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**Changes in the  
Small-Scale Enterprise  
Sector from  
1991 to 1993:**

**Results of a  
Second Nationwide  
Survey in Zimbabwe**

*GEMINI Technical Report No. 71*

# **GEMINI**

**GROWTH and EQUITY through MICROENTERPRISE INVESTMENTS and INSTITUTIONS  
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**DEVELOPMENT ALTERNATIVES, INC. • Michigan State University • ACCION International •  
Management Systems International, Inc. • Opportunity International • Technoserve • World Education**

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by

**Lisa Daniels**

**March 1994**

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## EXECUTIVE SUMMARY

This report summarizes the results of a nationwide survey of micro- and small-scale enterprises (MSEs) in Zimbabwe. The objective of the survey was to examine the changes in the MSE sector from 1991 to 1993, with particular emphasis on the impact of the Economic Structural Adjustment Programme (ESAP) and the 1991/92 drought. To achieve this objective, 40 of the 58 geographic areas from a 1991 study by the Growth and Equity through Microenterprise Investments and Institutions Project were revisited (McPherson, 1991). Information on MSE births, closures, and growth of surviving firms was obtained.

The survey was conducted in September and October 1993, and 11,762 household or enterprise sites were visited. At these sites, 5,356 existing enterprises and 706 enterprises that had folded in the last three years were identified and enumerated. An enterprise was defined as a business activity that employs 100 or fewer workers, inclusive of the proprietor(s), and markets at least 50 percent of its output. Agriculture, mining, and forestry were excluded.

Results of the 1993 survey show that the MSE sector consists of approximately 942,000 enterprises, employing 1.56 million people. This represents an 8.5 percent increase in the number of businesses since 1991 and a 14.4 percent increase in the number of people employed by the MSE sector. These changes mean that the MSE sector is growing faster than the population, which grew at an annual rate of 3.13 percent between 1991 and 1993. Although the increase in the number of MSEs is high, most of the increase has taken place in the rural areas. The annual growth rate of MSEs in rural areas was 7.1 percent compared with only 3.6 percent in urban areas.

The sectoral distribution of MSEs in Zimbabwe shifted from 1991 to 1993 with a higher proportion of MSEs in trade, transport, and services. In contrast, the proportion of MSEs in manufacturing declined. This shift reflects both opportunities under economic reforms and an increase in the proportion of low-profit firms. The largest number of firm births and closures over the last three years occurred in low-profit, easy-entry sectors. This was common in preceding years as well and, therefore, supports the hypothesis that firm births are driven primarily by an excess supply of labor rather than by demand for MSE products. It also illustrates the high turnover rate in low-profit sectors.

Over time, both firm births and firm closures appear to be negatively correlated with economic growth. During periods of slow economic growth, however, the birth rate (the number of firm births divided by the number of firms alive at the beginning of the year) is higher than the closure rate, leading to a positive net change in the number of MSEs. This implies that the expansion rate of the MSE sector should decline as the economy improves. Birth rates also indicate that, during periods of low growth, births in high-profit sectors decrease and births in low-profit sectors increase. This suggests that, as the economy improves as anticipated over the next two years, the proportion of low-profit firms will decrease and the proportion of high-profit firms will increase.

The MSE sector provides a substantial amount of employment in Zimbabwe. Twenty-nine percent of the working-age population is engaged in the MSE sector and one in three households operates an MSE. Employment generated in the MSE sector has risen significantly since 1991. In 1991 and 1992, unregistered firms in the MSE sector created 12 times as many jobs as did the formal sector.

Employment is created in the MSE sector through two processes, firm births and firm expansion. Over the past six years, MSE births have created 152,125 jobs per year on average while expansion of

existing firms created 20,230 jobs per year on average. Although the proportion of jobs created through births is significantly higher, many firms will subsequently go out of business. Alternatively, firms that expand represent a more sustainable form of employment creation. For example, profits of firms that expanded were 12 times higher than firms that did not expand, and firms with paid employees made 23 times more in profits than firms without paid employees. Since 1991, however, expansion within firms has decreased. This probably reflects low economic growth during this period. As the economy improves, employment generated through expansion should increase.

Considering firm size, half of all jobs created since 1988 were in one-person firms and three quarters of all jobs were created by firms beginning with 1-4 workers. Brick making, construction, services, and auto repair had the highest proportion of firms that made the transition from employing fewer than 20 workers to 20 or more workers.

Both the number and the proportion of women in the MSE sector increased between 1991 and 1993. Rather than reflecting new opportunities under ESAP, however, the majority of these women are in low-profit sectors. This is common throughout southern Africa, however, and cannot be directly attributed to structural adjustment reforms.

The proportion of indigenous entrepreneurs has not changed substantially since 1991. There was a 9 percent increase in the number of small-scale black entrepreneurs, and the proportion of MSEs owned by black Zimbabweans increased from 98.2 percent to 99.1 percent. On average, black Zimbabweans tend to have much smaller firms, with only 3.8 percent of black-owned firms having five or more workers compared with 41.8 percent of firms owned by other racial groups.

The drought had an impact on MSEs primarily through the decline in real income and shortages of agricultural inputs. More than three quarters of all proprietors reported that the volume of their business decreased following the drought. Furthermore, input problems for agricultural-based firms were the most frequently cited reason for firm closures in 1992.

The impact of specific issues related to the legal and regulatory environment varied. Zoning did not appear to affect the majority of MSEs — two-thirds of proprietors were not even aware that zoning laws existed. Nonetheless, the varying attitudes about zoning of different municipal authorities and within the central government have created an atmosphere of uncertainty for several business activities.

The licensing system did not appear to affect the majority of MSEs. Eighty-seven percent of MSEs did not have any type of license, and more than half of these firms reported that they are not required to have a license. Although many firms do need licenses to ensure public health and safety, the current infrastructure is not designed to administer and enforce licensing for the more than 100,000 retailers and vendors of food and drinks in Zimbabwe. The types of licenses required, the procedures for obtaining licenses, and enforcement mechanisms all need to be clarified and simplified.

Only 6.7 percent of MSEs were registered with the Deeds and Companies Registry of the Ministry of Justice, Legal, and Parliamentary Affairs. This is not surprising given that 95 percent of all MSEs have 4 or fewer workers and 91 percent do not have a permanent shop away from home. Furthermore, 80 percent of firms with 1-4 workers could not identify any advantages of registering their firms.

Despite changes in labor regulations since 1985, the proportion of paid employees declined in the MSE sector from 1991 to 1993. This partially reflects the fact that only 6.7 percent of MSEs are registered and therefore subject to labor legislation. More importantly, however, 97 percent of

proprietors indicated that they do not want to hire more employees. Rather than a reflection of the labor laws, this probably reflects low economic activity following the 1991/92 drought.

Lack of title deeds was not perceived as a major obstacle to credit in the MSE sector. Although only 17 percent of proprietors owned title deeds, only 5 percent of all proprietors indicated lack of collateral as a reason for not applying for credit. Of the firms that had title deeds, 2.4 percent received credit from formal institutions compared with 0.4 percent of firms without title deeds.

Although the impact of deregulation may be limited for low-profit microenterprises, a minority of MSEs with the potential to expand should benefit. Three percent of all MSEs added paid workers during their life and 1 of 250 MSEs increased the number of workers from below 10 to more than 10 workers. These firms represent highly profitable and sustainable forms of employment. Profits were 20 times greater in firms that added paid workers over their lifetimes compared with firms that did not add any paid workers. Deregulation should encourage efforts of firms in this group to expand; it should also encourage other MSEs with the potential to grow.

Given the diversity of MSEs, the expectation that the entire MSE sector will flourish once regulations are revised is questionable. The majority of MSEs will continue to operate outside the formal sector. Reforms, therefore, need to take into account the heterogeneity of MSEs, including differences by size and across sectors. For example, medium and some small enterprises may be enticed to register, but the advantages of registration (limited liability, access to foreign exchange, and formal credit) are of limited relevance to home-based microenterprises such as crocheters or basket-makers. Second, although licensing may be important for MSEs involved in food production and distribution, the justification is less clear for other types of microenterprises. Finally, microenterprises that do not involve issues of public safety, pollution, or public disturbance may not need to be subject to zoning regulations.

The government should, therefore, decide whether it is necessary to control registration, licensing, and zoning for all firms. Under the current system, legislation typically applies to all firms, but is enforced for only a minority of firms. This creates uncertainty and criminalizes many income-generating activities. Instead, legislation should target groups within the MSE sector and should state clearly which firms *are* and *are not* required to abide by the legislation.

Trade liberalization under ESAP appears to have had a positive impact on the MSE sector. Inputs are more readily available, and competition from imported goods has not affected the majority of MSEs. Access to foreign exchange has also improved indirectly through the export retention scheme and suppliers of imported goods. The recently introduced Foreign Currency Accounts should also increase the availability of foreign exchange.

Fiscal policy reforms do not directly affect the majority of MSEs because of the low proportion of firms that pay taxes. Ninety-five percent of MSEs do not pay taxes. The indirect effect of taxes, however, may be greater. High tax rates may discourage MSEs from joining the formal sector. Although many people argue that MSEs should pay taxes, three quarters of these firms make less than Z\$4,801 a year, which is the minimum individual taxable income for the 1992/93 tax year. For those firms that make more than Z\$4,801, tax revenues could be generated, but the government should be careful not to create a threshold that discourages registration of MSEs.

Monetary policy changes under ESAP have not significantly increased the amount of credit available to small business. Only 0.7 percent of firms in 1993 received credit from a formal institution compared with 0.3 percent in 1991. Sectoral initiatives were also introduced to improve access to credit,

but the size of the initiatives is small compared with the size of the MSE sector. Only a minority of firms can be assisted by these programs.

In conclusion, the MSE sector expanded at a faster rate than the population between 1991 and 1993. The greatest proportion of the expansion reflects births in low-profit sectors. This is common in most time periods, however, and cannot be attributed directly to ESAP. Birth rates in low-profit sectors appear to be higher during periods of low economic growth. Therefore, as the economy improves, the proportions of both births and birth rates in low-profit sectors should decline. The findings and analyses in this report reflect a period when Zimbabwe was affected by a drought and was at the midpoint of ESAP reforms. Further research will be needed at the end of the structural adjustment program to assess more accurately the overall changes in the MSE sector.

## SECTION ONE

### INTRODUCTION

A nationwide study of micro- and small-scale enterprises (MSEs) in 1991 revealed that there were more than 867,000 enterprises in Zimbabwe employing 1.3 million people (McPherson, 1991).<sup>1</sup> Since 1991, two major factors have affected the MSE sector: the introduction of the Economic Structural Adjustment Programme (ESAP), and the drought of the 1991/92 agricultural season. The effect of these two factors in combination has not been well understood. The purpose of this study was to provide information on the changes in the MSE sector from 1991 to 1993, in the context of the drought and ESAP, by conducting a modified version of the 1991 study and including questions on ESAP and the drought. Information was collected to examine changes in the size and structure of the MSE sector, births and closures of MSEs, employment growth, and MSE constraints.

ESAP, was introduced in 1991 to promote higher medium- and long-term growth and reduce poverty in Zimbabwe (Government of Zimbabwe, 1991). There are four primary components of the program: deregulation, trade liberalization, fiscal policy reforms, and monetary policy reforms. The first component, deregulation, deals with the removal of many of the regulations controlling business activities. For example, zoning, licensing, labor market regulations, and price and marketing controls have often been identified as impediments to MSE activities (Harbin, 1993; Hess, 1993; Robinson, 1991; ENDA, 1990; IMANI, 1990; Saito and Van Dijk, 1990; ILO/SATEP, 1989; Konrad Adenauer Foundation, 1988; UNIDO, 1988; Jasset and Jirira, 1987; and Price Waterhouse, 1986). Under ESAP, plans to change these regulations were intended to ease the operating environment for MSEs in Zimbabwe.

Trade liberalization, the second component of ESAP, also has implications for MSEs. Foreign exchange allocation changes and removal of import restrictions under ESAP could have both a positive and negative impact on MSEs. For example, foreign exchange liberalization and removal of import restrictions should alleviate input or raw material shortages frequently identified as a major constraint to MSE activity. (Mead and Kunjeko, 1993; Zimconsult, 1992; McPherson 1991; IMANI, 1990; and Price Waterhouse, 1986). Stronger competition with imported goods, however, could increase MSE failure rates.

The third component of ESAP, fiscal policy reforms, includes tax and expenditure reductions. Currently, corporate taxes are 45 percent while individual taxes are as high as 60 percent. This tax structure has been cited repeatedly as an impediment to MSE activity (Robinson, 1991; Human Resources, 1990; IMANI, 1990; USAID, 1990; and Price Waterhouse, 1986).

Under the fourth component, monetary policy reforms, interest rates have been liberalized and now play a greater role in allocating credit. Previously banks had a strong incentive to limit credit to larger, well-established firms. With higher interest rates, investment by larger firms may decline, but credit is now available to a wider range of firms. The beneficiaries of this policy are more likely to be medium-sized firms rather than MSEs.

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<sup>1</sup> The statistics from the 1991 survey presented in this report have been updated using information from the 1992 population census and recent information collected on activities at households where no one was home at the time of the survey. For further information, see Annex A.

In addition to the key components of structural adjustment reviewed above, sectoral initiatives have also been introduced both prior to ESAP and since ESAP began. In particular, MSEs have been targeted through several promotional measures including the Small Enterprise Development Corporation (SEDCO), the small enterprise scheme of Zimbank, the Zimbabwe Development Bank (ZDB) fund for capital equipment, the African Development Bank (ADB) soft loan window, and ZDB surplus funds facility (Government of Zimbabwe, 1991). These programs should provide more capital to the MSE sector.

Although many changes since 1991 have been attributed to the structural adjustment program, the MSE operating environment has also been affected by the drought of the 1991/92 agricultural season. During this period, the southern African region experienced the worst drought of the century. Rainfall in Zimbabwe was only 43 percent of average annual rainfall from 1970 to 1991.

It is difficult to separate the effects on the economy of the drought and of ESAP reforms; the World Bank estimated that the external debt increased to more than Z\$50 billion in 1992 because of the drought (*The Herald*, 12/3/92). This was caused partially by an 80 percent reduction in the maize harvest and a 35 percent reduction in agricultural output compared with the previous year. Based on these shortages, high interest rates, and reduced consumer demand, real GDP fell by 7.7 percent in 1992. The economy has improved since 1992, but ripple effects created by the drought are expected for several years.

The report begins with an explanation of the survey methods in Section Two. The results are presented in Sections Three through Seven focusing on changes in the MSE sector. These include the structure of the MSE sector, firm births and closures, employment creation, and the role of female and indigenous entrepreneurs. Sections Eight and Nine focus on drought-related effects and on the effect of ESAP reforms on the MSE sector. Conclusions are offered in Section Ten.

## SECTION TWO

### SURVEY METHODS

To update the 1991 GEMINI survey, the 1993 survey used primarily the same methods as the 1991 survey with some differences, which are illustrated in Table 2-1. A description of these differences as well as general survey methods are described below.

#### 2.1 TIMING OF THE SURVEY

The 1993 survey was conducted in September and October 1993. The 1991 survey was conducted in August and September, 1991. Based on the timing of the two surveys, results in the report represent the following time periods: (1) changes from 1991 to 1993 represent the two-year period from August/September 1991 to September/October 1993; (2) a comparison of 1991 and 1993 statistics represents the situation in August/September 1991 and September/October 1993; and (3) statistics presented for a series of years represent the calendar years (for example, births of MSEs in 1990 represents the calendar year of 1990). In the third case, information up to and including 1991 is taken from the 1991 survey while statistics for 1992 and 1993 are taken from the 1993 survey. In addition, results for 1991 and 1993 are extrapolated to the end of the year when calendar year statistics are presented.

#### 2.2 MSE DEFINITION

The definition of a micro- or small-scale enterprise used in the 1993 survey was a business activity that employs 100 or fewer workers, inclusive of the proprietor(s), and markets at least 50 percent of its product.<sup>2</sup> Agriculture, mining, and forestry were excluded. In 1991, only MSEs with 50 or fewer workers were included in the survey. The data for 1993 presented in the tables and figures includes MSEs with up to 100 workers, unless otherwise noted — for example, to compute the change in the number of businesses from 1991 to 1993, only businesses with 50 or fewer workers in 1993 were used (Section 3.1).

#### 2.3 SURVEY INSTRUMENTS

Two questionnaires were used during the 1993 survey: an existing enterprise questionnaire and a closed enterprise questionnaire. The existing enterprise questionnaire was significantly longer than the 1991 questionnaire because of a wider range of topics covered. These additional topics included MSE constraints, change in availability of inputs, demographic characteristics of proprietors, business history, capital requirements, familiarity with local organizations, telephone availability, effects of specific government regulations, and profits.

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<sup>2</sup> All definitions used in this report are listed in Annex F.

