in accessing productive inputs. In this study more men had own resources to start up ICBT activities, on the other hand the majority of women relied on support from spouses or borrowing (see Figure 5.17). This result also supports the finding that men tend to earn higher incomes than women in the informal sector (Sookram & Watson, 2006: 6-9).

The finding indicates that gender inequalities are an important dimension of poverty. Gender based relations help perpetuate the poverty not only of women but also of families, since some women are bread winners in their families. This also supports the proposition that women are more vulnerable to poverty than men.

Respondents' perceptions of profitability and income status

In this study, despite the fact that a substantial proportion of the respondents' household incomes still fall below the poverty datum line, the majority of traders believe that trading was profitable and had improved their income status. With regard to profitability, respondents were asked to give their views as to whether ICBT was highly profitable, averagely profitable, lowly profitable or not profitable at all.

Figure 6.9: Respondents' perception on the profitability of his/her ICBT activities

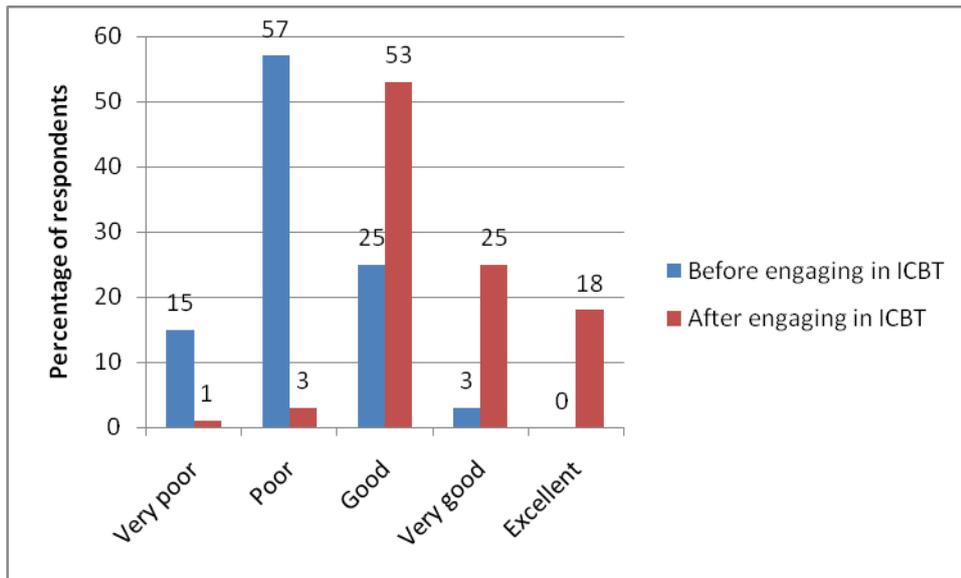


The finding shows that the majority of the respondents perceived their business activities as averagely profitable (58%), as shown in Figure 6.9. 32% of the respondents mentioned that their activities are highly profitable, implying that they can not only improve their lives by accessing basics, but can also afford luxuries. From 9% of respondents who indicated that their ICBT activities were lowly profitable, only 1% of them indicated that there was no profit at all. This shows that ICBT activities were viable and therefore positively contributed to poverty alleviation; since the majority of traders were reaping profits which enabled them support their families.

Respondents' views on their income status were revealed through a comparative analysis of their views on their income status before and after engaging in ICBT activities. The majority, 72% of the respondents observed that, before engaging in ICBT business, their income status was either very poor or poor. 25% indicated that

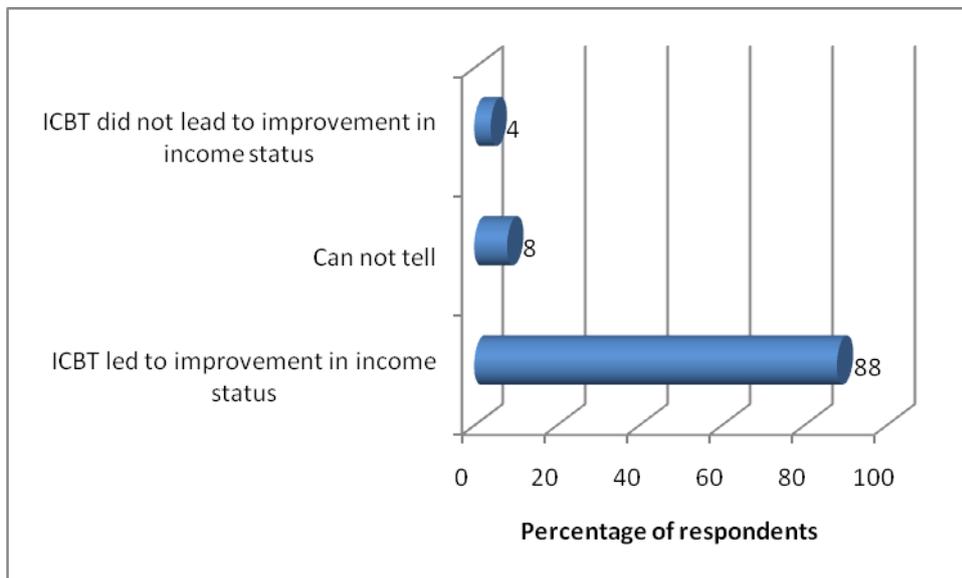
it was good but only 3% indicated that it was very good and no one indicated that it was excellent. This revealed that traders earned incomes which enabled their households to escape poverty.

Figure 6.10: Respondents' perception on income status



However, after engaging in ICBT business, 53%, 25% and 18% % of respondents indicated that their income status was good, very good and excellent respectively, (see Figure 6.10). The majority, 88% of the respondents think that their improved income status was due to ICBT activities as shown in Figure 6.11. This finding implies a perception by the majority traders, that an improvement in their income status had enabled them and their families to realise better and improved living conditions. The ICBT perceptions support the finding from the analysis of incomes from trading, which revealed that ICBT activities led to the realisation of improved welfare.

Figure 6.11: Respondents who think ICBT activities led to improved income status



8% of respondents could not tell whether their improved income status was due to ICBT activities. Some claimed that they were engaged in other projects and some were just not in a position to tell how their incomes had improved. The hesitation to disclose information may probably have been due to their involvement in illegal activities such as drug trafficking or prostitution.

4% of respondents believed that their improved income status was not a result of ICBT activities. These were persons who were fortunate to have other forms of income along the way, such as opportunities to engage in other projects. Others mentioned remittances from family members who were working outside Zimbabwe.

The perceptions of traders are in line with the results of a statistical hypothesis testing whether increased average incomes resulted in poverty reduction (see Appendix 6). The finding was that, although the majority of the traders remained

below the poverty datum line, there exists sufficient statistical evidence in the data to say that informal cross border trading has a positive impact on poverty reduction.