TABLE 2-1

## A COMPARISON OF SURVEY METHODS USED IN 1991 AND 1993

Survey	1991 Survey	1993 Survey																																				
Timing	August and September, 1991	September and October, 1993																																				
Definition of an MSE	A micro or small enterprise is a business activity that employs <u>50 or fewer workers</u> , inclusive of the proprietor(s), and markets at least 50 percent of its product.	A micro or small enterprise is a business activity that employs <u>100 or fewer workers</u> , inclusive of the proprietor(s), and markets at least 50 percent of its product.																																				
Existing enterprise questionnaire design	<u>One page</u> covering basic characteristics of <u>primary MSEs</u> and identification of secondary MSEs.	<u>Seven pages</u> covering basic characteristics of <u>primary and secondary MSEs</u> as well as issues related to business history, operation, and ESAP.																																				
Supplementary questionnaire	A supplementary questionnaire administered to 8 percent of respondents covering business history and operation.	None. All topics were covered on a longer existing enterprise questionnaire administered to all respondents.																																				
Open-ended interviews	None	Questionnaire supplemented by open-ended interviews with government offices and firms that expanded employment.																																				
Folded MSE questionnaire	Administered to proprietors of MSEs that folded at any time.	Administered to proprietors of MSEs that folded in the calendar years of 1991, 1992, or 1993.																																				
Strata	Eight strata	Same eight strata as in 1991																																				
Enumeration Areas	58 EAs randomly selected from 8 strata.  <table> <thead> <tr> <th>Strata</th> <th>Number of EAs</th> </tr> </thead> <tbody> <tr> <td>High-density Areas</td> <td>9</td> </tr> <tr> <td>Low-density Areas</td> <td>12</td> </tr> <tr> <td>Commercial Districts</td> <td>9</td> </tr> <tr> <td>Industrial Areas</td> <td>8</td> </tr> <tr> <td>District Councils</td> <td>7</td> </tr> <tr> <td>Rural Councils</td> <td>4</td> </tr> <tr> <td>Smaller Towns</td> <td>4</td> </tr> <tr> <td>Growth Point</td> <td>5</td> </tr> </tbody> </table>	Strata	Number of EAs	High-density Areas	9	Low-density Areas	12	Commercial Districts	9	Industrial Areas	8	District Councils	7	Rural Councils	4	Smaller Towns	4	Growth Point	5	40 EAs re-visited from 58 original EAs.  <table> <thead> <tr> <th>Stratum</th> <th>Number of EAs</th> </tr> </thead> <tbody> <tr> <td>High-density Areas</td> <td>8</td> </tr> <tr> <td>Low-density Areas</td> <td>6</td> </tr> <tr> <td>Commercial Districts</td> <td>4</td> </tr> <tr> <td>Industrial Areas</td> <td>4</td> </tr> <tr> <td>District Councils</td> <td>7</td> </tr> <tr> <td>Rural Councils</td> <td>4</td> </tr> <tr> <td>Smaller Towns</td> <td>4</td> </tr> <tr> <td>Growth Points</td> <td>3</td> </tr> </tbody> </table>	Stratum	Number of EAs	High-density Areas	8	Low-density Areas	6	Commercial Districts	4	Industrial Areas	4	District Councils	7	Rural Councils	4	Smaller Towns	4	Growth Points	3
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Sample size	<table> <tbody> <tr> <td>Households Visited</td> <td>14,035</td> </tr> <tr> <td>Primary Enterprises</td> <td>5,575</td> </tr> <tr> <td>Secondary Enterprises</td> <td>1,194</td> </tr> <tr> <td>Supplementary Questionnaire</td> <td>422</td> </tr> <tr> <td>Folded MSEs</td> <td>1,101</td> </tr> </tbody> </table>	Households Visited	14,035	Primary Enterprises	5,575	Secondary Enterprises	1,194	Supplementary Questionnaire	422	Folded MSEs	1,101	<table> <tbody> <tr> <td>Households Visited</td> <td>11,762</td> </tr> <tr> <td>Primary and Secondary Enterprises</td> <td>5,356</td> </tr> <tr> <td>Supplementary Questionnaire</td> <td>n/a</td> </tr> <tr> <td>Folded MSEs</td> <td>706</td> </tr> </tbody> </table>	Households Visited	11,762	Primary and Secondary Enterprises	5,356	Supplementary Questionnaire	n/a	Folded MSEs	706																		
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In addition to lengthening the questionnaire, the 1993 existing enterprise questionnaire was administered to all MSEs operating within an enumeration area. In 1991, full information was collected on primary enterprises only. A primary MSE was defined as a business that contributes the most income to the household if there is more than one business. Although limited information was collected on secondary MSEs, the 1991 report presented results on primary enterprises only. To compare the two surveys, information on secondary MSEs from the 1991 survey is included in all 1991 results presented here.

A closed enterprise questionnaire was administered in both 1991 and 1993. In the 1991 survey, the questionnaire was administered to proprietors of MSEs that closed at any time prior to the survey. In 1993, the closed enterprise questionnaire was administered to proprietors of MSEs that folded in the calendar years of 1991, 1992, and 1993. This was done to avoid duplication with the 1991 survey.

In addition to the questionnaires, open-ended interviews were conducted for the 1993 survey with government representatives and some of the more successful firms from the 1991 study. Interviews with government representatives addressed the current legislation regarding business activities in Zimbabwe and anticipated changes under ESAP. The following offices were included: the Deeds and Companies Registry Office of the Ministry of Justice, Legal, and Parliamentary Affairs; the Factory and Works Department and the National Social Security Authority of the Ministry of Public Service, Labour, and Social Welfare; the Department of Health Services for the City of Harare; the House of Parliament; the Works and Town Planning Division of the City of Harare; and the Central Statistics Office.

Interviews with some of the more successful firms included 35 firms that had expanded their employment prior to 1991. These interviews addressed the impact of ESAP as perceived by the proprietors over the last two years as well as changes in their employment levels.

## 2.4 SAMPLING METHOD

The 1993 survey returned to a subset of the enumeration areas (EAs) visited by the 1991 GEMINI survey. The original sample in 1991 was selected by using a stratified, one-stage cluster sampling technique. This involved three steps. First, the country was divided into eight strata based on population density and commercial activities. Urban areas were defined as cities with more than 20,000 inhabitants as estimated by the 1982 census. Within this group, four strata were used: high-density areas, low-density areas, commercial districts, and industrial areas.<sup>3</sup> The remaining four strata in rural areas included small towns, growth points, district councils, and rural councils.<sup>4</sup> Second, a random sample of EAs within each stratum was selected. Across all eight strata, 58 EAs were selected for the 1991 survey. Third, all households, businesses, and mobile vendors in each selected EA were interviewed.

Because the questionnaire for the 1993 survey was significantly longer than the questionnaire used in 1991, it was decided to reduce slightly the number of EAs selected. An ex post analysis of the 1991

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<sup>3</sup> High-density areas are typically inhabited by low-income households while low-density areas are inhabited by high-income households.

<sup>4</sup> Growth points are towns designated by the government to promote rural development. Incentives are provided in these towns to promote establishment and growth of businesses. For more information on growth points see Pedersen (1990), Gasper (1988), and Wekwete (1987).

results indicated that low density areas, commercial districts, industrial areas, and growth points were oversampled while the remaining strata were undersampled to varying degrees (McPherson and Parker, 1993). For the 1993 sample, therefore, a random selection of a smaller number of EAs was made in the oversampled areas, and the team returned to all EAs in the undersampled areas.<sup>5</sup> Thus, the 1993 survey used the same eight strata and 40 of the 58 EAs used in the 1991 survey. Their locations are illustrated in Figure 2-1.

## 2.5 SAMPLE SIZE

The 1993 survey visited 11,762 household or enterprise sites in the 40 enumeration areas described above. At these sites, 5,356 existing MSEs were identified and enumerated. An additional 706 MSEs that had folded in the last three years were also enumerated.

The 1991 survey visited 14,035 household or enterprise sites in the 58 enumeration areas described above. At these sites, 5,575 primary and 1,194 secondary enterprises were identified. A supplementary questionnaire was administered to 422 MSEs, while the closed enterprise questionnaire was administered to 1,101 that had folded prior to the survey.

## 2.6 DATA COLLECTION METHODS

Data collection was carried out by 15 enumerators and two supervisors. Enumerators and supervisors were trained for one week, followed by field pretests of the questionnaires. Twenty-one enumerators attended training, but only 15 were selected for the fieldwork based on written test scores and performance during training.

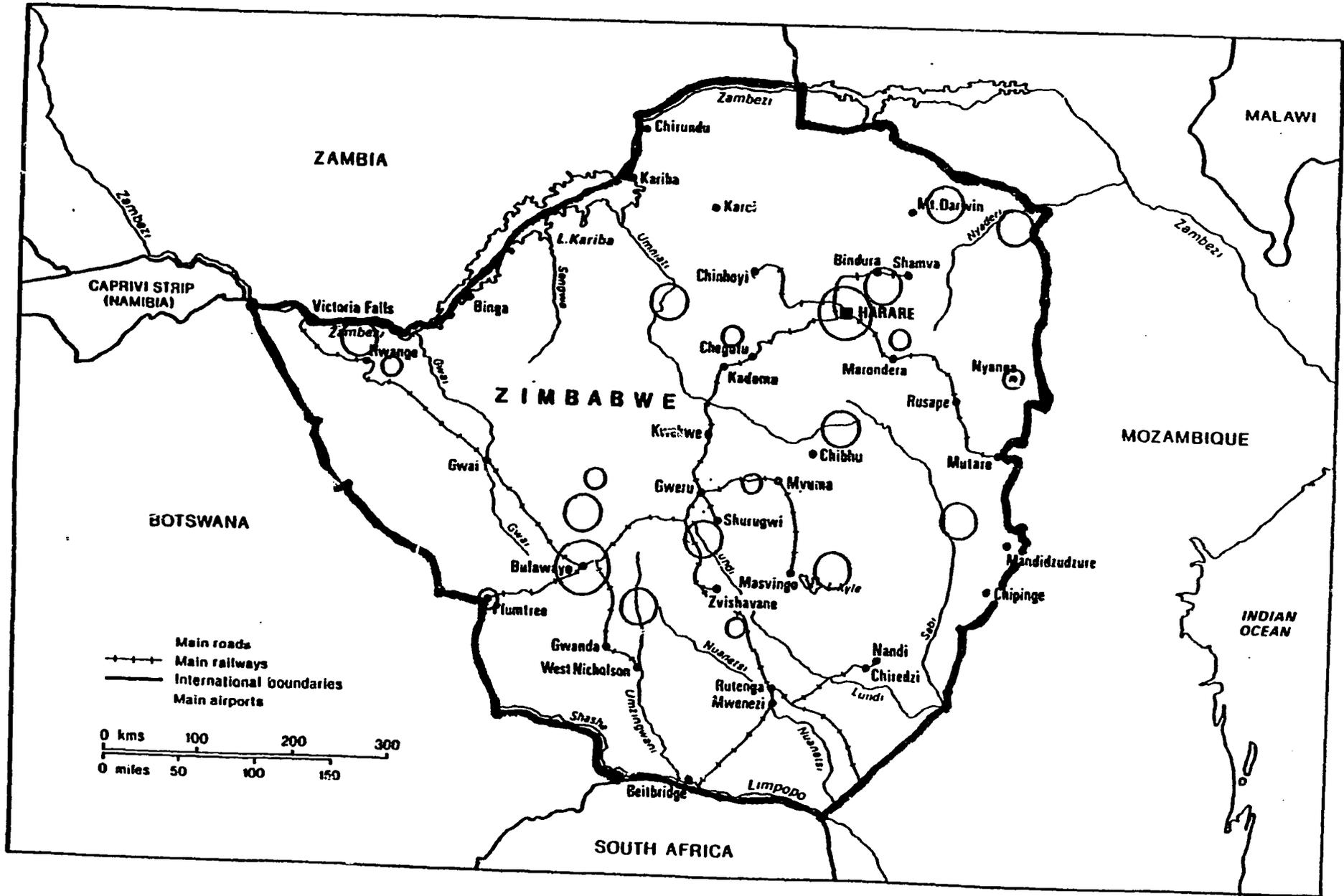
To complete the existing and closed enterprise questionnaires, enumerators visited all houses, shops, street vendors, and hawkers within the geographic boundaries of each enumeration area. Questionnaires were then coded and checked for errors by the supervisors, by a computer error detection program, and by the analyst.

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<sup>5</sup> One enumeration area in the high-density suburbs of Bulawayo was not re-visited in the 1993 survey because of time constraints in completing the fieldwork.

# Zimbabwe

AREAS COVERED | 13 MSE SURVEY



○ Smaller Towns and Growth Points

○ District and Rural Councils

○ Urban Areas

## 2.7 EXTRAPOLATION OF RESULTS

The sample data collected by the survey were extrapolated to produce national estimates of the MSE sector in 1991 and 1993. This required estimating weights for each stratum based on the probability of a household being selected, and the probability of a respondent being home to answer the questions. The weights were calculated as follows:

$$WT_i = \left( \frac{HHS_i}{HHE_i} \right) \left( \frac{MSEOP_i + MSECL_i}{MSEOP_i} \right)$$

where:

WT	=	weight
i	=	stratum i, i = 1,2,3...8
HHS	=	total number of households in the stratum
HHE	=	total number of households enumerated in the stratum
MSEOP	=	number of MSEs at open households where someone was home
MSECL	=	number of MSEs at closed households where no one was home

The first term in the equation is the reciprocal of the probability of being selected.<sup>6</sup> For example, if there are 100 households in a stratum and 20 households fall into the sample, the probability of being selected is 20/100 or 1/5. The reciprocal, or the first weighting factor is then 5/1. All the results for that stratum are multiplied by five to extrapolate the sample results to represent the 100 households in the stratum.

The second term in the equation is used to account for closed households. Closed households are defined as households that were visited but where no one was home at the time of the survey. For example, all households within the geographic boundaries of an enumeration area must be visited. If no one is home on the day that the enumerators are in an enumeration area, then an assumption must be made about whether or not that household has an MSE. This assumption was made by returning to 17 percent of the 2,884 closed households encountered during the survey to determine what proportion of closed households have MSEs. This proportion was then used as the second weighting factor. For example, if there were 6 businesses at the open households in a stratum and 2 businesses at closed households, the weight is (6+2)/6 or 1.3333. All businesses in the sample are then multiplied by 1.3333 to account for businesses missed at closed households. In other words, for every 6 businesses at open households, there must be 2 more businesses that were missed.<sup>7</sup>

<sup>6</sup> Although the term household is used to explain the weights, all households, shops, vendors, and mobile hawkers were included in the survey.

<sup>7</sup> More information on closed households is provided in Annexes A and B.

## SECTION THREE

### CHANGES IN THE STRUCTURE OF THE MSE SECTOR

#### 3.1 CHANGES IN THE MAGNITUDE OF THE MSE SECTOR

The results of the 1993 survey indicate that the MSE sector consists of approximately 942,000 enterprises, employing 1.56 million people. Including only MSEs with up to 50 workers, Tables 3-1A and 3-1B indicate an 8.5 percent increase in the number of businesses and a 14.4 percent increase in the number of people engaged in the small enterprise sector over the last two years. These changes represent a higher growth rate in MSE activity compared with the annual population growth rate of 3.13 percent.

#### 3.2 CHANGES IN THE SECTORAL DISTRIBUTION OF THE MSE SECTOR

Changes in the sectoral distribution of the MSE sector are illustrated in Table 3-2. Comparing 1991 with 1993, the distribution has shifted slightly from manufacturing to trade with a 6.6 percent decrease in the proportion of manufacturing firms and a 7.1 percent increase in the share of trade activities.

Because the sectoral composition in Table 3-2 represents the percentage breakdown of a growing total of MSEs, it does not represent changes in the numbers of different types of firms. Growth in numbers of enterprises by sector is shown in the final column of Table 3-2.<sup>8</sup> Overall, the highest growth rates occurred in the trade, transport, and service sectors. Helmsing and Kolstee (1993) suggest that most opportunities during structural adjustment in any country typically arise in these three sectors. Particularly in Zimbabwe, Peters-Berries (1993) suggests that an increase in trade activities can be expected due to import liberalization and the increase in cross-border trade. The highest increases within the trade sector, however, occurred in vending drinks and other goods. These represent low-profit sectors as illustrated by Annex Table D-1.

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<sup>8</sup> The average annual compound growth rate is calculated as follows:

$$R_i = \left( 1 + \frac{\text{MSEs in } 1993_i - \text{MSEs in } 1991_i}{\text{MSEs in } 1991_i} \right)^{\frac{1}{2}} - 1$$

where

i = sector

MSEs = the absolute number of MSEs

**TABLE 3-1A**  
**NUMBER OF MSEs IN ZIMBABWE**  
**(1991 and 1993)**

Stratum	Number of MSEs in Zimbabwe		Percentage Change in MSEs from 1991 to 1993
	1991	1993	
Urban	254,667	255,541	0.4%
Rural	613,117	686,403	12.0%
Total	867,784	941,944	8.5%

**TABLE 3-1B**  
**NUMBER OF PEOPLE EMPLOYED IN THE MSE SECTOR**  
**(1991 and 1993)**

Stratum	Number of People Employed in MSEs in the Zimbabwe		Percentage Change in People Employed in MSEs from 1991 to 1993
	1991	1993	
Urban	408,319	400,210	-2.4%
Rural	942,588	1,146,728	21.7%
Total	1,350,908	1,546,938	14.4%

The statistics in these tables represent firms with 50 or fewer workers inclusive of the proprietor(s). Adding in firms with 51 to 100 workers to the 1993 data increases the number of firms by 222 and the number of workers by 16,047.

These figures represent MSEs and employment in August 1991 and September 1993.

TABLE 3-2

## SECTORAL DISTRIBUTION OF MSEs AND GROWTH RATES OF MSEs

Sector	Sectoral Distribution of MSEs		Annual Growth Rates of MSEs from 1991 to 1993
	1991	1993	
Manufacturing Total	71.6%	65.0%	1.2%
Food and beverage	7.5%	4.9%	-13.9%
Textiles	34.3%	32.8%	3.9%
Wood and wood products	21.1%	18.1%	-1.6%
Paper, printing, publishing	*	*	*
Chemicals and plastics	0.2%	0.2%	12.5%
Non-metallic mineral processing	3.9%	4.1%	8.6%
Fabricated metal products	2.3%	2.9%	20.1%
Other manufacturing	2.4%	1.9%	-4.6%
Construction	4.3%	3.1%	-10.1%
Trade Total	21.1%	28.2%	22.8%
Wholesale trade	*	*	*
Retail trade	20.4%	27.5%	23.1%
Restaurant, hotels, bars	0.6%	0.7%	10.9%
Transport Total	0.1%	0.2%	34.5%
Renting Rooms & Flats	*	*	*
Services Total	2.9%	3.5%	17.5%
ALL SECTORS	100%	100%	6.2%

\* Represents less than 0.1 percent.

Statistics represent MSEs in August 1991 and September 1993.

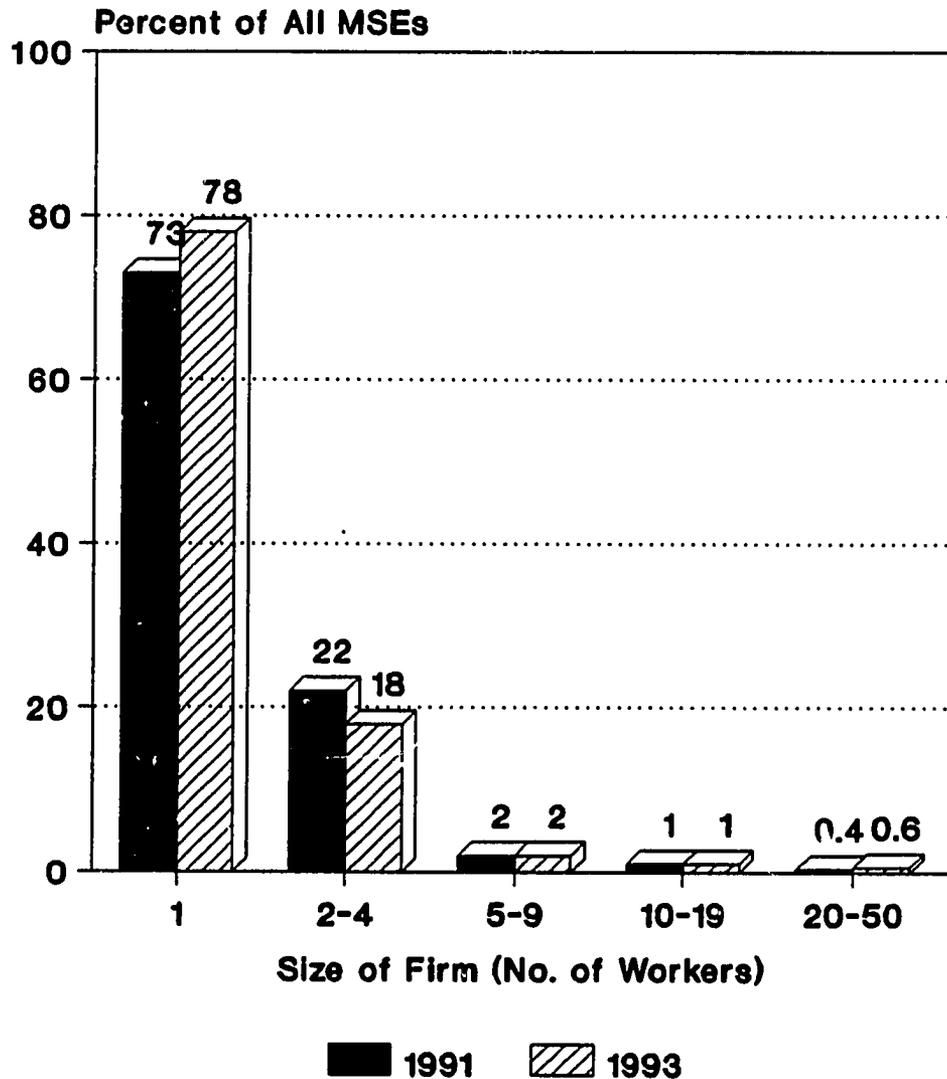
### 3.3 CHANGES IN THE SIZE DISTRIBUTION OF MSEs

Changes in the size distribution of firms are illustrated in Figure 3-1. The proportion of one-person firms has increased by 5 percentage points since 1991, while the actual number of one-person firms increased by 14 percent. This primarily reflects births in low-profit sectors following poor economic growth in 1992. The decline in both the proportion and number of firms with two to nine workers is represented by firms in baking, tailoring, bus and taxi services, and retail of food and farm products.<sup>9</sup>

<sup>9</sup> Firms with 51 to 100 workers were not included in the size distribution analysis because of data collection problems. These are described in Annex B.

FIGURE 3-1

## SIZE DISTRIBUTION OF MSEs IN 1991 AND 1993



### 3.4 CHANGES IN THE GEOGRAPHIC DISTRIBUTION OF THE MSE SECTOR

Although the overall change in the number of MSEs is high, Annex Table E-1 shows that most of the increase has taken place in the rural areas. The annual growth rate of the number of MSEs in rural areas was 7.1 percent compared with only 3.6 percent in urban areas. Within rural areas, the highest growth rates took place in the rural councils followed by smaller towns and growth points. District councils, however, experienced a slight decrease in the number of MSEs.

Within urban areas, high- and low-density MSEs increased by 3.5 and 6.5 percent, respectively. The larger changes in industrial and commercial areas illustrated in Annex Table E-1 may reflect sampling and data collection problems described in Annex B.

Comparing changes in the sample number of MSEs in Harare and Bulawayo, the number of MSEs in Harare increased by 33 percent, while the number of MSEs in Bulawayo decreased by 23 percent from 1991 to 1993.<sup>10</sup> The increases in Harare primarily reflect MSE births in low profit sectors. For example, two-thirds of the MSEs started in Harare since the 1991 survey are in crocheting (22 percent), vending farm products (18.4 percent), vending other goods (9.8 percent), tuckshops (8.2 percent), and knitting (8 percent). Four of these five sectors fall into the two lowest profit quintiles as illustrated by Annex D. Mhone (1993), who also found an increase in the number of MSEs in Harare since 1991, attributed the expansion to higher levels of retrenchment and lack of alternative sources of income in Harare because of higher population densities. The decrease in the number of MSEs in Bulawayo primarily reflects closures in low-profit firms.

The sectoral composition of MSEs in rural and urban areas is illustrated in Annex Table E-2. The proportion of MSEs in the manufacturing and construction sectors has declined in both urban and rural areas. The greatest decreases occurred in flour mills, tailoring, baking, and other repairs as illustrated by the growth rate in the last column of Annex Table E-2. Despite the overall decrease in the proportion of manufacturing MSEs, some types of manufacturing activity experienced large growth rates. These included metal work, leather work, bike repairs, pottery, and crocheting. Growth in pottery and crocheting, which generate low profits as illustrated by Annex Table D-1, may reflect poor economic conditions. Metal work, leather work, and bike repairs, however, represent more profitable activities.

The proportion of trade MSEs has increased in both urban and rural areas. The highest increases occurred in retail livestock; vending other goods; vending drinks; other retail; and bars, pubs, or shebeens. Vending drinks and other goods represent low-profit sectors; however, the remaining three sectors may represent profitable opportunities.

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<sup>10</sup> Harare and Bulawayo MSEs cannot be compared using extrapolation factors. This is because the extrapolation factors are based on the number of households in each stratum divided by the number of households visited in the stratum. In order to extrapolate by region, the extrapolation factor would have to be the number of households in the region divided by the number of households visited in the region. The comparison of Harare and Bulawayo, therefore, should be treated with caution.

## SECTION FOUR

### MSE BIRTHS AND CLOSURES

#### 4.1 MSE BIRTHS

Hypotheses regarding conditions that drive firm births can be separated into two categories: output demand and labor supply. The first category is based on the concept that firm births are driven by consumer demand for particular products. This implies that firms driven by demand would be profitable and may require high capital and skill levels. The second category assumes that firm births are driven by an excess supply of labor. In this case, people enter the MSE sector in search of alternative income sources regardless of demand for MSE products. Firms in this category would be characterized by low profits and low costs of entry. A local Zimbabwean newspaper supports the labor-supply hypothesis in the following quote.

High unemployment levels coupled with retrenchment under the economic reform programme, have driven thousands of people into the informal sector and many more into vending, as they struggle to keep the wolf from the door (*The Herald*, May 30, 1993).

The two hypotheses can be examined on several different levels as illustrated by Table 4-1. The first level of analysis contrasts the predictions of the two hypotheses across sectors in a fixed period of time. According to the output-demand theory, most firms will be born in high-demand sectors during any time period. In contrast, the labor-supply theory predicts that firm births are most common in easy-entry sectors. Examination of the absolute number of firm births by sector and their characteristics in Table 4-2 provides an empirical test of these conflicting views.

TABLE 4-1

HYPOTHESES ABOUT CONDITIONS THAT DRIVE FIRM BIRTHS

Level of Analysis	Hypotheses		Empirical Test
	Output Demand	Labor Supply	
Across Sectors (in a fixed time period)	Most firm births will be in high-demand sectors	Most firm births will be in easy-entry sectors	Absolute numbers of births by sector
Over Time (for all sectors)	Low economic growth will lead to low firm birth rates	Low economic growth will lead to high firm birth rates	Relationship between birth rates and GDP growth rates
Across Sectors and Over Time	Low economic growth will lead to low birth rates in high-demand sectors	Low economic growth will lead to high birth rates in easy-entry sectors	Birth rates of sectors over time

Information on the five leading sectors in terms of the number of births from 1991 to 1993 is presented in Table 4-2. Annual firm profits within these are significantly lower than the average of other sectors combined. Additionally, as illustrated by Annex Table D-1, all five sectors fall into the lowest two profit quintiles of MSE sectors in Zimbabwe. Barriers to entry, such as the initial costs of starting the business and education levels are also illustrated in Table 4-2. The start-up costs in the leading sectors are, again, significantly lower than other sectors combined. The proportion of proprietors that completed secondary school is slightly lower than other sectors.

Although both ESAP and the drought had an impact on the time period examined in Table 4-2, four of the five leading sectors from 1991 to 1993 were also the leading sectors from 1988 to 1990. This fact, in addition to the evidence in Table 4-2, supports the hypothesis that most firm births are driven by the supply of labor.

TABLE 4-2  
CHARACTERISTICS OF FIVE LEADING SECTORS IN TERMS OF FIRM BIRTHS  
(1991 - 1993)

Firm Type	Births from 1991 to 1993 (Percentage of Total)	Average Annual Profits Z\$	Initial Start-up Cost Z\$	% of proprietors completed secondary school
Leading sectors in terms of firm births				
Vending Farm Products	15.1%	1,142	49	13.8%
Crocheting	14.2%	1,355	32	16.6%
Grass, Cane, Bamboo	11.4%	2,045	1	5.6%
Knitting	8.5%	2,417	540	22.1%
Vending Other	6.6%	2,229	145	10.4%
Five Leading Sectors Combined	55.8%	1,605	183	20.3%
65 Other Sectors Combined	44.2%	17,955	2,331	25.7%
All Firms Combined	100.0%	10,195	1,223	21.2%

One U.S. dollar = 6.7 Zimbabwe dollars.

Start-up costs include expenditures on equipment, buildings, and inventory or raw materials to start the business.

These statistics represent the calendar years of 1991, 1992, and 1993.

The second level of analysis in Table 4-1, firm births over time, again presents conflicting views of the output-demand and labor-supply hypotheses regarding the cause of firm births. According to the output-demand hypothesis, low economic growth rates with a corresponding decline in aggregate demand should lead to low levels of firm births. In contrast, the labor-supply hypothesis predicts higher levels of firm births as people search for a means of survival.

Results from the survey support the labor-supply hypothesis that MSE births increase as economic conditions decline. According to a regression of the birth rate as a function of Gross Domestic Product (GDP), for every 1 percentage point increase in the GDP growth rate, the MSE birth rate decreases by 0.7 percentage points.<sup>11</sup> Alternatively, as GDP declines, the MSE birth rate increases. This relationship is also illustrated by the data in Figure 4-1. From 1990 to 1993, when the average GDP growth rate was 0.3 percent, average annual firm births were more than 100 percent higher than 1988 to 1989 when the average GDP growth rate was 5.9 percent.

The last level of analysis in Table 4-1 examines conditions that drive firm births across sectors and over time. In this case, the two hypotheses do not present conflicting views, but their predictions do not necessarily coincide. The output-demand hypothesis predicts low birth rates in high-demand sectors during periods of low economic growth. The labor-supply hypothesis predicts high birth rates in easy-entry sectors during periods of low economic growth.

The empirical test for this last level of analysis involves the birth *rate* rather than the absolute number of births. The birth rate is calculated as the number of births in a given year divided by the number of firms alive at the beginning of the year. This calculation eliminates the size bias in the absolute numbers of firm births. For example, if a sector is typically large, then the number of births in that sector will also be large. By calculating births as a function of existing firms in the sector, a more standard unit of analysis is generated to compare births across sectors and over time.

Tables 4-3A and 4-3B illustrate birth rates of high-profit and low-profit firms.<sup>12</sup> Using 1989 as an example of a high-growth period (4.5 percent GDP growth rate) and 1992 as a low-growth period (-7.7 percent GDP growth rate), the two hypotheses can be tested. In the case of the output-demand hypothesis, 8 of the 10 high-profit sectors had lower birth rates during the low-growth period of 1992. The hypothesis is therefore supported with the exception of general traders and other retailers who experienced higher birth rates. In the case of the labor-supply hypothesis, 8 out of 10 low-profit sectors experienced higher birth rates in the low-growth period. Beer brewing and knitting had similar birth rates

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<sup>11</sup> The results of the regression are illustrated below with the t-statistic in parentheses:

$$\text{Birth Rate}_i = .206 - 0.70755 \text{ Growth}_i$$

(-1.55)

where:

Births = Total number of births in year i divided by the number of firms alive at the beginning of year i

i = 1988, 1989, 1990, 1991, 1992, 1993

Growth = GDP growth rate in year i

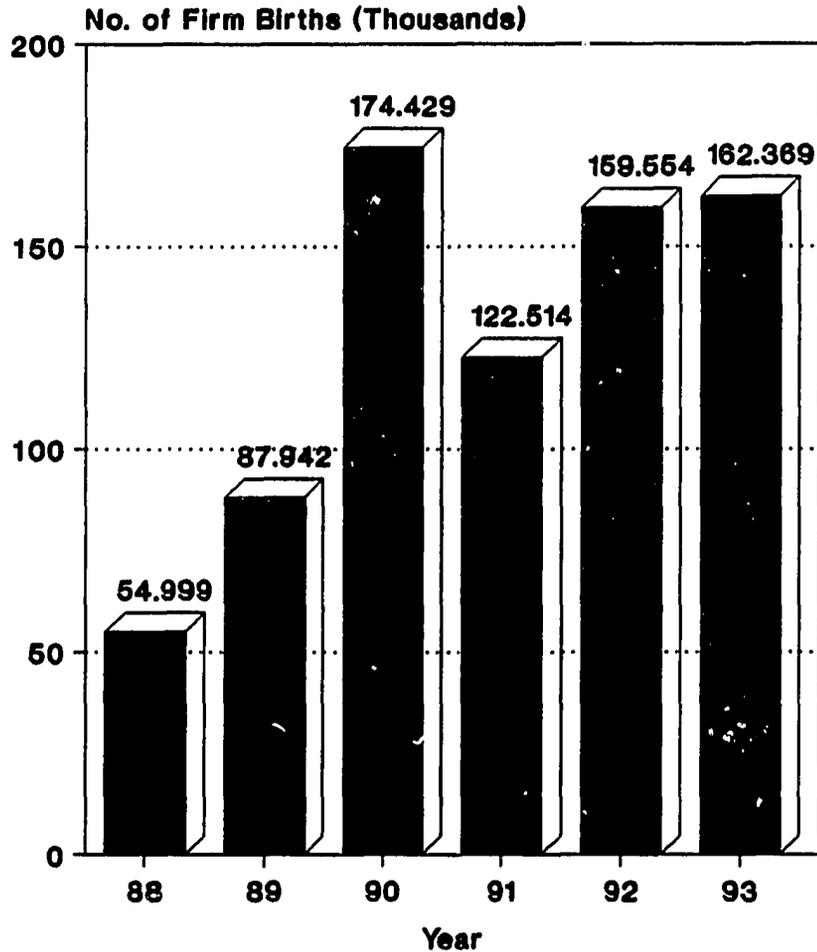
N = 6

Adjusted R<sup>2</sup> = .38

<sup>12</sup> Annex Table E-3 illustrate the birth rates for all sectors.

FIGURE 4-1

MSE BIRTHS FROM 1988 TO 1993  
(includes births of both existing and folded MSEs)



in both periods. Both hypotheses are therefore supported by the evidence in Tables 4-3A and 4-3B. In periods of low growth, high-profit-sector birth rates decline and low-profit-sector birth rates increase.

Although the hypotheses tested above focus on firm births across sectors and over time, they do not address expansion within firms. Mead (1993) surmises that many new MSEs will start during slack periods of economic growth, but expansion of existing MSEs will be limited. This hypothesis is supported by the evidence in Table 4-4. Including only those firms that were interviewed in both 1991 and 1993, the employment growth rate decreased by 44 percent during the 1991 to 1993 period when GDP growth rates were low. Furthermore, the percentage of firms that contracted since 1991 increased to 18.2 percent from 7.2 percent prior to 1991 for this set of firms.

TABLE 4-3A

**BIRTH RATES OF HIGH-PROFIT SECTORS  
IN HIGH- AND LOW-GROWTH YEARS**

High-Profit Sectors	Birth Rates		Sign of Change from 1989 to 1992
	High-Growth Year 1989	Low-Growth Year 1992	
Retail Hardware	50.0	9.1	-
Retail Garments	21.1	11.3	-
Other Repairs	188.3	10.8	-
General Trader	5.4	33.8	+
Other Services	24.6	16.3	-
Other Retail	18.9	21.0	+
Brick Making	19.4	2.1	-
Grocery	39.7	4.4	-
Construction	14.4	1.8	-
Welding	17.6	6.3	-

TABLE 4-3B

**BIRTH RATES OF LOW-PROFIT SECTORS  
IN HIGH- AND LOW-GROWTH YEARS**

Low-Profit Sectors	Birth Rates		Sign of Change from 1989 to 1992
	High-Growth Year 1989	Low-Growth Year 1992	
Pottery	9.7	21.0	+
Vending Drinks	34.9	154.1	+
Wood Carving	3.6	22.0	+
Beer Brewing	5.2	5.1	-
Vending Farm Products	19.5	61.7	+
Crocheting	18.0	29.1	+
Art/Artifact Production	47.5	163.5	+
Grass/Cane/Bamboo	20.8	28.1	+
Vending Other	21.4	31.8	+
Knitting	18.7	18.7	none

The statistics in these tables represent the highest- and lowest-profit sectors for which data were available.