6.7 Conclusion

This chapter showed that in deteriorating economic environment which are characterised by high levels of unemployment, engaging in informal cross border activities enabled families to sustain their households. The expenditure patterns of respondents showed that participants were able to increase their wealth by acquiring assets and paying for essential services. The majority bought household goods and fewer traders accumulated productive assets.

The analysis also showed that the traders perceived their businesses as profitable, and have improved their income levels and improved food security at household levels. However, the respondents' views with regard to family relations were mixed. Some perceived that ICBT involvement improved their family relations, while others felt it resulted in poor family relations. Some traders perceived ICBT as improving the income status of the poor and providing product variety.

An analysis of traders' incomes revealed that the prevalence of poverty substantially decreased after they engaged in ICBT activities, although the incomes of the majority traders were still below the poverty line. The depth and severity indices also showed that the welfare of the poorest of the poor greatly improved and the distribution of well-being among the poor became more equal. The average income

of women was lower than that of men, implying that, financially men were benefiting more than women in ICBT activities.

The overall assessment of the impact of informal cross border trade on poverty reduction, reveals that ICBT impacts positively on poverty reduction. The research tested the significance of these findings at 5% level of significance, and evidence was found in the data to support these findings (see Appendix 6). The following chapter gives the summary and conclusions of the study and some policy recommendations based on the information obtained from the survey.

CHAPTER SEVEN

CONCLUSIONS AND POLICY RECOMMENDATIONS

This study investigated the impact of informal cross border trade on poverty reduction in Zimbabwe. Data collected were mainly quantitative in nature and statistical methods of data analysis were employed to assess the impact of ICBT on poverty. The gender dimension of informal cross border trade was also analysed. Conclusions of the study are presented in sections 7.1, 7.2 and 7.3. Some main policy recommendations are discussed in section 7.4.

7.1 Socio-economic and demographic factors

In chapter two, the ICBT overview highlighted that data were collected at the height of the economic deterioration in Zimbabwe. The unstable economic situation resulted in shortages and subsequent upsurge in engagement in informal cross border trade.

Out of the ten provinces, data was collected from seven provinces so as to cover as much of the geographical area of study as possible. Provinces which border with neighbouring countries, and those which do not were chosen. The study reveals that ICBT was active all over Zimbabwe during the survey period. This was due to shortages, particularly of food, which was scarce. However, even before the shortages and economic hardships, ICBT had always been practised. It only increased during time of hardships as shown by the ICBT trends in Chapter Five. Some people were engaged in ICBT as early as the early 1980s, when traders were

bringing into Zimbabwe items such as electronic goods, clothes and other household goods in demand. During that time traders were bringing foodstuffs for variety, unlike at the time of this study when the push factor for food imports was shortages.

The study revealed that, although ICBT used to be an informal activity dominated by women, during times of economic hardships characterised by unemployment, both men and women engage in ICBT as an alternative source of income. The study also revealed that men's incomes in informal activities are higher than those of women. The explanation behind this finding is the different scales of business and business networks. Men engage in informal activities on a relatively larger scale than women, usually selling goods which fetch higher prices than women. Women's incomes were lower as revealed by the women's average income which was lower than that of men. When sourcing business start-up capital, women were still facing more challenges than men. Women were also the majority who did not have savings to use as start-up capital. The findings imply that even in the informal sector, business engagement is still tilted in favour of men.

In this study, the economically active age group formed the majority of those who engaged in informal activities. The majority of traders had high levels of education and qualifications, defying the notion in some studies that suggest that participants in the informal sector are poorly educated. This implies that in unstable developing economies even the very educated are heavily involved in the informal sector. The finding also defies the proposition of a positive relationship between the level of education and chances of getting formal employment (Lewis, 1954, quoted in

Todaro, 1997: 218). The proposition applies to growing, stable economies, and not to dwindling economies like the situation in Zimbabwe during the period of the survey.

The character of the sample reveals that the majority of those who engage in informal activities have high dependency burdens, as a result of large family sizes, and the traders being heads of households. The majority of the households had no other sources of income. The issues mentioned above indicate some of the characteristics of poor households. The finding is in line with the view which associates the informal sector with marginality and the struggle for survival. On the other hand, the study also revealed involvement in ICBT by a few who were not poor. This revealed that during times of economic hardships even those with sources of income engage in the business of importing scarce goods.

7.2. ICBT Activities

The major reason given for engaging in ICBT, in this study, was to earn a living. This implies that informal activities are always an alternative means of providing employment in deteriorating economies. As the formal sector deteriorates, and some companies scale down, while others shut down and workers are retrenched, the retrenched workers go into the informal sector as an alternative source of income. This leads to the growth of the informal sector, including ICBT activities.

The majority of traders were vendors who bring mainly groceries for their families, and for resale in Zimbabwe. Though some traders managed to acquire productive assets, consumption expenditure was prioritised, especially expenditure on food items. Traders' households could afford a defined basket of consumption items (food and non-food) which are necessary to sustain life.

Most traders relied on public transport, resulting in delays and breakages. This led to reduced profit levels for traders. Subsistence and accommodation was not decent for the majority, pointing to the hardships associated with ICBT business operations.

The study found some evidence of barter trade. The barter trade occurred as a result of the scarcity of cash, high inflation levels and an unstable exchange rate. The barter trade was also instrumental in the depletion of assets such as livestock or any other assets at hand. These assets were exchanged to secure food. Though barter at individual level was associated with primitive societies in the olden days, the study revealed that it can develop in deteriorating economies which are characterised by unstable currencies.

The study revealed that the traders' encounters with government officials were mostly negative. Traders felt that there is need to put in place more supportive policies for their activities to be viable. The majority of traders are not aware of associations and institutions which are supposed to assist them. However, many traders feel that ICBT is good business, profitable and must be promoted.

7.3 Empirical results: Poverty Reduction

The aim of this study was to investigate the extent of ICBT in Zimbabwe, analyse its impact on poverty reduction and examining its gender dimension. The hypothesis of the study was that, ICBT contributes positively to poverty reduction. In this context ICBT is said to have contributed positively to poverty reduction, when traders' incomes from ICBT activities enabled traders' households to secure food and non food items which are necessary to sustain life. The study also incorporated the non monetary measure of well-being, which is the social dimension of poverty. ICBT can only be said to have contributed positively to poverty reduction, if ICBT involvement impacted positively on their social relations.

Informal cross border trade improved food security for most of the households. This was realised through increased incomes and importation of food products. In times of economic hardships or natural disasters which are characterised by food shortages, families generate income and buy food through ICBT. Findings of this study show that ICBT enhanced the availability of a variety of foodstuffs and other commodities.

The other dimension of poverty which is not measured in monetary values is family relations. Family relations as a means of examining poverty enables us to embrace the realisation that poverty can be a social state that cannot be defined in monetary terms alone. In this study, ICBT was found to have negative effects on child care

practice and on child bearing. Some women traders mentioned that they spend little time with their children, resulting in their provision of inadequate parental care. Some women of child bearing age were reluctantly planning not to have children, as child bearing would hinder engagement in ICBT activities. However, ICBT contributed positively with regard to relations with spouses and relatives. Despite the fact that, previous studies had found negative effects on these aspects; this study established that the positive impact was due to the fact that these traders had become sources of survival for their families and relatives.

ICBT incomes enabled the majority of traders to acquire assets. While a significant proportion of these acquired consumption assets, a substantial proportion acquired productive assets. This implies an improvement in their economic welfare. Expenditure patterns of traders revealed that families of ICBT participants who were deprived of necessities before involvement in ICBT activities, were now able to afford to pay for services such as education, health, energy and electricity, water and sanitation using ICBT incomes, implying an improvement in economic wellbeing.

Although the majority of traders remained below the poverty datum line after engaging in ICBT, a substantial proportion of traders earned incomes which were above the poverty line. The monthly average income for traders was above the poverty datum line. Relatively, the monthly average income for men was more than that for women, suggesting that men generally earn more income than women from ICBT activities. This finding is in line with previous studies which also established that men tend to earn higher incomes than women in the informal sector (Sookram &

Watson, 2006: 6-9). The result shows there is a gender bias in favour of men. Households of male traders were better off in terms of income from ICBT activities than households of female traders. Kabeer (1996, quoted in Cagatay, 2001: 6 &15) noted that gender inequalities faced by women, makes it harder for them to transform their capabilities into income or well-being, resulting in gender inequalities that perpetuate the poverty of families.

This study tested the hypothesis that, ICBT contributes positively to poverty reduction. The evidence supports this hypothesis. The results shows that there exists sufficient statistical evidence in the data to say that informal cross border trading resulted in poverty reduction. The empirical results obtained from the study showed that informal cross border trade plays an important role in reducing poverty and enhancing welfare in Zimbabwe. This finding may be associated with deteriorating developing economies which are characterised by high levels of unemployment and shortages of goods, as was the situation in Zimbabwe during the survey period.

However, Zimbabwe is a developing country, and the economies of developing countries are characterised by the existence of the informal sector. Like most developing countries, the country is characterised by worsening problems of rapid urban growth and accelerated rural – urban migration. Lewis (1954, quoted in Todaro, 1997: 76) argued that, the dualistic nature of developing countries results in the existence of the informal sector, which includes informal cross border trade. Even in economically stable environments, informal sector activities including ICBT are a phenomenon of developing countries. For example, the region as a whole and

Zimbabwe in particular, has a big heritage of artists who make wood and stone carvings which are traded in the region and would eventually appear on the international market. The women also make beautiful hand works of embroidery and crochet work which are very popular with tourists who come into the region. There are also other varieties of agricultural produce such as nuts, fruits and cereals which are exported to countries in the region where they are not grown. So while the ICBT could have increased because of the deteriorating economic conditions, it has always been part of the economy.

The study demonstrated that, the role of ICBT is significant in Zimbabwe and its neighbouring countries and the majority of traders engage in this business as a result of poverty. It has been established that many households in the sample survive on incomes from the informal cross border trade and were able to secure food in times of food shortages through the ICBT.

However, the hypothesis that the ICBT in the Southern Africa region is mainly dominated by women has been refuted as the study witnessed an increase in male participants in the period after the year 2000. This could have been brought about by the economic meltdown, implying that men tend to dominate the informal activities during periods of economic downturn.

The study found that ICBT has both positive and negative impacts with regard to social welfare. With regard to other poverty indicators, results pointed to the fact that ICBT contributes positively to poverty reduction. These other poverty indicators are income levels, acquirement of assets, expenditure patterns and food security. The

analysis argued that informal cross border trade plays an important role in alleviating economic hardships, reducing poverty and enhancing welfare and human development in Zimbabwe.

7.4 Policy Recommendations

Although the results of this study depict the scenario in a declining economy of a developing country, the results obtained are useful to policy makers, since ICBT activity is practised even when economies are stable and growing. The findings of the study show that informal cross border trading has both positive and negative implications, which leads to the question of what policy options the government can adopt to enhance the positive aspects of ICBT, and to discourage the negative aspects.

There are still debates on the contribution of ICBT activities to development. Most governments in developing countries are being driven by the perception that ICBT is not only economically non-viable but also socially undesirable. The fact that ICBT activities are positively contributing to peoples' livelihoods, demands that government and other stakeholders develop a positive attitude towards informal traders.

The government of Zimbabwe, the SADC Trade Facilitation and Development Task Force and other relevant stakeholders need to establish an appropriate legal and regulatory framework to guide this trade, so that it becomes a developmental tool in societies and economies of the SADC region. Not much has been done in national and regional policies to harmonise this trade. However, considering that this trade is

mainly practised by the poor, its incorporation is crucial if the region is to succeed in its regional integration and poverty reduction agenda.

Based on the findings of this study, national poverty reduction policies, creation of additional employment opportunities and gender empowerment should be issues of concern. The informal cross border trade regulatory framework should consider the following recommendations on Customs and Immigration requirements, Customs and Excise Duties and ICBT support structures.

7.4.1 Customs and Immigration Requirements

The empirical results in chapter five revealed that informal traders are constrained by border crossing conditions which are prohibitive and unfavourable to most traders. During the period of the survey, the acquisition of visas was too expensive for the majority of traders. An amount of R2000 was required to secure a multiple entry visa. The monthly average income of these traders was R5246.61. The poverty datum line was R4416 and the majority of these traders' incomes were below the poverty line, making it rather difficult for traders to raise money to secure entry visas. In addition several documents were required such as letters of invitation from residents of countries of destination and proof of financial resources. Traders also complained about the maximum number of days of stay in countries of destination, which was one month and was not enough for them to conduct their business. These requirements were very inconvenient.

Some of the entry visa requirements have been lifted. For instance, the period of stay in countries of destination was increased from 30 days to 90 days. Visas are

now obtained at points of entry rather than in the country of origin. However, the rest of the remaining requirements such as the minimum amount of money required for the issue of a visa, are still restrictive, if we consider the traders' income levels. Thus trade negotiations among the SADC Members should recognise informal cross border trade as a poverty reduction activity, and continue to relax some of these restrictive ICBT requirements.

7.4.2 Customs and Excise Duties

Empirical results in Chapter Five revealed that respondents' perceived that some traders engage in smuggling and bribing to avoid paying duties. Traders who indicated that they avoid duty payments cited the reasons for non payment as high duty rates which would erode their business profits. This showed that customs and excise duties are a heavy burden to informal cross border traders. Unlike their formal sector counterparts, they are not always eligible for reductions in duties under bilateral trade agreements. If ICBT is to be considered as a poverty reducing venture and entrepreneurial development, then governments should consider a targeted increased rebate for these traders. Although the recommendation may seem to be against local production, systems could be put in place to encourage and compel these traders to gradually enter the formal sector.