TABLE 4-4  
 EMPLOYMENT GROWTH CHARACTERISTICS OF FIRMS INTERVIEWED  
 (1991 and 1993)

Employment Growth Characteristics	Pre-ESAP Prior to 1991	Post-ESAP 1991 to 1993
Percentage of firms that:		
Expanded Employment	21.5%	18.6%
Unchanged	71.2%	63.1%
Contracted Employment	7.2%	18.2%
Average Annual Employment Growth Rate	7.2%	4.0%

#### 4.2 MSE CLOSURES

MSE closures, similar to MSE births, can be examined at three levels: across sectors, over time, and across sectors and over time. For the first level, across sectors, the high number of firm births in low-profit, easy-entry sectors would indicate a corresponding high number of firm closures. Results from the survey show that the highest percentage of all firms deaths from 1991 to 1993 occurred in the following six sectors: vending foods (14 percent), crocheting (9.9 percent), basket making (9.7 percent), vending garments (8.3 percent), knitting (7.8 percent), and beer brewing (6.8 percent). Five of the six leading categories of firm deaths are also among the leading categories of firm births from 1991 to 1993. This suggests that firm closures in low-profit sectors are common.

At the second level of analysis, over time, results from the survey show that firm deaths are negatively correlated with economic growth. Figure 4-2 illustrates that the firm closures were highest in 1992 and 1993 following the drought and corresponding low GDP growth rates. Furthermore, according to regression results, for every one percentage point increase in the GDP growth rate, the MSE closure rate decreases by 0.47 percentage points.<sup>13</sup> Combining this with the birth regression, a decrease in the GDP growth rate leads to both an increase in birth rates and an increase in death rates. The increase in the death rate, however, is lower. This implies that during a decline in GDP growth rates, the net change in the number of MSEs will be positive.

<sup>13</sup> The results of the regression are illustrated below with the t-statistics listed below the coefficient.

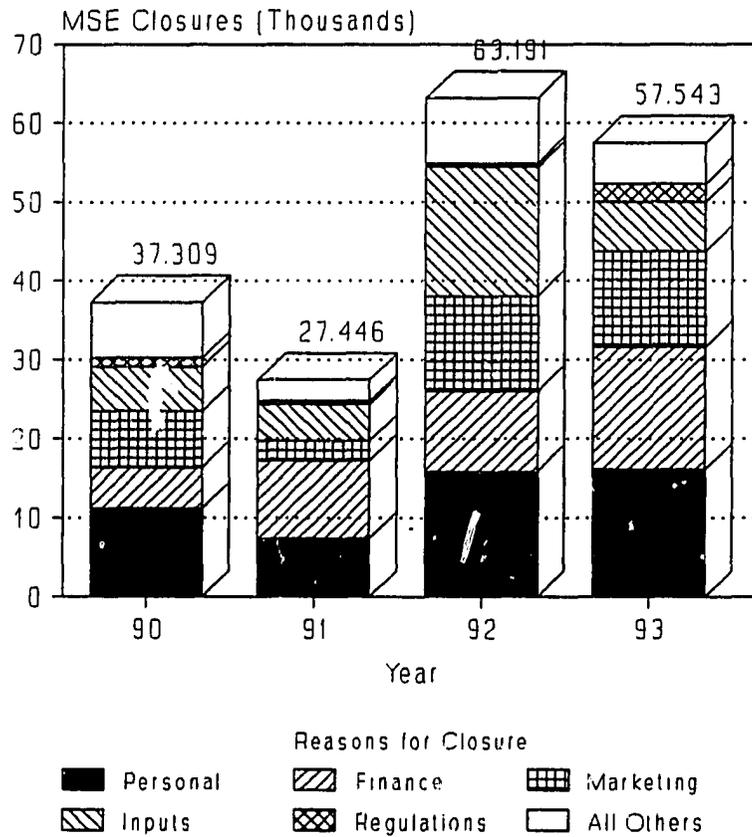
$$\text{Death Rate}_i = .06232 - .468 \text{ GDP}_i$$

(-4.31)

where:

- Death Rate = Total number of deaths in year i divided by the number of firms alive at the beginning of the year
- i = 1988, 1989, 1990, 1991, 1992, 1993
- GDP = GDP growth rate in year i
- N = 6
- Adjusted R<sup>2</sup> = .82

FIGURE 4-2  
MSE CLOSURES, 1988 TO 1993



1993 extrapolated to the end of the year

The last level of analysis, across sectors and over time, can be examined by annual firm mortality rates by sector. Using high- and low-profit sectors, Tables 4-5A and 4-5B show firm mortality rates in high- and low-growth years. In both high- and low-profit sectors, the mortality rate was higher during the low-growth period.

The reasons why MSEs closed are illustrated by year in Figure 4-2. Considering the year of closure, personal reasons were reported frequently in all years. The proportion of proprietors reporting finance problems was highest in 1991 and 1993. Marketing problems represent a high proportion in 1992 and 1993, probably reflecting the increase in the number of firms in low-profit sectors. Inputs were reported most frequently in 1992, probably reflecting the drought. Finally government regulations did not change significantly in any year.

TABLE 4-5A

**MORTALITY RATES OF HIGH-PROFIT SECTORS  
IN HIGH- AND LOW-GROWTH YEARS**

High-Profit Sectors	Mortality Rates		Sign of Change from 1989 to 1992
	High-growth year 1989	Low-growth year 1992	
Retail Garments	8.6	22.6	+
Brick Making	9.7	21.6	+
Construction	0.4	1.3	+
Welding	1.3	24.8	+

TABLE 4-5B

**MORTALITY RATES OF LOW-PROFIT SECTORS  
IN HIGH- AND LOW-GROWTH YEARS**

Low-Profit Sectors	Mortality Rates		Sign of Change from 1989 to 1992
	High-growth year 1989	Low-growth year 1992	
Wood Carving	0.3	15.5	+
Beer Brewing	5.8	24.1	+
Vending Farm Products	9.2	14.5	+
Crocheting	3.5	9.2	+
Art Production	2.4	10.2	+

The statistics in these tables represent the highest- and lowest-profit sectors for which data were available.

## SECTION FIVE

### MSE EMPLOYMENT CREATION

#### 5.1 EMPLOYMENT CREATION IN THE MSE SECTOR<sup>14</sup>

Micro- and small-scale enterprises provide a substantial amount of employment in Zimbabwe. Twenty-nine percent of the working-age population is engaged in MSEs and one in three households operates an MSE.<sup>15</sup> Compared with the formal sector, these employment levels are high. For example, 1.34 million people are employed in unregistered MSEs compared with 1.22 million people employed in the formal sector.

Employment in MSEs is also substantial compared with other sectors outside of the formal sector such as communal farming and small-scale mining. An estimated 800,000 families are engaged in communal farming, which is similar to the 745,000 households engaged in MSE activities.<sup>16</sup> Compared with small-scale mining, 1.55 million people are engaged in MSEs, while 4,000 small-scale miners are registered with the Small-scale Miners Association and approximately 6,000 miners are unregistered.

Employment growth within the MSE sector is also high. For example, unregistered MSEs created five times as many jobs as did the formal sector over the last five years as illustrated by Figure 5-1.<sup>17</sup> In 1991 and 1992 alone, unregistered MSEs created 12 times as many jobs as did the formal sector.

Combining employment creation from all sectors, the popular statement that 200,000-300,000 school-leavers enter the job market each year, while the formal sector generates only 10,000-20,000 new jobs is misleading. First, not all school leavers enter the job market. According to the 1992 Census, about 30 percent of those in the 20-to-24-year-old age group are not working or not looking for work. Second, permanent retirements in the formal sector create openings that are not reflected in the change in total employment each year. This turnover has been estimated to create 42,000 jobs per year (World Bank, 1992, p. 10). Finally, a substantial amount of job creation outside of the formal sector is ignored.

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<sup>14</sup> This section on employment creation is an update of an earlier paper by Lisa Daniels, Donald Mead, and Larry Reed presented at the International Conference on Employment Creation, 30 August through 3 September 1993, Harare, Zimbabwe (Daniels, Mead, and Reed, 1993).

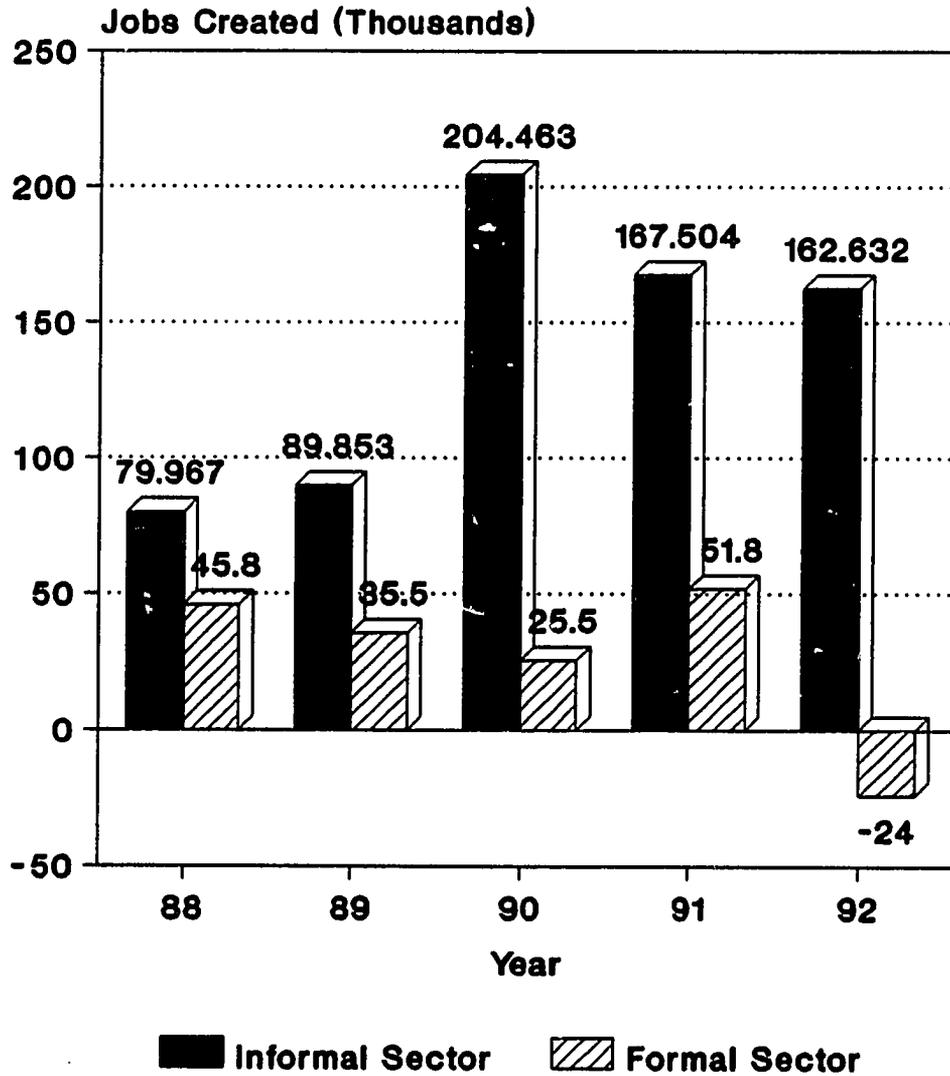
<sup>15</sup> Using the 1982 to 1992 intercensal growth rate of 3.13 percent, the population in 1991 and 1993 was 10,081,258 and 10,732,517, respectively. According to a Central Statistics Office report, "Intercensal Demographic Survey, Round 1, 1987," 49.1 percent of the population is between 15 and 64 years old, which is defined as the working-age population.

<sup>16</sup> Some households are engaged in both agriculture and MSE activities.

<sup>17</sup> Informal sector employment in Figure 5-1 is based on net job creation of unregistered MSEs. This includes jobs created through births of existing and closed enterprises, expansion of existing and closed enterprises, jobs lost through firm closures, and jobs lost through contraction of existing and folded enterprises. Formal sector refers to businesses included in employment statistics reported by the Central Statistics Office.

FIGURE 5-1

## JOBS CREATED IN THE INFORMAL AND FORMAL SECTORS

**5.2 EMPLOYMENT CREATION THROUGH BIRTHS AND EXPANSION OF MSEs**

Employment creation occurs through two processes in the MSE sector: births of new firms, and expansion of existing firms. As illustrated in Section 4.1, 126,968 firms were born creating 152,125 jobs on average per year from 1988 to 1993. Although firm births provide a significant amount of employment, many firms will subsequently go out of business, as discussed earlier. For every 3.6 firm births from 1988 to 1993, 1 firm folded. Furthermore, many firms make very low profits. For example, close to two-thirds of all MSEs make less profit than the equivalent of the minimum wage for domestic

workers in Zimbabwe (see Annex Table D-1).<sup>18</sup> Additionally, 88 percent of all MSEs make profits below the average employee earnings within the formal sector.<sup>19</sup>

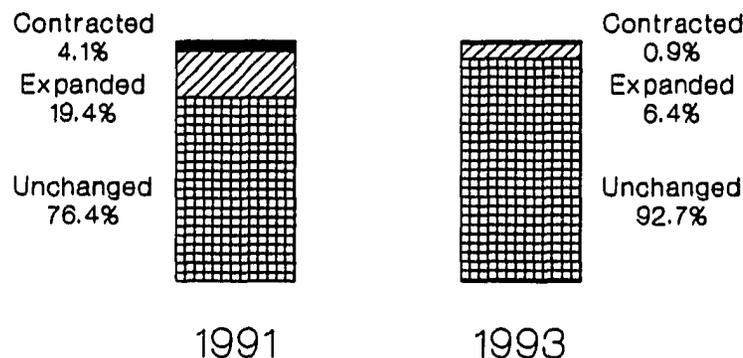
The second type of employment creation, expansion of existing firms, represents a significantly smaller proportion of employment creation. Considering existing firms at the time of the survey, 20,230 jobs were created per year through expansion.

Despite the smaller number of jobs created through expansion, this type of employment creation may be a more sustainable form of employment. MSEs that add employees often represent more efficient firms that have a higher chance of survival. For example, the average life span of closed firms that expanded was two times longer than firms that did not add any employees. Furthermore, annual profits of firms that expanded among existing firms was 12 times higher than firms that did not expand employment, and profits of firms with paid employees were 23 times greater than firms without paid employees. Parker and Aleke Dondo (1991) also confirmed a positive correlation between sales and added employees in a study done in Kenya.

Comparing existing firms in 1991 and 1993, Figure 5-2 illustrates the percentage of firms that expanded, contracted, and remained the same. The percentage of existing firms that expanded in 1993

FIGURE 5-2

CHANGES IN EMPLOYMENT LEVELS OVER THE LIFE OF MSEs  
EXISTING IN 1991 AND IN 1993



<sup>18</sup> The minimum wage for domestic workers, which is the lowest wage in Zimbabwe, is Z\$ 2,133 per year plus Z\$ 871.12 per year for accommodation.

<sup>19</sup> Average earnings in the formal sector are calculated as total earnings divided by the number of employees. In the second quarter of 1993, average earnings were Z\$ 1,084 per month outside of agriculture, according to CSO statistics.

was one-third the level of existing firms in 1991 that expanded. Again, this confirms Mead's hypothesis that expansion is limited under poor economic conditions (Mead, 1993).

Employment growth rates of existing firms in 1993 are shown in Table 5-1 for pre- and post-ESAP periods. Both the manufacturing and trade sectors turned from positive paid and unpaid employment growth rates prior to 1991 to negative growth rates after 1991. Overall employment growth rates from 1991 to 1993 were positive; however, the growth rate significantly decreased compared with the previous period.

TABLE 5-1  
AVERAGE ANNUAL EMPLOYMENT GROWTH RATES  
PRE- AND POST-ESAP

Sector	Average Annual Employment Growth Rates		
	Paid Employment	Unpaid Employment	Total Employment*
Manufacturing			
Prior to 1991	0.3%*	0.7%*	1.8%*
1991 to 1993	-0.4%*	-0.3%*	0.4%*
Construction			
Prior to 1991	9.0%	-0.7%	3.1%
1991 to 1993	0.2%	-0.2%	4.3%
Trade			
Prior to 1991	1.4%*	3.3%*	6.7%
1991 to 1993	-0.2%*	-0.3%*	4.0%
Transport			
Prior to 1991	2.8%	1.1%	0.6%
1991 to 1993	3.5%	0.0%	3.2%
Services			
Prior to 1991	-4.8%	0.2%	-0.3%
1991 to 1993	0.8%	-0.4%	4.0%
TOTAL			
Prior to 1991	0.6%*	1.2%*	2.8%*
1991 to 1993	-0.3%*	-0.3%*	1.5%*

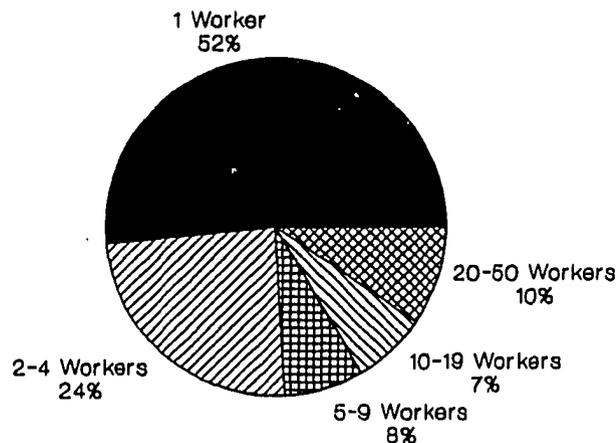
\* Significant difference at the 5 percent level.

\* Total employment growth includes paid employees, unpaid employees, proprietors, and trainees.