Although such targeted rebates may be a cost to the fiscus, as government revenues will be forgone, such rebates would reduce the opportunities for corruption by both traders and corrupt officials and encourage the development of small businesses.

7.4.3 ICBT support structures

The analysis of ICBT activities in chapter five reveals that the majority of traders face problems in accessing capital. Some problems encountered include failure to access funds due to lack of collateral, inability to raise enough capital and failure to access foreign currency when it is required for business transactions, as was shown in Table 5.4 in Chapter Five. Figure 5.18 show that only a few traders got capital from lending institutions. The majority of traders got capital from relatives, spouses, other informal networks like colleagues and their own savings. Funds raised through these sources were usually not adequate to conduct ICBT activities; as a result their businesses did not grow.

The majority of traders who struggle to secure start-up capital claimed that their capital was always unreliable. This shows that financial management in times of economic crisis was very difficult, as their capital was eroded by inflation. In stable economies traders should be encouraged to train in elementary accounts and business management. Government and other stakeholders, for example Non Governmental Organisations (NGOs) need to assist by setting up such systems and also providing the infrastructure.

As shown in Chapter Five, the majority of traders were not aware of the ICBT support structures. However some of the structures had already been put in place by government to handle ICBT issues. Many traders were also not aware of channels through which they could access government intervention to solve their problems. Results of the study also show that many traders request structures that are already in place, but of which they are unaware. Some of these structures include; Small

Enterprises and Development Corporation (SEDCO) which lends money to informal traders. The Ministry of Agriculture which issues permits to ICBTs to export agricultural products and the Ministry of Industry and Trade which assists traders with information on rules of origin, Reserve Bank requirements, customs guidelines and a list of associations involved in ICBT.

This calls for efforts to bring awareness to the public especially the beneficiaries who are traders. This can be done through the use of the various forms of media by relevant ministries and stakeholders.

7.4.4 Gender Empowerment

Zimbabwe has been mainstreaming gender issues into development projects and programmes. Although achievements have been realised in most areas, this study reveals that women still lag behind their male counterparts. The analysis in Chapter Five reveals that women face more problems in securing business capital than men. According to this study, the negative effects of ICBT on family relations were borne by women. Gender disparity was also revealed in incomes from trading, where the average income for men was higher than that for women.

This calls for a concerted effort to keep on mainstreaming gender issues. Since the gender policy is already in place, Government needs to focus on the monitoring and evaluation of gender programmes to inform implementation of projects and programmes. When mainstreaming gender issues into development strategies, there

is therefore a need to disaggregate data on gender basis to inform policy. Subsequently, this could enable policy targeting, with a focus on women.

7.4.5 Creation of additional employment opportunities and economic stability

The overview provided in Chapter Two show high levels of unemployment in Zimbabwe as the economy deteriorated. In that prevailing economic crisis, many people engaged in ICBT activities. Results of the analysis of the survey findings also indicated that the economic instability and deterioration that characterised the economy was a push factor to informal cross border trading. This finding is in line with the results of other studies which indicated that informal cross border trade satisfies immediate consumption needs and that it is a reaction to a depressed labour market (Metclife, 1992: 2).

One of the developments which occurred after the survey period is the financial stabilisation through the adoption and use of foreign currency by Zimbabwe in all transactions. This was done in anticipation of bringing back the Zimbabwean dollar when sectors of the economy are productive enough to support the use of the Zimbabwean dollar. The government can therefore, reduce the plight of informal cross border traders by introducing policies which revive the economy. Those traders who engaged in ICBT for survival may opt for alternative opportunities in the formal sector. Thus the revival of the economy will reduce the numbers of informal traders. However those who remain as participants in the informal sector to engage in ICBT need support.

This calls for the creation of informal sector promoting structures which target ICBT. The government, through the Ministry of Small Enterprises can promote the development of small industries in which groups of traders work together and can be assisted financially.

Policy recommendations in this case would encourage governments of developing countries to implement economic and political policies which are conducive for growth and stability as this would alleviate the plight of informal traders. The growth of economies would pull more traders into the formal sector as they secure other forms of employment. However, such a focus would be noble for declining economies like that of Zimbabwe during period of survey.

Policy recommendations to stabilise the economies of developing countries would be to put in place an appropriate legal and regulatory framework which supports ICBT activities, with a focus on the growth and formalisation of these activities. Some studies for example by Muzvidziwa (2005) and Tekere, *et al* (2000) have shown that the promotion of ICBT through regional trade policy helps to alleviate poverty. This calls for a regional approach to solving ICBT problems, in this case the SADC region.

7.5 Areas for Future Study

In view of the recommendations made above future research in the area of ICBT and poverty reduction could focus on any of the following:

- One of the agendas of the SADC is reduce poverty through regional integration. A study on ICBT and Regional Integration in the SADC would

input in the drafting of the regulatory framework for the incorporation of ICBT into the SADC Trade Protocol.

- The other aspect of informal cross border trade which may need further investigation is the Informal cross border traders' business skills. Such an investigation would assist government policy targeting the training of traders to grow their trade into formal businesses.

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Appendix 1

Questionnaire: Cross Border Trader (SURVEY)

**The data and information is for academic purpose ONLY and shall remain confidential.*

1. Personal Information

- 1.1 Place of Interview.....e.g. Harare, Zimbabwe or Johannesburg, SA
1.2 Date of Interview.....
1.3 Sex of interviewee Male () Female ()
1.4 Age of Interviewee.....
1.5 Nationality of Interviewee.....
1.6 Race of Interviewee 1. African () 2. European () 3. Asian () 4. Mixed () 5. Other ()
1.7 Place of residence. Urban () Rural ()
1.8 Marital status. 1. Married () 2. Single () 3. Widowed () 4. Divorced () 5. Co-habiting ()
1.9 Spouse's economic activity if married 1. Formally employed () 2. Informally employed ()
3. Unemployed () 4. Own business ()
1.10 Who is the head of your Household? 1. ICBT () 2. Resident Spouse () 3. Non resident spouse ()
4. Other ()
1.11 What is the size of your household? 1 – 4 () 5 and more ()
1.12 How many dependents are in your household? 1 – 4 () 5 and more () zero ()
1.13 Are there any orphans among dependents? Yes () No ()
1.14 Are there any children of school going age, who are not going to school? Yes () No ()
1.15 Are you able to read and write? Yes () No ()
1.16 What is your level of Education. 1. Primary Education () 2. Secondary Education () 3. Tertiary Education ()

2. ICBT Activities

- 2.1 Who advised you to enter into ICBT? 1. Self () 2. Spouse () 3. Both () 4. Relative () 5. Other
If other "specify".....
2.2 What were your reasons for participating in ICBT? 1. Augment existing income () 2. Earn income
for a living () 3. Seeking other employment () 4. Secure food () 5. Other ()
2.3 When did you commence ICBT business?
1. Before 1980 () 2. 1980 – 1989 () 3. 1990 – 1999 () 4. After 2000 ()
2.4 Destination of first trip.....
2.5 Who mentored you into the activities you are engaged in?.....
2.6 What was your source of funding when you started?2.7 4 Do
you have a foreign bank account? Yes () No ()
What about a local foreign currency account in your home country? Yes () No ()
2.8 Did you encounter problems in raising initial capital? Yes () No ()
Type of problem encountered.....
.....
2.9 Is your source of funding now reliable Yes () No ()
If "No" What type of problems are you encountering?
.....
2.10 Have you experienced changes in main goods you initially traded in? Yes () No ()
If "yes" What type of changes did you face?
.....
What problems did you encounter in the supply of main goods?
.....
2.11 Have you experienced problems in the supply of foreign currency? Yes () No ()
If "yes" What type of problems did you face?
.....
2.12 Is ICBT your primary employment? Yes () No ()

- If “No” What is your primary employment?.....
- 2.13 Do you have any other source of income besides trading? Yes () No ()
 If “yes” what is it?
- 2.14 What is your category in the value chain of products
 1. Wholesalers () 2. Retailers () 3. Vendors () 4. Own account business owner () 5. Other ()
- 2.15 What kind of goods do you sell in SA/Botswana?
 1. Knitwear () 2. Art and Crafts () 3. Agricultural Products () 4. Clothing () 5. Other ()
 Provide list of goods.....

 How long do your wares and goods take to sell?
 1. 1 day - 7 days () 2. 2 weeks () 3. 14 days to one month () 4. More than a month ()
- 2.16 What kind of goods do you bring from Botswana/SA to resale in Zimbabwe?
 1. Groceries () 2. Clothing () 3. Spare parts & Raw materials () 4. Household goods () 5. Other ()
 Provide list of goods.....

 How long do your wares and goods take to sell?.....
 1. 1 day - 7 days () 2. 1 – 2 weeks () 3. 14 days to one month () 4. More than a month ()
- 2.17 What is the mode of communication with people in your home country?
 1. Cell phone () 2. Public phones () 3. Other ()
- 2.18 Which mode of transport do you use? 1. rail () 2. air () 3. buses () 4. minibuses ()
 5. private car ()
 Does the mode of transport affect your trade activities? Explain how.....

3. Barter Trade

- 3.1 Are you engaged in barter trade? Yes () No ()
- 3.2 If “yes” which goods do you barter?.....
e.g mealie meal for cattle
- 3.3 Why do you practice barter trade?.....

- 3.4 To what extent do you know of any other ICBT who engage in barter trade?
 1. Very large extent () 2. Large extent () 3. Do not know () 4. Insignificant () 5. Never ()

4. ICBT Incomes

- 4.1 How frequently do you make a trip to a neighboring country to sell or buy goods?
 1. Once per year () 2. Twice per year () 3. 3 – 4 times per year () 4. More than 4 times per year ()
- 4.2 What is the average amount of income you earn per month?

- 4.3 What is the highest amount of income you ever earned per month?

- 4.4 What is the amount of income you earned last month?.....
- 4.5 How do you perceive the profitability of your business?
 1. Highly profitable () 2. Averagely profitable () 3. Low profitability () 4. No profit ()
- 4.6 Do you think the ICBT business in general is profitable?
 1. Highly profitable () 2. Averagely profitable () 3. Low profitability () 4. No profit ()
- 4.7 What would be your comment on your income status, before engaging in ICBT?
 1. Very poor () 2. Poor () 3. Good () 4. Very good () 5. Excellent ()
 After engaging in ICBT?
 1. Very poor () 2. Poor () 3. Good () 4. Very good () 5. Excellent ()
- 4.8 Would you think ICBT led to that status?
 1. Strongly disagree () 2. Disagree () 3. Can not tell () 4. Agree () 5. Strongly agree ()
 What might also have contributed to that status/change?
 a).....
 b).....

4.9 Have you managed to acquire any asset using income from ICBT business? Yes () No ()

If yes rank the major assets acquired

	Asset	Value	When acquired
1.
2.
3.
4.
5.

4.10 In a scale of 1 to 5, 1 being the most and 5 the least, on which goods or service do you spend much of your income?

Income Allocation	Rank
Groceries
Clothing
Services (e.g. health, education)
Household Goods
Savings

4.11 On the portion of income you are using to access services, rank the expenditure in a scale of 1 to 5, 1 being the most and 5 the least.

Service	Rank
Health
Education
Water & Sanitation
Energy & Electricity
Rates & Rentals

4.12 Any other major benefits experienced since starting ICB business.....

4.13 Who is responsible for making decisions on use of your income?

1. Self () 2. Spouse () 3. Both () 4. Relative () 5. Other ()

5. ICBT perceptions on implications and effects of ICBT activities?

5.1 Do you think ICBT has an impact on food security? Yes () No ()

If "yes" Describe.....

5.2 Do you know of any children under the age of 16years who engage in ICBT? Yes () No ()

5.3 Approximately how many consecutive days are you away from home on business?

1. 1day - 7 days () 2. 2 weeks () 3. 14 days to one month () 4. More than a month ()

How has this affected your family relations generally? Positive () Negative ()

And specifically with regard to:

- a) Child care practice.....
- b) Relation with spouse.....
- c) Relation with relatives.....
- d) Reproductive work.....

5.4 How has been the performance of your business in regard to its growth and establishment in the past year? 1. Very weak () 2. Weak () 3. Fair () 4. Strong () 5. Very strong ()

If "weak" what might be the reasons?.....

If "strong" are you thinking of establishing a formal business? Yes () No ()

If "Yes" how?.....

If "No" why?.....

- 5.5 Have you managed to employ some people to assist you in your business? Yes () No ()
 If “yes” How many? 1. 1- 5 () 2. 5 – 20 () 3. 21 – 50 () 4. More than 50 ()
- 5.6 What problems (if any) do you encounter during business trips with regard to the following “explain?”
 Food.....
 Accommodation.....
 Security.....
 Health.....
 Other.....

6. Government Policies

- 6.1 Do you pay customs duties which would be required? Yes () No ()
 If “no” explain why?.....
- 6.2 How would you explain your experience with the Zimbabwe customs officials?
 1. Very poor 2. Poor 3. Good 4. Very good 5. Excellent
- 6.3 Your experience might have been good or bad. However, how best can the customs and immigration rules and regulations be amended to promote business of ICBTs.....

- 6.4 How would you explain your experience with the South Africa/Botswana Customs and Immigration?
 Authority at the Border?
 1. Very poor 2. Poor 3. Good 4. Very good 5. Excellent
 Describe your encounter.....