### 5.3 EMPLOYMENT CREATION BY FIRM SIZE

The statistics presented above are aggregated across all firm sizes. Information on births and expansion of firms by size may be also be useful to identify key areas of employment creation. Figure 5-3 illustrates the percentage of all jobs created by firm size during the last five years (1988 to 1992).

FIGURE 5-3  
JOBS CREATED BY INITIAL SIZE OF NEW FIRMS



The highest percentage of jobs created occurs in firms that begin with 1 person. Including up to 4 workers, three quarters of all jobs are created by firms in this initial size category. Although job creation is highest in the microenterprises, this primarily reflects the distribution of existing firms. Ninety-seven percent of all existing firms initially had 4 or fewer workers.

Combined, these levels of employment creation indicate that microenterprises create the highest number of jobs — jobs, however, that may not represent the most sustainable source of employment creation. Instead, these microenterprises act often as a temporary "income-generating safety net," as pointed out by Mhone (1993). Expansion of firms may indicate a higher probability of firm survival.

If firm expansion does represent a more efficient means of employment creation, the transition from small to large firms should also be examined. Figure 5-3 illustrates the initial firm size of firms that have 20 to 100 workers. Twenty-three percent of these firms started with 9 or fewer workers. This transition from micro or small to medium enterprises may indicate potential growth sectors. An analysis of the types of firms indicates that three-fourths of these firms were in the brick making, construction, and service sectors. The leading types of firms that make the transition from 9 or fewer workers to 10 or more include the same sectors as well as auto repairs.

## SECTION SIX

### CHANGES IN PARTICIPATION OF FEMALE PROPRIETORS FROM 1991 TO 1993

Women represent 70.6 percent of all MSE proprietors in Zimbabwe. Compared with 1991, this represents an increase in both the proportion of female proprietors and in the number of female proprietors overall.

Changes in women's participation in different sectors from August 1991 to September 1993 is illustrated in Table 6-1. The first two columns represent the proportion of female-owned firms in each sector. For example, 98.9 percent of food and beverage MSEs were run by women in 1991 compared with 80.2 percent in 1993. This implies that within that sector, the proportion of women is smaller in 1993 than it was in 1991. The most notable increases in women's participation are in paper, chemicals, and non-metallic mineral processing.

The distribution of female-owned firms is presented in the third and fourth columns of Table 6-1. For example, 42 percent of all female-owned firms in 1993 were in textiles, which represented the largest share of female-owned firms in both 1991 and 1993. The most notable change in the distribution is the shift from manufacturing into trade. A higher proportion of female-owned firms are now in trade with a decrease in manufacturing.

The growth in the number of female-owned firms by sector is illustrated in the last column of Table 6-1.<sup>20</sup> Comparing these growth rates with the growth rates of all MSEs in Table 3-2, the number of female-owned firms in non-metallic mineral processing, construction, retail trade, and restaurants, hotels, and bars grew significantly faster than the overall growth rate of firms. This implies a higher proportion of women in these sectors. The large increase of women in trade activities is also striking. Rather than reflecting new opportunities under ESAP, however, the majority of these women are vending farm products and other goods. Annual profits in these sectors are less than Z\$2,230 per year, which falls into the bottom third of profits from all types of enterprises.

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<sup>20</sup> The compound growth rate of the number of female-owned firms is calculated in the same manner described in footnote 8.

TABLE 6-1  
 SECTORAL DISTRIBUTION OF FEMALE-OWNED FIRMS  
 AND GROWTH RATES

Sector	Percentage of MSEs in Each Sector that are Female-Owned		Distribution of Female-Owned MSEs by Sector		Pct. Change in No. of Female-owned MSEs from 1991 to 1993
	1991	1993	1991	1993	
Manufacturing Total	80.2	74.2	78.1	68.5	1.3
Food and beverage	98.9	80.2	7.8	5.6	-8.3
Textiles	95.9	90.4	46.9	42.2	2.6
Wood and wood products	75.0	59.4	19.5	15.3	-4.2
Paper, printing, publishing	0.0	29.1	*	*	
Chemicals and plastics	0.0	86.0		0.3	
Non-metallic mineral proc.	10.4	71.3	2.8	4.1	30.6
Fabricated metal products	0.0	5.5	*	0.2	
Other manufacturing	4.1	29.0	0.9	0.7	-1.6
Construction	9.8	18.2	0.7	0.8	14.4
Trade Total	69.9	72.1	19.3	28.6	31.5
Wholesale trade	0.0	12.4	*	*	*
Retail trade	69.4	72.2	19.0	27.9	31.3
Restaurant, hotels, bars	91.8	70.6	0.4	0.7	43.7
Transport Total	0.0	3.8	0.0	*	*
Renting Rooms & Flats	100.0	67.0	*	*	*
Services Total	24.1	43.8	1.9	2.1	15.4
TOTAL	67.7	70.7	100.0	100.0	8.2

\* Represents less than 0.1 percent.

The sectors where female owners are more concentrated are looked at in more detail in Table 6-2. Close to two-thirds of all female-owned firms are in these five sectors, which fall into the bottom two profit quintiles of all types of MSEs in Zimbabwe. In addition to being concentrated in low-profit sectors, a higher proportion of women tend to use their profits for household needs. Eighty-nine percent of women used profits for household needs while only 7 percent reinvested the money into the business. By contrast, 16.5 percent of male proprietors reinvested their profits.<sup>21</sup>

<sup>21</sup> A chi-square test revealed that this difference between use of profits by men and women was significant at the .001 level.

TABLE 6-2  
 CONCENTRATION OF FEMALE-OWNED MSEs AND AVERAGE PROFITS  
 1993

Sector	Percentage of Female-owned Firms	Annual Profits in Zimbabwe Dollars	Profit Quintile
Crocheting	20.2%	Z\$1,355	Lowest
Grass/Cane/Bamboo	14.9%	Z\$2,045	Second
Knitting	13.2%	Z\$2,417	Second
Vending Farm Products	10.5%	Z\$1,142	Lowest
Vending Other Products	5.6%	Z\$2,229	Lowest

The size of female-owned firms is illustrated in Figure 6-1. From 1991 to 1993, there was a decrease in the proportion of firms with 2 to 19 workers and an increase in the proportion of one-person firms. Two-thirds of the one-person firms are in the five sectors listed above, which represent low profit sectors.

Partly because of the high proportion of one-person firms, there is very little employment growth among female-owned firms. Only 4.1 percent of female-owned firms expanded employment during their lifetime compared with 9.8 percent of male-owned firms. Downing (1990) hypothesizes that women tend to diversify their MSE activities as a means of security rather than expanding current activities. Results from the survey showed a small difference, however, in the number of MSEs run by women and men. On average women operated 1.22 MSEs while men operated 1.21 MSEs.<sup>22</sup>

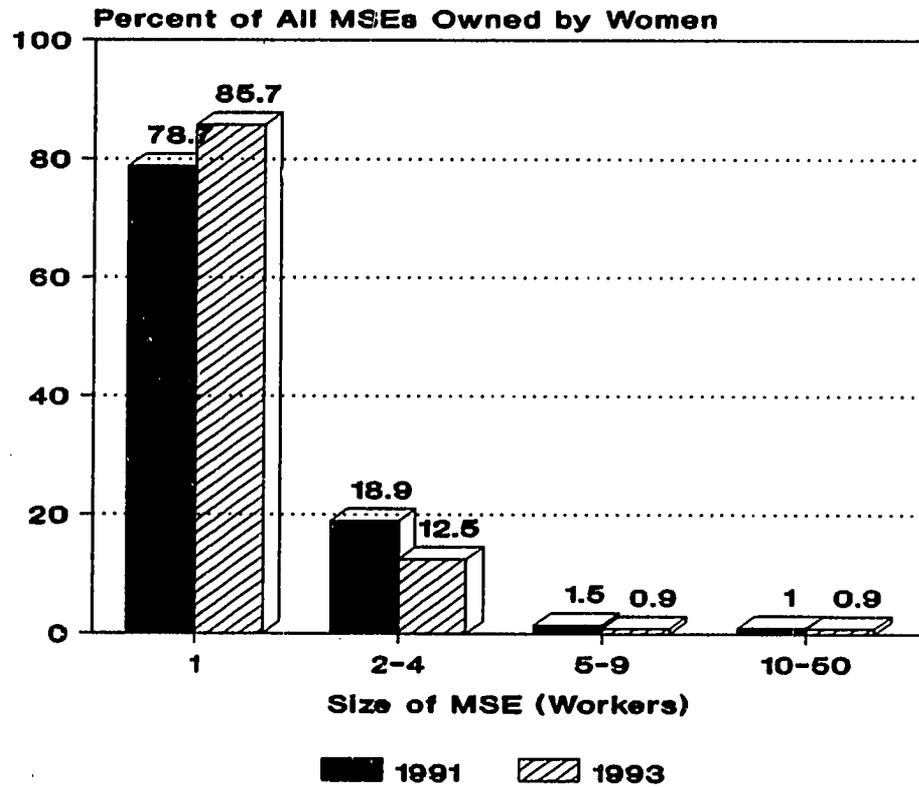
Although many predict that women face more constraints because of household responsibilities and limited access to finance, constraints did not vary by gender. Both female and male proprietors cited marketing, finance, and inputs most frequently as their primary constraints. These three constraints were also cited most frequently by both male and female proprietors in other southern African countries (Downing and Daniels, 1992). Access to credit was also similar among both groups. Ninety percent of both male and female proprietors had never received any credit. A higher proportion of male-owned firms (0.8 percent), however, had received credit from a formal institution compared with female-owned firms (0.2 percent).<sup>23</sup>

Considering household responsibilities as a constraint, surprisingly 9.3 percent of men closed their business over the last three years because of household responsibilities compared with only 1.5 percent of women. Furthermore, firms owned by married women made five times more profit than firms owned

<sup>22</sup> A t-test of the unweighted data showed a significant difference between the number of MSEs run by men and women at the .001 level.

<sup>23</sup> A chi-square test showed that the difference between the percent of men and women that received formal credit was significant at the .001 level.

FIGURE 6-1  
 PERCENTAGE OF FEMALE-OWNED FIRMS BY SIZE  
 (1991 AND 1993)



by unmarried women. This may be because of the ability of married women to rely on family members for financial support; however, loans from family members did not differ between married and unmarried women.

In summary, women represent the majority of proprietors in the MSE sector and tend to be concentrated in low-profit, low-growth sectors. These characteristics are common throughout southern Africa and therefore cannot be attributed to ESAP or the drought (see Daniels and Ngwira, 1993; Daniels, and Fisseha, 1992; Fisseha, 1991; and Fisseha and McPherson, 1991).

## SECTION SEVEN

### ROLE OF INDIGENOUS ENTREPRENEURS

In 1991, the Parliament of Zimbabwe set up the Select Committee on the Indigenisation of the National Economy to examine legislation to indigenize the economy and review the ownership structure in all sectors of the economy. In their first interim report, the committee made the following comment:

The Committee notes with concern that there is no definite policy decision by Government to support the indigenous entrepreneur, and urges that a positive policy be formulated with a bias towards indigenous enterprises. (Parliament of Zimbabwe, 1992, p. 20)

Since 1991, there has been a 9.5 percent increase in the number of black-owned firms. The proportion of firms owned by blacks has also increased slightly from 98.2 percent in 1991 to 99.1 percent in 1993. Although blacks own almost all MSEs in Zimbabwe, the minority of firms owned by non-blacks tend to be larger and more profitable.<sup>24</sup> For example, 41.8 percent of non-black-owned firms have five or more workers compared with only 3.8 percent of black-owned firms. Furthermore, blacks tend to be concentrated in knitting, crocheting, basket-making, and vending, which are low-profit sectors. Non-blacks, alternatively, are spread out among many sectors with the highest concentration (15.1 percent) in other services, which fall into the second highest profit quintile of all MSEs.

These statistics give some indication of the differences between black and non-black-owned firms, but they should be treated with caution. Only 52 white Zimbabwean proprietors were interviewed and 408 Asian and mixed-race owners. Furthermore, numerous non-blacks refused to participate in the survey. These businesses were recorded as part of the total number of MSEs in Zimbabwe, but no information was collected about them. Therefore, there is a bias in the responses from non-blacks that were recorded.

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<sup>24</sup> Non-blacks include whites, Asians, and mixed-race.

## **SECTION EIGHT**

### **DROUGHT-RELATED EFFECTS ON THE MSE SECTOR**

As stated earlier, it is difficult to separate the effects of the drought from those of the economic reforms on the MSE sector over the last two years. Nonetheless, there are two effects that can be more directly attributed to the drought. These include decreased income levels and corresponding lower demand for MSE products, and decreased availability of inputs in sectors tied to agriculture and a corresponding increase in input prices.

The first effect, decreased income levels, is illustrated by the 7.7 percent decrease in real GDP in 1992. This decline in real income levels should also lead to a decrease in demand for MSE products. Results from the survey show that 76 percent of proprietors in both urban and rural areas reported that the volume of their business decreased because of the drought. Close to two-thirds of all proprietors also reported that their business activity increased once the rains began after the drought. Additionally, among those MSEs interviewed in both 1991 and 1993, 21 percent of proprietors reported a lower proportion of income contributed to the household from the MSE in 1993 compared with 1991.

In a study of the urban informal sector, Mhone (1993) found that overall household expenditures increased less than the rate of inflation since 1990, implying a decline in real expenditures. He also found that 70 percent of household respondents restrict their purchases to essentials because of price increases. Although Mhone does not directly attribute these changes to the drought, part of this must have been caused by the decline in real incomes related to the drought.

The second effect, decrease in availability of inputs in sectors tied to agriculture, can be examined through MSE closures. In 1992, more than one quarter of all firms closed because of input problems, compared with only 8 percent in 1991 and 11 percent in 1993. Furthermore, input problems were the most frequently cited reason for closing in 1992. Three quarters of firms that reported input problems in 1992 were in beer brewing, grass/cane work, vending foods, other textiles, and retail of livestock. All of these sectors are related to agriculture.

## SECTION NINE

### LEGAL AND REGULATORY ENVIRONMENT OF MSEs

The legal and regulatory environment of MSEs has changed since 1991, primarily because of the structural adjustment program. As described earlier, this program has four components: deregulation, trade liberalization, fiscal policy reforms, and monetary policy reforms. This section reviews the impact of the four ESAP components as well as of sectoral initiatives introduced both prior to 1991 and following the introduction of the structural adjustment program. Findings are based on proprietor responses in 1993 and, in some cases, on interviews with representatives from several government offices and with some of the more successful firms from the 1991 GEMINI survey.

#### 9.1 DEREGULATION

As described in Section One, numerous regulations have been cited as impediments to MSE activity. In addition to their restrictive nature, the Attorney General of Zimbabwe describes them as rules that promote criminal conduct in the following statement:

Too many unnecessary regulations have made criminals of our people and increased hundredfold opportunities for corruption. Deregulation is therefore a process of not only liberalizing our economy but also decriminalizing a lot of conduct and practices which at the moment constitute criminal conduct. (Chinamasa, 1993, p. 17)

Table 9-1 summarizes some of these regulations, citing the specific legislation related to each regulation and a brief review of the potential impact on MSEs. It is not an exhaustive list. Other legislation that affects MSEs, such as transport, building regulations, and price and distribution controls, are not included because they were not specifically addressed by the survey. Those issues that were covered by the survey are described below.

#### Zoning

Zoning regulations are one of the most frequently cited impediments to MSE activity. Based on the three Acts identified in Table 9-1, each town develops its own planning schemes, which define operational areas for businesses and other types of activities. In Harare, for example, there are five major zones proposed by a master plan: commercial, residential, public buildings, industrial, and agricultural zones.<sup>25</sup> Within these zones, there are 31 subclassifications of "use zones."

New businesses are required to go the Town Planning Office to determine if they are in the right zone before opening. If they are in the correct zone, they must write a letter requesting permission to

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<sup>25</sup> Town planning schemes were originally designed in Harare without a master plan. Based on a new master plan, which was gazetted in December 1993 and effective February 1, 1994, Local Planning Schemes are currently being developed to replace the original town planning schemes.

operate. If the business is not in the correct zone, it must submit an application, advertise, advise neighbors, and acquire special consent.

TABLE 9-1  
RULES AND REGULATIONS AFFECTING MSEs

Issue	Legislation	Restrictions and Potential Impact
Zoning	<p>Regional, Town and Country Planning Act, No 22 of 1976</p> <p>Urban Councils Act, Chapter 214</p> <p>Rural District Councils Act, No. 8 of 1988</p>	<p>Restricts business activities in residential areas and the types of activities in commercial and industrial areas.</p> <p>Operation in legal zones can lead to higher rent, transport problems, delays in acquiring accommodation, and inadequate support services (Hess, 1993)</p>
Operating Hours	<p>Shop Hours Act, No. 7 of 1975</p>	<p>Restricts operating hours of MSEs. Application to change operating hours is cumbersome.</p>
Licensing	<p>Shop Licences Act, 1976 (No. 40 of 1976)</p> <p>Urban Councils Act (Chapter 214)</p> <p>Factories and Works Act, Chapter 218</p> <p>Liquor Act, No. 9 of 1984</p> <p>Traditional Beer Act, 1984 (No. 25 of 1984)</p>	<p>Trade activities in a fixed place of business must obtain a shop license.</p> <p>Manufacturing activities with five or more workers require a factory license.</p> <p>Businesses with "mechanical power" require a license irrespective of number of employees.</p> <p>Licensing process is costly and time-consuming.</p> <p>Criminal offence to brew beer without a permit or authorization under Traditional Beer Act (Chinamasa, 1993).</p>
Registration	<p>Companies Act, Chapter 190</p>	<p>Complicated procedures for registration. High costs of compliance. Without registration, limited access to financial markets.</p>

TABLE 9-1 (cont.)

Issue	Legislation	Restrictions and Potential Impact
Labor Regulations	Labour Relations Act No. 16 of 1985; SI 379 of 1990 SI 404 of 1990 SI 252 1992  Labour Relations Amendment Act (No. 12 of 1992)  Workman's Compensation Act, Chapter 269	Prior to SI 379 of 1990 firms had to apply to Ministry of Labour for permission to retrench workers.  Company must pay \$100 to Department of Occupational Health, Safety and Workers Compensation as a form of insurance for its workers.  Relaxed labor laws should expand employment in registered firms.
Title Deeds	Deeds Registries Act (Chapter 139)  Land Survey Act (Chapter 147)  Land Surveyors Act 1987 (No. 12 of 1987)	Lack of title deeds limits collateral for commercial loans.  Backlog of work in the surveying of growth points to accord title deeds to existing businesses as well as new investors.  High qualifications for land surveyors; must pass the Zimbabwe Local Examination before practicing if trained in another country.
Foreign Exchange	Exchange Control Act (Chapter 170)	Difficult to obtain foreign exchange allocation in the past. Reforms through export retention scheme and Foreign Currency Accounts have increased foreign exchange availability.
Tax Rates	Income Tax Act (Chapter 181)	Individual maximum tax rate, 1992/93: 57.5% Company tax rate, 1992/93: 44.63%

The rules regarding zoning are complex. For example, it is often assumed that MSEs that operate from the home are illegal under residential zoning laws. This is not necessarily true, however, because of several exceptions. For example, an office can be operated in a residential detached dwelling house if "[it does not occupy] more than 15 percent of the total habitable floor area of all buildings on the stand, employing not more than four persons, and using not more than two class four light motor vehicles" (Harare Combination Master Plan No MPX 76/2).

Zoning regulations are further complicated by differences in local government attitudes, particularly regarding vendors. For example, one study found that businesses situated in the high density areas near Mbare are recognized and allowed to operate without harassment by the local authorities (IMANI, 1990). Alternatively, a local newspaper reports a completely different reaction to street vendors in Chitungwiza:

Chitungwiza Town Council police are now arming themselves with guns during raids on illegal vendors in the town as they encounter more resistance and even violence when breaking up makeshift markets and arresting offenders. . . . The illegal vendors sell on street corners and on road sides, shunning council markets which they say are offered at high rates. (*The Herald*, June 14, 1993)

The two examples above show contrasting views of different local authorities, and the deputy town clerk from Bulawayo reports conflicting views from within the central government (Ndlovu, 1993). First, the Bulawayo city council was directed by the central government to deregulate vendor restrictions. Later, it was instructed to eliminate vending activities completely when cholera broke out. Now, the council is in the process once again of making plans to accommodate vendors in specified areas.

Under ESAP, there are plans to relax rules for street vending and small businesses; however, no official legislation has been passed. Rather than changing legislation, rules are typically not enforced, thereby allowing street vendors and other businesses to operate without harassment. This creates a climate of uncertainty, which inhibits investment and expansion. It also criminalizes income generation efforts as pointed out by the Attorney General (Chinamasa, 1993).

Results from the survey indicate that the majority of MSEs believe that they are not affected by zoning laws, despite the fact that 91 percent of all businesses are located at the home or roadside, possibly making them subject to zoning laws. Table 9-2 shows the response from proprietors regarding zoning laws and Figure 9-1 indicates business locations. Close to two-thirds of proprietors were not even aware that zoning laws existed.

TABLE 9-2  
EFFECTS OF ZONING LAWS ON MSEs

Are MSEs affected by Zoning Regulations	Percentage of Proprietors		
	Urban	Rural	Total
<b>Reasons why MSE is not affected:</b>			
Not aware that there were zoning laws	52.5%	66.0%	62.2%
Operating in a legal zone	23.1%	24.6%	24.2%
Operating in an illegal zone but no harassment	6.6%	1.3%	2.8%
<b>Total</b>	<b>82.2%</b>	<b>91.9%</b>	<b>89.2%</b>
<b>Reasons why MSE is affected:</b>			
Can't sell goods in desired location	15.0%	7.5%	9.6%
Can't advertise because of illegal location	1.1%	*	0.3%
Pay high rents in legal zone	0.5%	0.3%	0.3%
Can't register	0.3	*	0.1%
<b>Total</b>	<b>16.9%</b>	<b>7.8%</b>	<b>10.3%</b>

0.5% gave other miscellaneous responses.

\* less than 1 percent

Despite the low number of businesses that reported a negative impact from zoning laws, the regulations should be amended to allow certain types of businesses to operate legally. Clearly, some zoning regulations are necessary to protect public health and control noise, pollution, and traffic. Many businesses, however, such as crocheting or sewing from the home, are not harmful to public health or the environment and should be legalized. Again, only through a secure operating environment can businesses expand and flourish.

FIGURE 9-1

## LOCATION OF MSEs IN 1993

**Shop Hours**

Business operating hours are regulated by the Shop Hours Act. Under this legislation, businesses in the Group I areas (any part of the so-called "European Area" as defined in section 2 of the Land Tenure Act, 1969, No. 55) may select hours between 6:00 AM and 6:00 PM on weekdays other than Fridays; between 6:00 AM and 7:00 PM on Fridays; and between 6:00 AM and 1:00 PM on Saturdays. Shop hours may not exceed 50 hours per week. In Group II areas (Africa townships as declared in section 15 of the Land Tenure Act, 1969, No. 55) a shopkeeper may select any hours, not exceeding 82 hours, including Sundays. In both areas, hours must be registered with the appropriate licensing authority.

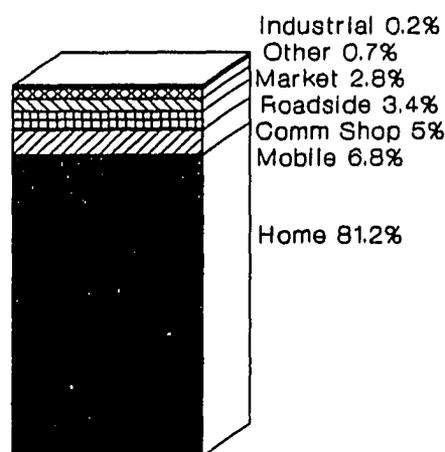
After an application is submitted, a registration certificate specifying the hours is given to the shopkeeper. If the shopkeeper wants to change hours, s/he must pay a fee and apply with a registration certificate after publishing the new hours on at least three separate occasions in the newspapers. A 30-day waiting period is then necessary following the last publication.

Although this type of legislation affects directly only registered businesses, the complicated procedures may inhibit registration of small businesses. Furthermore, the ability of unregistered businesses to operate outside of the official hours may again encourage businesses to remain outside of the formal sector.

Within the formal sector, interviews indicate that this is one of the areas where exceptions are frequently made, allowing businesses in the Group I area to operate outside of specified hours. Again, rather than allowing exceptions for select businesses, the legislation should be changed.

**Licensing**

Several types of licenses are required by specific types of businesses in Zimbabwe, including shop, trading, factory, vendors, hawkers, and liquor. These are governed by numerous pieces of legislation listed in Table 9-1. Each license serves a different purpose and is administered by a different branch of the government. For example, the shop license, issued by the Ministry of Local Government, Rural and Urban Development, is required for trading activities undertaken in a fixed place of business. It is used to control health standards and generate revenue. The factory license, controlled by the Factory



and Works Department of the Ministry of Public Service, Labour, and Social Welfare, regulates manufacturing activities and maintains safety standards.

Just as the zoning and shop hours regulations are complicated by lengthy procedures and uncertainty, licensing is also complex. It is difficult to obtain a list, for example, of the types of businesses that require licenses and exactly what types of licenses.

Results from the survey indicate that 87.3 percent of all MSEs do not have any type of license as illustrated by Table 9-3. When asked why they didn't have a license, 57.5 percent said that they are not required to have a license. Eighteen percent of firms without licenses said they don't know where to go or how to get one, and 20.7 percent said that they can't afford a license.

Obviously more than 13 percent of all MSEs need a license to operate. For example, firms that said they do not need a license to operate included food vendors. In these cases, licenses are necessary to insure public health. Does the infrastructure exist, however, to administer licenses and inspect premises for 100,000 retailers and vendors of food and drinks in Zimbabwe? The types of licenses required, the procedures for obtaining licenses, and enforcement mechanisms need to be clarified and simplified.

TABLE 9-3  
PROPORTION OF MSEs THAT ARE REGISTERED AND HAVE LICENSES

Sector	Percentage of MSEs that are registered or have a license	
	Registered	License
<b>Manufacturing Total</b>	3.4%	6.8%
Food and beverage	6.2%	9.5%
Textiles	3.2%	9.2%
Wood and wood products	1.3%	2.7%
Paper, printing, publishing	100.0%	100.0%
Chemicals and plastics	0.0%	0.0%
Non-metallic mineral processing	7.3%	3.4%
Fabricated metal products	1.7%	1.9%
Other manufacturing	8.2%	10.6%
<b>Construction</b>	13.8%	1.0%
<b>Trade Total</b>	11.5%	27.2%
Wholesale trade	100.0%	86.8%
Retail trade	11.0%	27.2%
Restaurant, hotels, bars	27.5%	27.5%
<b>Transport Total</b>	19.8%	17.4%
<b>Renting Rooms &amp; Flats</b>	0.0%	0.0%
<b>Services Total</b>	23.9%	20.0%
<b>ALL SECTORS</b>	6.7%	12.7%

## Registration

Business registration is governed by the Companies Act, Chapter 190 and administered by the Ministry of Justice, Legal, and Parliamentary Affairs. To register, a company must conduct a name search, develop a Memorandum of Agreement and Articles of Association, and submit the names and address of the company directors to the Companies Registration Office.

Two recent studies on the cost of business compliance in the small-scale metal working and garment and textile sectors found varying reactions to registration within the business community. Harbin (1993) found that most formal sector firms thought that the costs and time to register were reasonable. Hess (1993), on the other hand, found the perception that registration was "too difficult, too costly and time consuming," taking from two to eight months and ranging from Z\$200 to Z\$1,700.

Results from the survey indicate that only 6.7 percent of firms in the MSE sector are registered, as illustrated in Table 9-3. This is not surprising given the size and location of MSEs in Zimbabwe. Ninety-five percent all MSEs have four or fewer workers and 91 percent operate from the home, roadside, or are mobile (see Figure 9-1). Furthermore, the Companies Act does not specify which types of businesses are required to register. According to an official from the Deeds and Companies Registry Office, it is "intuitive."

Without any legal requirements, there must be advantages that promote registration. These include limited liability, access to credit, subcontracting possibilities, and access to foreign exchange. But these advantages may not have the same value for micro, medium, and large enterprises as illustrated by Table 9-4. A greater proportion of larger firms believe that there are registration advantages compared with micro or small firms. Combining all size categories, only 21 percent of proprietors reported registration advantages, including ability to operate in the open (9.4 percent), increased customers (4.7 percent), access to loans (3.6 percent), ability to deal with other registered companies (1.4 percent), access to raw materials in bulk (1.3 percent), and access to foreign exchange (0.2 percent).

TABLE 9-4  
REGISTRATION AND PERCEIVED ADVANTAGES BY FIRM SIZE

Firm Size (No. of Workers)	Percentage of Firms Registered	Percentage of Firms that Reported Registration Advantages
1	2.8%	17.0%
2 to 4	16.9%	33.3%
5 to 9	39.4%	54.6%
10 to 19	64.5%	67.1%
20 to 100	64.5%	65.0%
All Firms	6.7%	21.1%

As part of the deregulation process, a Private Business Corporation Bill has been passed by Parliament. It will offer the benefits of limited liability while simplifying registration procedures. Businesses with up to 20 people will be required to submit names, addresses, and contributions of all

members to the Companies Registration Office. Although this is a positive step forward for more sophisticated enterprises, the Bill discourages registration for proprietors with low education levels. For example, annual financial statements including balance sheets, income statements, and asset valuation must be submitted to a Ministry-approved accounting officer for inspection. Most microenterprises do not keep these types of records, and would find it difficult to hire consultants to do it for them.

Though microenterprises may be excluded from the Private Business Corporation Bill, it may not be necessary for them to register. Does the government need to know about crocheters operating from their homes? Does a crocheter need limited liability or access to foreign exchange? These questions should be addressed before promoting registration.

### **Labor Market Regulations**

Prior to 1990, labor relations were regulated by the Labour Relations Act No 16 of 1985. Under this Act, employers were required to seek permission from the Minister of Labour for approval to dismiss employees. Additionally, wages were determined by direct government intervention.

Since 1985, several Statutory Instruments have been passed to change the labor laws. For example, direct intervention in wage setting has been replaced by collective bargaining. The government intervenes only when irregularities or deadlocks arise. Additionally, companies may now retrench employees for economic reasons, and are required to inform the Ministry of Public Service, Labour and Social Welfare for record-keeping purposes only. If a dispute arises about the retrenchment package, however, the government Retrenchment Committee becomes involved. Unions can also challenge retrenchment by claiming the company hasn't followed proper procedures or explored alternatives.

Based on these changes, employment levels should rise because of the reduced risk of retaining unproductive employees or of retaining employees when business conditions decline. Minimum wage relaxation should also encourage higher levels of paid employment. Comparing existing firms in 1991 and 1993, however, the average number of paid workers has remained the same while the proportion of paid workers has declined slightly from 15.7 percent to 13.4 percent. Although the decline may reflect an increase in the number of one-person firms from 1991 to 1993, a comparison of firms that were interviewed in both 1991 and 1993 revealed that the number of paid workers declined from 1.1 to 1 worker on average per firm and 0.3 to 0.2 unpaid workers per firm.<sup>26</sup> Mhone (1993) also found an increase in the number of easy-entry firms and a decrease in the number of workers per firm in a study of the urban informal sector in Zimbabwe.

Although the level of employment did not increase as expected, 97 percent of proprietors indicated that they are not affected by labor laws because they do not want to hire more workers. Of the 2.4 percent of proprietors that indicated that they are affected by labor laws, 96 percent reported minimum wages laws as a barrier to hiring more employees, 24.6 percent reported difficult employee dismissal procedures, and 14.6 percent are inhibited by worker compensation requirements. Surprisingly, more than three quarters of the firms affected by labor laws were microenterprises with 1-4 workers.

That employment levels have not risen as predicted and most firms do not want to hire more workers may reflect the 1992 recession rather than a lack of response to labor regulation changes.

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<sup>26</sup> A paired t test of the difference in paid workers from 1991 to 1993 was significant at the .03 level. The difference between unpaid workers was also significant at the 5 percent level.

Furthermore, registered firms are more directly affected by labor laws than unregistered firms. Nineteen percent of registered firms indicated that they are inhibited by labor laws compared with only 1.2 percent of unregistered firms.

### **Title Deeds<sup>27</sup>**

The land tenure system in Zimbabwe today was instituted in 1892. At that time, the Imperial Government awarded the country to the Settler Government while the indigenous population was settled in Native Reserves and Native Purchase Areas, now known as communal and small-scale commercial lands. The indigenous population had no ownership rights. Residents in the small-scale commercial lands, however, were given the option to convert leases to free-hold tenure.

Since independence, the demand for land ownership by the indigenous population in the communal areas has become a prominent issue. One of the obstacles to granting ownership in these areas is the ability to survey the land. According to a Parliamentary report in 1992, the Surveyor General's Department had only 17 employees and only 16 practicing land surveyors were available in the private sector (Parliament, 1992). Furthermore, equipment and transport were cited as problems within the surveying teams.

Although the limited surveying staff presents a major obstacle to land ownership, the Parliamentary report also stated that the current situation is amplified by the government's lack of commitment to a Land Tenure Policy "which would serve the interests of the indigenous people" (Parliament, 1992, p.6).

Land ownership affects the MSE sector in the area of financial assistance. Without title deeds, proprietors lack collateral for bank loans or credit. The results from the survey showed that 83 percent of proprietors did not have a title deed. Furthermore, there was a statistically significant difference between firms with and without title deeds that had received credit. Among those firms with title deeds, 2.3 percent had received loans from formal credit institutions, while 0.4 percent of firms without title deeds had received loans.<sup>28</sup> Considering all types of credit, 83.3 percent of firms with title deeds had never received credit compared with 90.6 percent of firms without title deeds.

## **9.2 TRADE LIBERALIZATION**

Trade liberalization, the second component of ESAP, includes reduction of import restrictions and changes in the foreign exchange allocation system. Prior to ESAP, foreign exchange for imports was administratively allocated to individual firms in a system called Direct Local Market Allocation (DLMA). Liberalization began in the late 1980s when the Open General Import Licence (OGIL) program was initiated to allow certain goods to be imported without quantitative restrictions. Under this program, foreign exchange requirements to import designated goods were satisfied on demand at the official

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<sup>27</sup> The history of title deeds is based on the "First Interim Report of the Select Committee on the Indigenisation of the Economy," Harare: Parliament of Zimbabwe, 4th March, 1992.

<sup>28</sup> A chi-square test of the difference between firms with and without title deeds that had received credit was significant at the .0001 level.

exchange rate. Raw materials were designated first with plans to add intermediate goods and final products later. This phasing of products was designed to allow time for domestic industries to adjust to competition from imported goods.

Because capital equipment was not initially included under the OGIL program, the export retention scheme (ERS) was also introduced to assist companies that needed capital equipment and to promote exports. Under this scheme, exporters were originally allowed to retain 20 percent of export earnings in the form of an entitlement to buy foreign exchange at the official rate. This was gradually increased to 50 percent. Exporters were allowed to use the foreign exchange to import goods or services or they could sell the entitlement.

In January 1994, the system was further liberalized through the following measures: (1) corporate foreign currency accounts (FCAs) were introduced that allow exporters to retain their earnings in the form of foreign exchange, (2) the proportion of export revenue retained as foreign exchange was raised from 50 to 60 percent, (3) import licenses are no longer required, (4) OGIL and DLMA were eliminated and all foreign exchange for imports had to be purchased at a market rate from an FCA holder, and (5) the currency was devalued by 17 percent.