- 6.5 Do you know of any organizations or government agents which are supposed to assist you in your activities? Yes () No ()
 If “yes” who are they.....
 What have been your experiences with these agents who are supposed to assist you?
 Comment.....
- 6.6 Do you belong to any of the ICBT Association? Yes () No ()
- 6.7 With regards to ICBT as a whole, do you think it a good or bad practice? Good () Bad ()
 Should ICBT be encouraged? Yes () No ()
 Explain your view.....

- If, to be encouraged, how?.....

- If, to be discouraged, how?.....

7. Perceptions of the Trader on ICBT trends

- 7.1 Do you know of any ICBT who engage in the smuggling of precious stones such as diamonds?
 1. Know them () 2. Do not know them ()
- 7.2 Do you know of any ICBT who engage in the illicit drugs such as marijuana?
 1. Know them () 2. Do not know them ()
- 7.3 Do you know of any ICBT who engage in prostitution as an economic activity?
 1. Know them 2. Do not know them ()
- 7.4 Do you know of any ICBT who engage in human trafficking?
 1. Know them 2. Do not know them ()

Any Other Comment.....

End of Interview Thank You

*Contact details of Interviewee: Tel No.....
 Physical Address.....

Appendix 2

Survey Letter of introduction - Researcher

01/11/2008

TO WHOM IT MAY CONCERN

RE: Research Survey: November 2008 – January 2009.

This serves to confirm that Wadzanai Kachere is a PhD student at the University of Fort Hare. Wadzanai Kachere is currently doing research on “Informal Cross Border Trading and Poverty Reduction in SADC” for her PhD thesis. The research project has been approved by the University of Fort Hare.

We kindly request you to assist in this survey, by availing information through interviews on the above subject. The outcome of this research will be used for academic purposes only.

For further information, please do not hesitate to contact the undersigned.

Thanking you in advance for your cooperation.

.....

Prof. M. Ncube (Supervisor)

University of Fort Hare

Economics Department

Appendix 3

Survey Letter of Introduction – Research Assistants

01/11/2008

TO WHOM IT MAY CONCERN

RE: Research Survey: November 2008 – January 2009.

This serves to confirm that....., a student at the University of Fort Hare is carrying out a survey on behalf of Wadzanai Kachere, a PhD student at the same university. Ms Wadzanai Kachere is currently doing research on “Informal Cross Border Trading and Poverty Reduction in SADC” for her PhD thesis. The research project has been approved by the University of Fort Hare.

We kindly request you to assist in this survey, by availing information through interviews on the above subject. The outcome of this research will be used for academic purposes only.

For further information, please do not hesitate to contact the undersigned.

Thanking you in advance for your cooperation.

.....
Wadzanai Kachere (Researcher)
University of Fort Hare
Alice Campus
Cell: 076 857 7514

.....
Prof. M. Ncube (Supervisor)
University of Fort Hare
Economics Department

Appendix 4

Page (1 of 84) of the Dataset

Personal Information

dt

	1.1	1.2	1.3	1.4	1.4b	1.5	1.6	1.7
1	2	2008/10/12	1	2	39	1	1	2
2	2	2008/10/12	1	2	35	1	1	1
3	2	2008/10/12	1	2	40	1	1	1
4	2	2008/10/12	1	2	28	1	1	1
5	2	2008/10/11	1	2	34	1	1	1
6	2	2008/10/11	1	1	24	1	1	1
7	2	2008/10/06	1	2	32	1	1	1
8	2	2008/10/06	1	2	28	1	1	2
9	2	2008/10/05	1	2	30	1	1	1
10	1	2008/10/04	1	2	42	1	1	1
11	1	2008/10/04	1	2	41	1	1	1
12	1	2008/10/02	1	2	42	1	1	1
13	2	2008/10/12	1	2	41	1	1	1
14	2	2008/10/11	2	2	26	1	1	2
15	2	2008/10/11	2	1	23	1	1	1
16	2	2008/10/11	2	1	20	1	1	1
17	2	2008/10/11	2	2	29	1	1	1
18	2	2008/10/10	2	1	25	1	1	2
19	2	2008/10/10	2	2	38	1	1	2
20	2	2008/10/08	2	2	30	1	1	1
21	2	2008/10/07	2	2	40	1	1	2
22	2	2008/10/05	2	2	32	1	1	1
23	1	2008/10/04	2	2	33	1	1	1
24	2	2008/10/04	2	2	32	1	1	2

Appendix 5

DATA CODING SHEET

1. Personal Information.

- 1.1 Place of Interview:** 1=Gauteng; 2=Eastern Cape; 3=Masvingo;
4=Matebeleland North; 5=Manicaland; 6=Midlands; 7=Mashonaland East;
8=Harare; 9=Bulawayo.
- 1.2 Date of interview:** given as it is e.g. 2008/12/12.
- 1.3 Sex of interviewee:** 1=Female; 2=Male.
- 1.4a Age of interviewee:** 1=25 and below; 2=26 – 45; 3=46 and above.
- 1.4b Age of interviewee:** Age as it is.
- 1.5 Nationality:** 1=Zimbabwean; 2=Non Zimbabwean
- 1.6 Race of interviewee:** 1=African; 2=European; 3=Asian; 4=Mixed; 5=other.
- 1.7 Place of Residence:** 1=Urban; 2=Rural.
- 1.8 Marital Status:** 1=Married; 2=Single; 3=Widowed; 4=Divorced; 5=Co-habiting.
- 1.9 Spouse's economic activity if married:** 1=informally employed;
2=Informally employed; 3=Unemployed; 4=Own business; 5=Not applicable.
- 1.10 Head of household:** 1=ICBT; 2=Resident Spouse; 3=Non Resident Spouse; 4=Other.
- 1.11 Size of your household:** 1=1-4; 2=5 and more.
- 1.12 Number of dependence in household:** 1=1-4; 2=5 and more; 3=zero.
- 1.13 Number of orphans among dependents:** 1=Yes; 2=No.
- 1.14 Children of school going age, who are not going to school:** 1=Yes;
2=No.
- 1.15 Ability to read or write:** 1=Yes; 2=No.
- 1.16 Level of education:** 1=Primary education; 2=Secondary education;
3=Tertiary education.

2 ICBT Activities.

- 2.1 Adviser to enter into ICBT:** 1=Self; 2=Spouse; 3=Both; 4=Relative; 5=Friend.
- 2.2 Reasons for participating in ICBT:** 1=Augment existing income; 2=Earn income for a living; 3=Seeking other employment; 4=Secure food.
- 2.3 When commenced ICBT business:** 1=Before 1980; 2=1980 – 1989; 3=1990 – 1999; 4=After 2000.
- 2.4 Destination of first trip:** 1=South Africa; 2=Botswana; 3=Other SADC Country.
- 2.5 Mentor into the activities:** 1=Spouse; 2=Relative; 3=Friend; 4=Other;
5=None.
- 2.6 Source of funding when started:** 1=Own savings; 2=Spouse; 3=Relative;
4=Lending Institutions/Organisations; 5=Friend or Other.
- 2.7a Have a foreign bank account:** 1=Yes; 2=No.

- 2.7b A local foreign currency account in home country:** 1=Yes; 2=No.
- 2.8a Any problems encountered in raising initial capital:** 1=Yes; 2=No.
- 2.8b Type of problem encountered in raising initial capital:** 1=banks not having foreign currency; 2=Not enough money; 3=Fluctuating exchange rate reducing value of raised capital; 4=People failing to lend money; 5=None.
- 2.9a Is source of funding now reliable:** 1=Yes; 2=No.
- 2.9b Types of problems now being encountered:** 1=banks not having foreign currency; 2=taking a long time to recapitalize due to social demands; 3=fluctuating exchange rate reducing value of available funds; 4=None.
- 2.10a Changes in main goods initially traded in:** 1=Yes; 2=No.
- 2.10b Type of changes faced during period of trading:** 1=Shift in demand to basics; 2=General increase in costs of trading; 3=Shortage of foreign currency; 4=Emerging of barter trading in country of origin; 5=None.
- 2.10c Problems encountered in the supply of main goods:** 1=Sudden market shifts in demand disrupting trading patterns; 2=increase in costs and competition in business resulting in decrease in profitability; 3=poor, tiresome and delays in payment; 4=Language barriers negatively affecting business communication; 5=None.
- 2.11a Have you experienced problems in the supply of foreign currency:** 1=Yes; 2=No.
- 2.11b Problems of ICBT in accessing foreign currency:** 1=Shortage of foreign currency from banks; 2=Existing but illegal black market; 3=Unreliable, high and fluctuating exchange rates; 4=Delays in payments in country of destination; 5=No problem.
- 2.12a Is ICBT primary employment:** 1=Yes; 2=No.
- 2.12b ICBT's primary employment:** 1=Civil servants; 2=Private sector workers; 3=Other business or informal activities including farming; 4=None
- 2.13a Other source of income besides trading:** 1=Yes; 2=No.
- 2.13b Source of income:** 1=Own salary; 2=spouse's salary; 3=Other family members' income; 4=Proceeds from other activities; 5=Pension; 6=None.
- 2.14 Category in the value chain of products:** 1=Wholesalers; 2=Retailers; 3=Vendors.
- 2.15a Kind of goods sold in SA/Botswana:** 1=Knitwear; 2=Arts and Crafts; 3=Agricultural products; 4=Clothing; 5=None.
- 2.15b Duration wares and goods take to sell:** 1=1-7days; 2=2weeks; 3=14days-1month; 4=More than a month; 5=Not applicable.
- 2.16a Kind of goods brought from Botswana/SA to resale in Zimbabwe:** 1=Groceries; 2=Clothing; 3=Spare parts and Raw materials; 4=Household goods; 5=None.

2.16b Duration goods take to sell: 1=1-7days; 2=2weeks; 3=14days-1month; 4=More than a month; 5=Not applicable.

2.17 Mode of communication with people in home country: 1=Cell phone; 2=Public phones; 3=Other.

2.18a Mode of transport used: 1=Rail; 2=Air; 3=Buses; 4=Minibuses; 5=Private cars.

2.18b Does the mode of transport negatively affects trade activities: 1=Yes; 2=No.

2.18c How mode of transport negatively affect trade activities: 1=Delays; 2=Breakages; 3=Limited quantities; 4=Expensive; 5=No effect.

3. Barter Trade

3.1 Engagement in barter trade: 1=Yes; 2=No.

3.2 Goods exchanged in barter: 1=Groceries; 2=Livestock; 3=Household Goods; 4=Agricultural products; 5=Clothing; 6=Arts and Crafts; 7=None.

3.3 Reasons for practising in barter trade: 1=Unreliable fluctuating exchange rate;

2=None availability of cash; 3=High levels of inflation; 4=Not applicable.

3.4 Extent known of any other ICBT who engage in barter trade:

1=Very large extend; 2=large extend; 3=Do not know; 4=Insignificant; 5=Never.

4. ICBT Incomes

4.1 Frequency of trips to a neighbouring country to sell or buy goods:

1=Once per

Year; 2=Twice per year; 3=3-4times per year; 4=More than four times per year; 5=Other.

4.2 Average amount of income per month: 1=R1000 or less; 2=R1001-R5000; 3=R5001-R10 000; 4=R10 001-R20 000; 5=R20 001 or more.

4.3 Highest amount of income ever earned per month: 1= R1000 or less; 2=R1001-

R5000; 3=R5001-R10 000; 4=R10 001-R20 000; 5=R20 001 or more.

4.4 Amount of income earned previous month of interview: 1= R1000 or less;

2=R1001-R5000; 3=R5001-R10 000; 4=R10 001-R20 000; 5=R20 001 or more.

4.5 Perception of the profitability of his/her ICBT business: 1=Highly profitable;

2=Averagely profitable; 3=Low profitability; 4=Not profitable.

4.6 Perception of the profitability of ICBT business in general: 1=Highly profitable;

2=Averagely profitable; 3=Low profitability; 4=Not profitable.

4.7a Comment on income status, before engaging in ICBT activities: 1=Very poor;

2=Poor; 3=Good; 4=Very good; 5=Excellent.

4.7b Comment on income status, after engaging in ICBT activities: 1=Very poor;

2=Poor; 3=Good; 4=Very good; 5=Excellent.

4.8 Would he/she think ICBT activities led to that status: 1=Strongly disagree;

2=Disagree; 3=Can not tell; 4=Agree; 5=Strongly agree.

4.9a Assets acquired using income from ICBT business: 1=Yes; 2=No.

4.9b Types of assets acquired since commencing business: 1= Real Estate; 2=Vehicles and other household assets; 3=Agricultural equipment and Livestock; 4=1&2; 5=1&2&3; 6=1&3; 7=2&3; 8=None.

4.9c Value of assets acquired since commencing business: 1=R1000 or less; 2=R1001-R5000; 3=R5001-R10 000; 4=R10 001-R20 000; 5=R20 001-R50 000;

6=R50 001 or more; 7=none.

4.10a ICBT expenditure rankings with regard to groceries: 1=1; 2=2; 3=3; 4=4; 5=5;

6=No response.

4.10b ICBT expenditure rankings with regard to clothing: 1=1; 2=2; 3=3; 4=4; 5=5;

6=No response.

4.10c ICBT expenditure rankings with regard to services: 1=1; 2=2; 3=3; 4=4; 5=5;

6=No response.

4.10d ICBT expenditure rankings with regard to household goods: 1=1; 2=2; 3=3; 4=4; 5=5;

6=No response.

4.10e ICBT expenditure rankings with regard to savings: 1=1; 2=2; 3=3; 4=4; 5=5; 6=No response.

4.11a ICBT expenditure ranking on health, from portion of service expenditure:

1=1; 2=2; 3=3; 4=4; 5=5; 6=No response.