As stated earlier, trade liberalization may have both a positive and negative impact on MSEs. The positive impact depends on input sources. If MSEs use imported inputs, trade liberalization may increase the availability of needed inputs. Alternatively, if MSEs use primarily domestic inputs, then they may benefit from exchange rate depreciation as the larger import intensive firms are squeezed out of the market. A negative impact may occur as MSEs face increasing competition from imported final products.

Results from the survey showed that 55.8 percent of MSEs found that inputs were easier to obtain than they were two years ago. Only 25.3 percent reported that inputs were more difficult to obtain and the remaining firms reported no change. Considering the size of the firm, Table 9-5 shows that half to two-thirds of firms in all size categories reported that inputs were easier to obtain.

Increased competition from a greater availability of imported inputs or final products was reported by only 10.3 percent of all firms. In particular, more than one-third of all firms in chemical production, radio/tv repair, clock/jewelry repair, retail of garments and shoes, hawkers, bus/taxi service, and hairdressers reported increased competition from imported goods. Among different size categories, Table 9-5 shows that less than 15 percent of firms in all categories reported increased competition from imported goods.

Access to foreign exchange was reported as a problem by only 3.7 percent of all firms. Of the remaining firms, 94.4 percent indicated that they do not need foreign exchange for their business, and 1.7 percent said that they have no difficulties obtaining foreign exchange. The number of firms that use foreign exchange is low; however, changes in foreign exchange allocation have an indirect impact on many firms through availability of inputs and competition from imports as discussed above. Even some of the most successful firms that use imported goods may not need foreign exchange because they purchase goods from importers, both formal and informal. A Bulawayo grocer, for example, buys goods worth approximately Z\$500,000 every month from informal sector importers who come to him with their products.

TABLE 9-5

PERCENTAGE OF PROPRIETORS REPORTING EASIER ACCESS TO INPUTS AND  
INCREASED COMPETITION FROM IMPORTED GOODS

Firm Size (No. of Workers)	Percentage of MSEs Reporting Inputs Easier to Obtain and Increased Competition from Imported Goods	
	Easier to Obtain Inputs	Increased Competition from Imported Goods
1	54.7%	10.6%
2 to 4	58.7%	8.6%
5 to 9	64.3%	12.0%
10 to 19	68.6%	13.2%
20 to 100	52.2%	6.3%
All Firms	55.8%	10.3%

Overall, trade liberalization appears to have had a positive impact on the MSE sector. Inputs are more readily available and competition from imported goods has not affected the majority of MSEs. Access to foreign exchange has also improved directly through ERS and FCAs, and indirectly through suppliers of imported goods.

### 9.3 FISCAL POLICY

Under the structural adjustment program, the government has planned both tax and expenditure reductions. Since the 1990/91 tax year, company tax rates have decreased from 50 percent to 44.625 percent while the individual maximum rate has declined from 60 percent to 57.75 percent in the 1992/93 tax year. Although the decline in corporate tax took place rapidly, Bloch (1993) implied that the benefits from this were "illusory" because capital allowances were reduced from 100 percent to 50 percent at the same time. Alternatively, individual tax burden has decreased by increasing the threshold of income subject to tax and decreasing the number of tax-bands.

Company tax reduction is meant to provide investment and growth incentives while individual tax reduction may lead to higher disposable income levels and concomitant increased demand for MSE products. Tax reduction since 1991, however, has been limited. Furthermore, tax reductions do not have a large direct impact on the MSE community because 95 percent of firms reported that they do not pay taxes or are not subject to taxes. The high tax rates do have a strong indirect impact, however, encouraging many MSEs to remain outside of the formal sector. Only 6.7 percent of MSEs are registered. Many people argue that all MSEs should pay taxes, but profit estimates from the survey indicate that close to three quarters of these firms make less than Z\$4,801 a year, which is the minimum individual taxable income in the 1992/93 tax year. For those firms that make above Z\$4801, tax revenues could be generated; the government should be careful, however, not to create a threshold that discourages registration of MSEs.

Several authors have suggested tax advantages for MSEs to induce registration and increase the tax base. For example, a detailed plan, suggested by the Parliamentary Committee on Indigenisation, includes tax holidays, relaxation of duties on machinery, and a reduction in sales tax (Parliament, 1992). For the minority of MSEs that do make a taxable income and might consider joining the formal sector, a 10 percent tax on firms that make above \$5,500 could generate 600 million dollars in tax revenue. The administrative capacity to enforce this tax, however, may not be available. Furthermore, even a low tax could discourage registration of MSEs.

In government expenditures, a reduction should decrease demand for MSE products, but the impact is difficult to measure. Employee retrenchment may also have an impact through reduced demand and an increase in the number of ex-civil servants entering the MSE sector. Results from the survey indicate, however, that only 4.3 percent of MSE proprietors were retrenched from a job in the last three years.

#### 9.4 MONETARY POLICY

Under monetary policy, the government hopes to "mobilize savings and encourage an efficient allocation of investable funds" through changes in interest rate and money supply management (Government of Zimbabwe, 1991). Since the introduction of ESAP, most interest rate controls have been removed leading to higher interest rates in the short run. This should lead to an increase in funds available to the MSE sector, but only 0.7 percent of existing firms in 1993 received credit from a formal institution. Overall, the percentage of firms that have never received any form of credit is 89 percent for firms existing in 1991 and 1993.

The low percentage of firms that received credit is partially explained by the fact that 98.8 percent of MSEs had never applied for credit. The reasons for not applying included lack of knowledge about where to apply (28.7 percent), lack of need for credit (26.9 percent), fear of not being able to pay back credit (20.1 percent), certainty that they would not receive credit (10.3 percent), high interest rates (6.3 percent), lack of collateral (4.8 percent), and complicated bank forms (2.1 percent).

#### 9.5 SECTORAL INITIATIVES

As mentioned earlier, several programs that target the MSE sector with financial and technical assistance have been initiated both prior to 1991 and after the introduction of the structural adjustment program. Some of the organizations started prior to 1991 include the Small Enterprise Development Corporation that provides low-interest credit to small and medium enterprises, the small enterprise lending scheme of Zimbank; and the Zimbabwe Development Bank soft loan window for financing small-scale projects and procuring capital equipment. Since 1991 many new programs have been started, as well as programs within existing organizations, to assist MSEs. The initiating organizations include the Venture Capital Company (VCC), which provides equity capital investments to new or expanding businesses; the Business Extension and Advisory Service (BESA); the Zimbabwe National Chamber of Commerce (ZNCC); the Confederation of Zimbabwean Industries (CZI); Standard Chartered Bank; the African Development Bank; and the Small Business Unit at Barclays Bank.

**TABLE 9-6**  
**PROPRIETOR AWARENESS OF MSE ASSISTANCE PROGRAMS**

Organization that offers assistance	% of proprietors aware of assistance program
SEDCO	14.4%
Zimbank	7.8%
Standard Chartered	6.8%
Barclays	6.2%
BESA	5.8%
VCC	4.7%
ZNCC	4.5%
CZI	3.7%
ADB	3.1%

Table 9-6 shows the percentage of proprietors that were aware of the different programs offered by these organizations. The highest percentage of proprietors were familiar with SEDCO. Among the proprietor interviewed, 0.4 percent had received some type of assistance from these organizations. The proportion that proprietors that received assistance is low; this is not surprising given the small size of the programs compared with the magnitude of the MSE sector.

### 9.6 CONSTRAINTS REPORTED BY PROPRIETORS IN 1991 AND 1993

In addition to the specific constraints addressed above, proprietors were asked about perceived constraints at the start of their business and at the time of the survey. Comparing firms born from 1988 to 1990 and from 1991 to 1993, the proportion of proprietors reporting each type of problem at start-up was almost identical. Finance problems were cited most frequently followed by marketing and input problems. This pattern was true across firm size with the exception of firms with 5 to 19 workers. In this category, utility problems, technical problems, and tools and machinery were cited frequently among the problems at start-up in both time periods. These were the same problems identified by Mead, Mukwenha, and Reed (1993) in a study of medium-sized enterprises.

The most important current problems at the time of the survey are compared in Table 9-7 for 1991 and 1993. Marketing and input constraints are in the top three categories for both years. The most notable change is in transport constraints. In 1991, transport constraints were cited by 16 percent of proprietors compared with only 3.1 percent in 1993. This likely reflects the liberalization of the transport sector under structural adjustment. The percentage reporting tools and machinery as a constraint also dropped considerably, again reflecting economic reforms. The increase in the percentage of firms reporting finance problems from 1991 to 1993 is not surprising given the low disposable income levels in 1992 and high interest rates.

Telecommunications constraints were also addressed by the survey. Only 6 percent of all businesses had a telephone at their place of business in 1993. Among firms that had phones, 21 percent reported that the phone rarely works. This lack of communication, particularly in urban commercial and

industrial areas, may present a major barrier to expansion of trade and production. Tables 9-8A and 9-8B show the percentage of firms that do not have telephones by location and firm size.

TABLE 9-7  
MSE CONSTRAINTS IN 1991 AND 1993

Constraint	Percentage of Proprietors Reporting Constraints	
	1991*	1993
Marketing	17.8%	27.5%
Finance	12.6%	22.7%
Inputs	17.7%	22.6%
Tools/Machinery	9.4%	3.6%
Transport	16.0%	3.1%
Miscellaneous	3.9%	2.5%
Government/Regulatory	0.4%	2.3%
Shop/Rental Space	3.2%	2.3%
Utility Problems	1.4%	0.9%
Labor Problems	1.6%	0.4%
Technical Problems	0.0%	0.2%
No Problems	16.0%	11.7%

\* In the 1991 survey, questions about constraints were asked to a subsample of proprietors in a supplementary questionnaire. Therefore, the nationwide estimates of constraints are not as accurate.

TABLE 9-8A

## PERCENTAGE OF MSEs WITHOUT TELEPHONES BY STRATUM

Stratum	Percentage of MSEs without telephones
Urban Areas	93.3%
High density	94.6%
Low density	79.7%
Commercial	61.2%
Industrial	73.4%
Rural Areas	94.3%
Small Towns	90.6%
Growth Points	86.5%
District Councils	96.4%
Rural Councils	91.9%

TABLE 9-8B

PERCENTAGE OF MSEs WITHOUT TELEPHONES  
BY SIZE OF MSE

Size of MSE (No. of Workers)	Percentage of MSEs without telephones
1	96.7%
2 to 4	89.6%
5 to 9	81.3%
10 to 19	73.8%
20 to 50	86.7%
51 to 100	47.4%

Within both urban and rural areas, more than 93 percent of all MSEs do not have telephones. Though the proportion of firms in commercial and industrial areas is slightly higher, more than half of all firms in these areas do not have access to a phone. Considering the firm size, three quarters or more of firms with 10 to 50 workers do not have phones. Again, this may present barriers to expansion. Sixteen percent of MSEs without phones reported that they would expect an expansion in sales if they had access to a phone.

## SECTION TEN

### CONCLUSIONS

The purpose of this study was to examine changes in the MSE sector from 1991 to 1993 with particular emphasis on the Economic Structural Adjustment Programme and the 1991/92 drought. Based on descriptive information provided in the report, the following conclusions can be drawn.

The MSE sector has expanded at a faster growth rate than the population since 1991. The greatest *proportion* of the expansion reflects births in low-profit sectors; however, this is common in most time periods and cannot be directly attributed to ESAP. Birth *rates* in low-profit sectors appear to be higher during periods of low economic growth; as the economy improves, both the proportion of births and birth rates in low-profit sectors should decline.

Both firm births and firm closures appear to be negatively correlated with economic growth. The birth rate, however, is higher than the death rate, leading to a positive net change in the growth rate of MSEs during periods of low economic growth. This implies that the expansion rate of the MSE sector should decline as the economy improves.

Employment creation in the MSE sector has risen substantially since 1991. This primarily reflects firm births in low-profit sectors driven by an excess supply of labor. Although expansion of employment within firms represents a more sustainable form of employment creation, both the percentage of firms that expanded and firm growth rates have declined since 1991. Again, however, this trend should reverse itself as economic conditions improve.

Both the number and proportion of women in the MSE sector have increased since 1991. Rather than reflecting new opportunities under ESAP, however, the majority of these women are in low-profit sectors. This is common throughout southern African, and cannot be directly attributed to economic reforms. The proportion of indigenous entrepreneurs has not changed substantially under ESAP. Because black Zimbabweans represent 99 percent of all MSE proprietors, any improvements in the MSE environment will assist indigenous entrepreneurs.

It is difficult to separate the effects of the drought from those of the economic reforms on the MSE sector over the last two years. Nonetheless, there are two effects that can be more directly attributed to the drought. These include decreased income levels and corresponding lower demand for MSE products, and decreased availability of inputs in sectors tied to agriculture and a corresponding increase in input prices.

The impact of specific issues related to the legal and regulatory environment varied. Zoning laws were not perceived as an obstacle for the majority of MSEs. Nonetheless, the changing attitudes toward zoning created an atmosphere of uncertainty for some businesses. Registration offered little incentives for micro and small businesses that make up the majority of the MSE sector. Labor retrenchment policies were not perceived as an obstacle by MSEs because most proprietors were not interesting in hiring employees. This may reflect poor economic conditions, rather than a lack of response to labor regulation changes. Finally, title deed ownership, or lack of collateral, was reported as a constraint by a minority of microenterprises.

Although the impact of deregulation may be limited for the majority of micro, low-profit enterprises, a minority of MSEs with the potential to expand should benefit. Three percent of all MSEs added paid workers during their life and 1 of 250 MSEs increased the number of workers from below 10 to more than 10 workers. These firms represent highly profitable and sustainable forms of employment. Profits were 20 times greater in firms that added paid workers over their lifetime compared with firms that did not add any paid workers. Among this group, deregulation should encourage their efforts to expand as well as other MSEs with the potential to grow.

Based on these results, the expectation that the entire MSE sector will flourish once regulations are revised is questionable. Reforms need to take into account the heterogeneous nature of the MSE sector. For example, medium and some small enterprises may be enticed to register, but the advantages of registration (limited liability, access to foreign exchange, and formal credit) are of limited relevance to home-based microenterprises such as crocheters or basket-makers. Second, licensing may be important for MSEs involved in food production and distribution, but the justification is less clear for other types of microenterprises. Finally, microenterprises for which issues of public safety, pollution, or public disturbance do not arise may not need to be subject to zoning regulations.

The government should therefore first decide whether it is necessary to control registration, licensing, and zoning for all firms. Under the current system, legislation typically applies to all firms, but is enforced for only a minority of firms. This creates uncertainty and criminalizes many income-generating activities. Instead, legislation should be targeted specifically to groups within the MSE sector and clearly state which firms *are* and *are not* required to abide by the legislation.

Trade liberalization under ESAP appears to have had a positive impact on the MSE sector. Inputs are more readily available and competition from imported goods has not affected the majority of MSEs. Access to foreign exchange has also improved indirectly through the export retention scheme and suppliers of imported goods. The recently introduced Foreign Currency Accounts should also increase the availability of foreign exchange.

Fiscal policy reforms do not directly affect the majority of MSEs because of the low proportion of firms that pay taxes. The indirect effect, however, may be greater. High tax rates discourage MSEs from joining the formal sector.

Monetary policy changes under ESAP have not significantly increased the amount of credit available to MSEs. Only 0.7 percent of firms in 1993 received credit from a formal institution compared with 0.3 percent in 1991. Though sectoral initiatives were also introduced to improve access to credit, the size of the initiatives is small compared with the size of the MSE sector. Only a minority of firms can be assisted by these programs.

The findings and analyses in this report reflect a period when Zimbabwe was affected by a drought and was at the midpoint of structural adjustment program reforms. Further research will be needed at the end of the ESAP to assess more accurately the overall changes in the MSE sector.

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**ANNEX A**  
**RECALCULATION OF 1991 SURVEY RESULTS**

A'

The 1991 GEMINI survey estimated that there were 845,434 primary micro- and small-scale enterprises in Zimbabwe. More recent information indicates that this figure was overestimated by 22 percent. Twelve percent of the overestimation was caused by inaccurate population estimates and 10 percent was caused by different assumptions about households where no one was home at the time of the survey. These discrepancies are explained below.

Extrapolation is based on estimates of total population. As discussed in Section 2.7, the first weighing factor is based on the total number of households in each stratum. At the time of the 1991 survey, the 1982 census provided the only population data available. Therefore, the 1991 population estimate was based on the assumption that the population growth rate from 1982 to 1991 was the same as the growth rate from 1969 to 1982. Using this assumption, the 1991 population was estimated as 10,809,448. Based on the actual intercensal growth rate from 1982 to 1992, the 1991 population should have been estimated as 10,081,258. This overestimation of the population led to a 12 percent overestimation of the number of MSEs.

To estimate the number of businesses at closed households (defined as houses where no one was at home at the time of the survey), the 1991 survey assumed that closed households had the same proportion of MSEs as open households. This assumption was based on work done in one urban area in Kenya (Parker and Aleke Dondo, 1991). To test this assumption, 758 households that were closed during the first visit in the 1993 survey were revisited to determine if they had any businesses. Information was collected from two-thirds of these houses.

The results showed that closed households in low-density areas, smaller towns, and growth points had 2, 10, and 7 percent fewer MSEs, respectively, than open households in the same areas. In the urban high-density areas, closed households had 8 percent more MSEs than open households. Because of the inability to collect information on closed households in rural areas described in Annex B, it was assumed that closed households at district and rural councils had the same percentage of businesses as smaller towns. Including these assumptions, on average closed households had 6 percent fewer MSEs than open households. This information was then used to recalculate the extrapolation factors for the 1991 estimates.

Overall, incorporating the new information about the 1991 population and closed households revealed that the number of primary MSEs in 1991 was overestimated by about 22 percent, as mentioned above. Estimates of the number of businesses in 1991 presented in this report, however, are higher than the original estimate of 845,000. This is because the 1991 report presented results on primary enterprises only. A primary enterprise was defined as the enterprise in a household that contributes the most income to the household. Therefore, if a household had two or more MSEs, only the MSE that contributed the most income was included in the earlier analysis. Limited information was collected on secondary enterprises in 1991 but was not included in the results of the 1991 report. Because the 1993 survey recorded full information on all businesses, primary and secondary, information on secondary enterprises from the 1991 survey was included in the 1991 estimates for a more accurate comparison of the two surveys.