4.11b ICBT expenditure ranking on education, from portion of service expenditure:

1=1; 2=2; 3=3; 4=4; 5=5; 6=No response.

4.11c ICBT expenditure ranking on water & sanitation, from portion of service expenditure:

1=1; 2=2; 3=3; 4=4; 5=5; 6=No response.

4.11d ICBT expenditure ranking on electricity & energy, from portion of service expenditure:

1=1; 2=2; 3=3; 4=4; 5=5; 6=No response.

4.11e ICBT expenditure ranking on rates & rentals, from portion of service expenditure: 1=1; 2=2; 3=3; 4=4; 5=5; 6=No response.

4.12 Other major benefit experienced since starting ICBT activities:

1=Acquired

assets and improved lifestyle; 2=Developed existing homes; 3=Gained international exposure; 4=Acquired business skills and started business; 5=Furthered academic qualification; 7=Afforded social dues and contributions; 8=None.

4.13 Person responsible for making decisions on use of income: 1=Self; 2=Spouse; 3=Both; 4=Relative; 5=Other.

5. ICBT perceptions on implications and effects of ICBT activities.

5.1a Perception on whether ICBT activities have an impact on food security: 1=Yes; 2=No.

5.1b Description of positive impact: 1=Availability and affordability to scarce food; 2=Enabling to buy agricultural implements; 3=Do not know.

5.2 Knowledge of any children under the age of 16years who engage in ICBT: 1=Yes; 2=No.

5.3a Approximate consecutive days when ICBT is away from home on business:

1=1-7days; 2=2weeks; 3=14days-1month; 4=More than a month.

5.3b Impact of duration on family relations, specifically child care practice: 1=positive; 2=negative; 3=Not applicable

5.3c Impact of duration on family relations, specifically relation with spouse:

1=positive; 2=negative; 3=Not applicable.

5.3d Impact of duration on family relations, specifically relation with relatives:

1=positive; 2=negative.

5.3e Impact of duration on family relations, specifically reproductive work:

1=positive; 2=negative; 3=Not applicable.

5.4a Performance of business in regard to growth and development in the past

year: 1=Very weak; 2=Weak; 3=Fair; 4=Strong; 5=Very strong.

5.4b Reasons of negative status: 1=More social needs and responsibilities; 2=General decrease in demand for some goods due to economic hardships; 3=Overstretched due to practising both ICBT and formal employment; 4=Distressed financial environment; 5=Drought; 6=Increased competition due to increased number of ICBTs; 7=None.

5.4c If “strong” he/she thinking of establishing a formal business: 1=Yes;
2=No;
3=Not decided.

5.5a Have you employed people to assist in running the business: 1=Yes;
2=No.

5.5b How many: 1=1-5; 2=5-20; 3=21-50; 4=More than 50; 5=None.

5.6a Problems encountered during business trips with regard to food:
1=survive on
cheaper sub-standard food to save money; 2=Sickness due to different food
cultures; 3=reduce number of meals to save money; 4=No problem.

5.6b With regard to accommodation: 1=Expensive, therefore opt for cheaper
accommodation to save money; 2=share accommodation and end up
overcrowded;
3=Difficult to secure accommodation; 4=Sleep on pavements or in vehicles;
5=No
problem.

5.6c With regard to security: 1=Corrupt security officials who require bribes;
2=Hostile security officials; 3=Goods sometimes stolen; 4=Xenophobia; 5=High
crime
rate in country of destination therefore not secure; 6=No problem.

5.6d With regard to health: 1=Stay in dirty unhealthy environments;
2=Backache,
headaches and swelling of feet; 3=Expensive; 4=No problem.

5.6e With regard to other/transport: 1=expensive transport fares to move
around
conducting business; 2=Days given at borders by immigration not enough to
conduct business; 3=Language barriers and xenophobia hindering smooth
business
activities. 4=No problem.

6. Government Policies

6.1a Do you pay required customs duties: 1=Yes; 2=No.

6.1b Reasons for none payments of duties: 1=To cut on expenses; 2=Goods
traded
prohibited; 3=Availability of high rebate; 4=Payment of bribery and
smugglers; 5=paying duty, therefore not applicable.

6.2 Experience with Zimbabwe customs and immigration officials: 1=Very
poor;

2=Poor; 3=Good; 4=Very good; 5=Excellent.

**6.3 Recommended amendments of customs and immigration rules and
regulations:**

1=improve efficiency at borders; 2=Increase value of rebate and decrease duties;
3=Ease the import & export licensing system and visa requirements; 4=Combat corruption; 5=Do not know; 6=No problem.

6.4 Experience with South Africa/Botswana customs and immigration officials:

1=Very poor; 2=Poor; 3=Good; 4=Very good; 5=Excellent.

6.5 Knowledge of any organisation or government agency supposed to assist:

1=Yes; 2=No.

6.6 Do you belong to any of the ICBT association: 1=Yes; 2=No.

6.7a Is ICBT good or bad practice: 1=Good; 2=Bad.

6.7b Should ICBT be encouraged: 1=Yes; 2=No.

7. Perceptions of the Trader on ICBT trends

7.1 Knowledge of ICBT who engage in smuggling of precious stones:

1=Know them;

2=Do not know them.

7.2 Knowledge of ICBT who engage in illicit drugs: 1=Know them; 2=Do not know them.

7.3 Knowledge of ICBT who engage in prostitution: 1=Know; 2=Do not know them.

7.4 Knowledge of ICBT who engage in human trafficking: 1=Know them; 2=Do not know them.

Appendix 6

Hypothesis Testing: Income

Sample mean (The Poverty Datum Line during time of survey) = US\$ 522= R4176.00= \bar{u}_1

Sample mean (The average income of traders according to study) = US\$655.83 = R5246.61 = \bar{u}_2

Step 1

Defining the hypothesis

H_0 : ICBT impacts positively on poverty reduction ($\bar{u}_2 - \bar{u}_1 > 0$)

Average income from trading is $>$ R4176.00 per month

H_1 : ICBT does not impact positively on poverty reduction ($\bar{u}_2 - \bar{u}_1 = < 0$)

Average income from trading is $= <$ R4176.00 per month

Step 2

Determine areas of acceptance

$\alpha = 0.05$

This is a one tailed distribution

These z limit is +1.96

Thus area of acceptance is ($Z > 1.96$)

Decision rule

Accept H_0 if Z_{calc} falls above 1.96

Reject H_0 if Z_{calc} falls below 1.96

Step 3

Compute the appropriate sample statistic

Data set

Sample mean= US\$655.83 =R5246.61

Sample size= 310

Level of significance= α = 0.05

Standard deviation= s =639.25 (in us\$)

Critical value which corresponds to $\alpha=0.05=1.96$

Test Statistic

$$Z_{\text{calc}} = (655.85-552)/36.30$$

$$=2.860$$

Step 4

$$Z_{\text{calc}} > 1.96$$

Therefore: Accept H_0