**ANNEX B**  
**SURVEY LIMITATIONS**

There are several limitations of the survey which should be recognized when interpreting the results. Some of these are listed below.

**Lack of cooperation from large enterprises.** Although the overwhelming majority of proprietors cooperated with the enumerators, 120 MSE proprietors did not cooperate or were not available to answer questions at the time of the survey. These included 65 MSEs in commercial areas, 36 MSEs in industrial areas, 1 MSE in a high-density area, 11 MSEs in low-density areas, and 7 MSEs in growth points. Information on these firms in the data set includes only the type of firm and its location. Although many of these firms may have more than 20 workers, there is no information about their size. For this reason, the overall number of businesses in Zimbabwe is estimated correctly; however, any size breakdown of firms may under-represent firms with 20 to 100 workers. Within this size category, complete data are available for 36 MSEs while an additional 103 MSEs may have 20 to 100 workers. Again, however, because no information was available it is impossible to report on the size of these MSEs.

**Underestimation of illegal businesses.** Lack of cooperation from illegal businesses will also lead to underestimation of the total number of businesses in Zimbabwe. Illegal businesses can be categorized into two groups: (1) MSEs that perform *legal* activities without a license or permit, and (2) MSEs that perform *illegal* activities forbidden by the law. The first type of MSEs represents a large proportion of MSEs interviewed during the survey. These businesses are willing to provide information because they operate openly. The latter category of MSEs is more difficult to identify and interview. Although some of these businesses were enumerated by the survey, it is impossible to determine how many were missed.

To obtain some idea of the magnitude of illegal activities missed by the survey, 259 households in one high-density area were re-visited specifically to inquire about illegal businesses. A total of 17 businesses were revealed including 15 prostitutes, one marijuana dealer, and one black-market currency dealer. Compared to the 99 businesses identified in that area during the first survey round, 15 percent of all activities in the area are forbidden by the law. Although this information sheds some light on illegal activities, no statistical conclusions can be drawn. The data were collected from only a portion of one enumeration area in a high-density suburb and the proportion of all households from the survey revisited was only 1.7 percent.

**Nonrandom selection of closed households.** As described in Annex A, there were 2,884 households where no one was at home at the time of the survey. To determine what proportion of these households had MSEs, enumerators returned to 758 closed households. These households, however, were not randomly selected. This was primarily due to the lack of addresses in rural areas making it impossible to return to closed households. Additionally, information was collected at only 501 of the 758 re-visited households because no one was home during the second visit.

**Imprecise profit calculations.** Information on firm profits was collected during the survey. Because most MSEs do not keep accounting records, it is extremely difficult to obtain accurate profit data from a single-visit survey. Furthermore, when profit data are available, firms are reluctant to reveal this information. Therefore, all profit data presented in this report should be treated with caution. A complete description of the method for obtaining and calculating firm profits is provided in Annex D.

**Double-counting of businesses or employees.** Double counting of businesses or employees may occur if a person operates more than one activity, and a person is employed in both the formal sector and in an unregistered MSE. In the first instance, double-counting of the business is avoided by the decision rules below.

If two activities are operated by the same person, it is counted as one diversified business if it is undertaken at the same place and same time. If the two activities are undertaken at the same place but at different times, then the business is counted as two activities. If the two activities are undertaken at the same time but at two different places, then the business is counted as two activities.

If two distinct enterprises are defined based on the decision rules above, double-counting of the proprietor is avoided by deterring if s/he is a "working proprietor." A working proprietor is a proprietor who physically works at the business. If the proprietor hires a manager or someone to operate the business, then they are not counted as a worker of the business even though they are the owner. If a proprietor does own more than one business and physically works at more than one business, then s/he is double counted if the second business is in one of the 40 enumeration areas covered by the survey. The probability of this incidence is low, however, because only 13.9 percent of proprietors operate two businesses, and 1.5 percent run three or more. Furthermore, the probability that a second business is in one of the 40 enumeration areas out of a total of 4,223 across the country is low.

Double-counting of people employed in both the formal sector and in unregistered MSEs may occur, but the probability is low. This is because the average number of days worked per month in unregistered MSEs is 25 and the average number of hours per day worked is seven. With this much time spent at MSEs, the possibility of holding a full-time job in the formal sector is unlikely.

**Exclusion of markets.** Because of time and resource constraints, traditional markets were not enumerated unless they were part of one of the randomly selected enumeration areas. This procedure excluded some of the larger markets such as Mbare. Although the traders at traditional markets may represent a very small proportion of all MSE activity in Zimbabwe, their exclusion may lead to under-representation of trade and production activities unique to market areas.

**Underestimation of credit received from formal credit institutions.** Proprietors were asked two questions regarding credit: (1) what was the principal source of money to start the business, and (2) what types of credit were received over the life of the business. The number of proprietors that received credit from a formal institution over the life of the business (the second question) should have been greater than or equal to the number of proprietors that received credit from a formal institution at the start of the business. Analysis of these responses, however, revealed that a higher proportion of proprietors reported that they received formal credit at the start of the business. This error was probably due to misinterpretation of the question. For example, proprietors may have thought that the credit received over the life of the business did not include credit received at the start of the business. If all proprietors made this same mistake, then formal credit received at the start of the business could be added to formal credit received over the life of the business. In this case, the proportion of proprietors that received credit would increase from 0.7 percent to 0.8 percent. Because it is impossible to determine if this was the reason for the error, however, 0.7 percent is used in the report as the number of proprietors that received formal credit.

**Insufficient data to analyze changes in small subsectors.** Because of the rapid changes in grain milling, transportation, natural resource management, and construction, it was hoped that the survey results could focus as far as possible on these areas. Unfortunately, however, these four areas represent a small proportion of the MSE sector. For example, of the 5,365 MSEs enumerated, only 9 grain millers, 0 natural resource management MSEs, 65 construction MSEs, and 14 transporters were included. These low sample sizes are not large enough to present a statistically valid analysis of these areas. Furthermore, the information may be biased in the case of transportation. For example, enumerators cover an enumeration area during a one-day period. If a taxi is parked in the area, then the taxi is included in the survey. Typically, however, the taxi is mobile and the probability that it will be parked

is small. Also, if it is parked while loading passengers, the driver may not be willing to stop his or her business for a half-hour interview.

**Identification of MSEs born prior to or during 1991 that do not appear to be included in the 1991 survey data.** The 1993 survey identified 2,457 MSEs born prior to or during 1991 that do not appear to be included in the 1991 survey data. There are several reasons why this may have occurred: (1) no one was home in 1991 to report the business; (2) the business was enumerated in both 1991 and 1993, but it was not correctly identified as the same business due to recording errors in one or both surveys; or (3) the business was missed by the 1991 survey. In the first case, MSEs at closed households are accounted for by the extrapolation factors as described in Section 2.7. The extrapolation factors, however, would account for only 68 percent of the 2,457 businesses. This implies that the total number of MSEs in 1991 may be underestimated by 32 percent. This is unlikely, however, because of the second possibility. Some businesses may have been enumerated in both 1991 and 1993; however, they were not identified as the same business due to recording errors. For example, the address or the proprietor's name may have been incorrectly recorded in either 1991 or 1993. In that case, the two businesses may not have been identified as the same business. In the third case, businesses may have been missed by the 1991 survey. If businesses were missed, then the total number of businesses in 1991 again may be underestimated.

**Inability to find MSEs from the 1991 survey.** Only 55.6 percent of the businesses enumerated in 1991 were found during the 1993 survey. This makes a comparison of the two surveys less accurate. A complete description of the method to find businesses from the 1991 survey and reasons why businesses were not found is described in Annex C.

**ANNEX C**  
**FINDING MSEs FROM THE 1991 SURVEY**

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To compare the MSE sector in 1991 and 1993, MSEs from the 1991 survey had to be relocated during the 1993 survey. This was accomplished by compiling lists of proprietor names and addresses for each enumeration area visited in 1991. Enumerators in 1993 then checked the list for 1991 proprietors as they moved through each enumeration area. When all households and shops in an enumeration area were visited, the list was reviewed to determine which proprietors had not been found. Enumerators then returned a second time to the enumeration area to try and locate the missed proprietors.

Out of 3,897 businesses enumerated in 1991, 55.6 percent were found in 1993.<sup>1</sup> Seventy-seven percent of these businesses were still operating while the remaining 23 percent had folded.

Forty-four percent of the 1991 firms were not located. Table C-1 illustrates the reasons why information was not available for these.

TABLE C-1

## REASONS WHY MSEs FROM 1991 COULD NOT BE FOUND IN 1993

Reason why no information was available on 1,729 businesses from the 1991 survey	Percentage
Could not find the address	32.6
The proprietor moved and no one knew if s/he was still operating the business	19.0
No explanation	17.4
No one was at home and the neighbors didn't know if the person still operated the business	15.7
Address relocated but no one had ever heard of the proprietor	9.6
Mobile business; no one in the area knew if the business was still operating	5.6
Total	100.0

The high proportion of business addresses that couldn't be located occurred primarily in the rural areas. Most households in these areas do not have an address, thereby making it difficult to find businesses previously interviewed. Also, a high proportion of proprietors moved to a new location. It is impossible to determine whether or not these businesses are still operating.

No information was recorded for 17 percent of the businesses not found. This probably reflects enumerator errors in the relocation exercise. For example, each enumerator was assigned a set of businesses to locate. In some cases the enumerator returned with no explanation for not locating the business.

<sup>1</sup> The 1991 survey covered 5,575 businesses. Only 3,897 are included here because the 1993 survey returned to only 40 out of 58 enumeration areas from the original sample.

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For those businesses where no one was at home, a third visit to the enumeration area may have yielded some information. Resources were not available, however, to return again to the enumeration areas.

Cases where the address was relocated but no one had ever heard of the proprietor could reflect incorrectly recorded addresses or false information from the 1991 survey.

Finally, the mobile businesses were difficult to locate and might never have been located even with a more intensive search.

Overall, 65.7 percent of the businesses that were not located might have been found with more time and resources. For those businesses that moved, were incorrectly recorded, or were mobile in 1991, a more intensive search would probably not have yielded any new information.

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**ANNEX D.**

**ESTIMATION OF PROFITS AND COSTS BY SECTOR**

Annual financial profits were determined from the questionnaire based on a series of questions. These included (1) the number of months per year when the firm experienced high, low, and average sales; (2) average sales levels during high, low, and average sales months; (3) sales during the past week; (4) expenses during the past week; and (5) profits during the past week (see questions 69 through 73 on the existing enterprise questionnaire). Profits based on actual hours worked were then calculated by the following equations:

$$\text{AnnualSales} = (\text{Tothigh})(\text{Salehigh}) + (\text{Totlow})(\text{Salelow}) + (\text{Totavg})(\text{Saleavg})$$

where:

tothigh = total number of months when sales are high  
 salehigh = sales in Zimbabwe dollars during high-sale months  
 totlow = total number of months when sales are low  
 salelow = sales in Zimbabwe dollars during low-sale months  
 totavg = total number of months when sales are average  
 saleavg = sales in Zimbabwe dollars during average-sale months

$$\text{Ratio} = \left( \frac{\text{Expenses last week}}{\text{Sales last week}} \right)$$

where:

expenses = expenditures on stationery fuel, inventory, purchased inputs, and hired labour

$$\text{AnnualProfits} = \text{AnnualSales} - [(\text{AnnualSales})(\text{Ratio})]$$

Annual sales and profits per sector were based on the average of all firms within the sector. The ratio, however, was not based on all firms. Instead, a variable was first calculated that subtracted expenses last week from sales last week. This should have been equal to profits last week, which was asked in a separate question. In those cases where sales minus expenses did not equal profits, it was assumed that the proprietor did not understand the concept of profits or did not calculate it correctly. Therefore, the ratio was based on the average of all firms in a sector that correctly calculated profits. Also, because the ratio was based on sales and expenses for the week prior to the survey, the ratio is assumed to be equal for high, low, and average sales months. Thirty-two percent of all proprietors answered the questions on sales, expenses, and profits during the previous week, and 88 percent of those that answered calculated profits correctly. Based on these calculations, profits per sector are illustrated in the first column of Table D-1.

The profits in Table D-1 are returns to labour and capital. Calculating return to labour only is an alternative method to examine profits. For example, although grocery stores generate high profits as illustrated in Table D-1, they may purchase refrigerators and other equipment, which is included in the estimates of returns to labour and capital. Excluding capital costs yields the return to labour.

Although returns to labour may be lower than returns to labour and capital combined, close to three quarters of all firms reported no capital expenditures. Excluding capital costs reduces profits by more than 10 percent in only nine sectors in Table D-1. These include the following sectors (with the amount of profit reduction in parentheses): furniture making (78 percent), general trader (71 percent), electrical repair (69 percent), art production (42 percent), hairdresser/barber (23 percent), vending drinks (16 percent), welding (13 percent), and printing works (11 percent).<sup>1</sup>

Returns to sales is an additional way to examine profits. In this case, profits are divided by sales to determine the proportion of sales that represents profits. In other words, the amount of profit generated for every dollar of sales can be determined. A low proportion indicates high variable costs. For those sectors with profit information in Table D-1, only nine sectors had less than a 50 percent ratio of profits to sales. These included furniture making, printing works, art production, bike repair, vending drinks, grocery, retail food, bottle stores, and general traders.

The second column of Table D-1 shows the average cost of entry in a sector. This was based on two questions: (1) the amount of money spent on equipment and/or buildings to start the business, and (2) the amount of money spent on initial inventory of raw materials or production inputs (see questions 54 and 56 on the existing enterprise questionnaire). The amount spent on the two items was then added together and averaged for all firms in a given sector.

The estimates in Table D-1 are rough indicators of profits and costs. Profits from a single-visit survey are not reliable as pointed out earlier. Therefore, they should be treated with caution.

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<sup>1</sup> The cost of capital was amortized using a five-year, straight-line depreciation method. Profits less capital costs were therefore calculated for each sector as: (average profits per year) minus (average capital costs divided by five).

TABLE D-1  
 PROFITS AND COST OF ENTRY BY SECTOR  
 (ZIMBABWE DOLLARS)

Sector	Annual Profits Based on Actual Hours Worked	Average Cost of Entry into Sector
<b>Lowest Profit Quintile Average</b>	<b>1,016</b>	<b>518</b>
Art Production	1,817	3,749
Laundry	1,624	*
Other Food Manufacturing	1,471	*
Crocheting	1,355	32
Vending Farm Prod	1,142	49
Traditional Healer	1,003	*
All other mfg	893	45
Beer Brewing	785	12
Wood Carving	607	26
Vending Drinks	461	221
Pottery	428	8
<b>Second Profit Quintile Average</b>	<b>3,106</b>	<b>335</b>
Dressmaker	4,233	702
Radio/TV Repair	3,937	166
Tailor	3,817	570
Shoework and Repairs	3,813	699
Other Textile	3,709	87
Furniture Maker	3,321	*
Vending Foods	2,674	102
Knitting	2,417	539
Vending Other	2,229	145
Grass/Cane/Bamboo	2,045	1
Goods Transport	1,974	*
<b>Third Profit Quintile Average</b>	<b>6,394</b>	<b>2,527</b>
Bike Repair	8,466	58
Hairdresser	7,078	3,783
Vending Wood-Based	6,908	183
Other Metalworking	6,562	70
Plastic	6,227	796
Vending Garments	6,027	534
Tinsmithing	5,846	142
Weaving	5,750	790
Carpentry	5,560	104
Electrical Repair	5,512	18,815

TABLE D-1, Continued

Sector	Annual Profits Based on Actual Hours Worked	Average Cost of Entry into Sector
<b>Fourth Profit Quintile Average</b>	16,689	9,316
Bar/Pub/Shebeen	27,666	104
Other Services	25,709	1,720
Retail Food	20,840	43,185
Other Retail	19,326	458
Brick Making	17,700	308
Grocery	13,817	40,408
Tuckshop	13,167	1,167
Other Leather	10,917	1,000
Construction	9,126	787
Welding	8,619	4,040
<b>Highest Profit Quintile Average</b>	132,140	22,464
Printing	365,000	4,801
Retail Hardware	304,468	162,143
Retail Livestock	232,592	7,069
Bottle Store	124,029	5,900
Retail Garments	97,630	2,060
Auto Works	71,388	3,034
Other Repairs	36,587	10,956
Retail leather/shoes	32,750	300
General Trader	28,970	5,911
Butchery	27,987	*
<b>Sectors With Start-up Costs but No Profit Information</b>		
Wholesaler	*	350,000
Flour Mill	*	22,000
Furniture Making	*	10,347
Bus/Taxi	*	9,400
Chemical Production	*	4,900
Hawking	*	1,150
Vending Hardware	*	854
Retail Farm Products	*	700
Photo Studio	*	297
Vending Cosmetics	*	160
Clock/Watch Repairs	*	100
Baker	*	20
<b>Average</b>	30,678	12,546

\* Not Available

US\$1.00 = Z\$6.70

The quintiles represent sectors rather than firms. For example, each quintile represents 20 percent of all sectors rather than 20 percent of all firms.

**ANNEX E**  
**TABLES**

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TABLE E-1  
POPULATION, MSEs, AND GROWTH RATES BY STRATUM  
1991 AND 1993

Stratum	Population and Percentage of Population		No. and Percentage of MSEs		Annual Growth Rate of MSEs, 1991 to 1993
	1991	1993	1991	1993	
<b>Urban Area Total</b>	<b>2,520,315</b> 25.0%	<b>2,736,791</b> 25.5%	<b>238,141</b> 28.5%	<b>255,541</b> 27.1%	<b>3.6%</b>
High Density	2,026,333 20.1%	2,189,433 20.4%	216,080 25.8%	231,600 24.6%	3.5%
Low Density	493,982 4.9%	547,358 5.1%	13,640 1.6%	15,484 1.6%	6.5%
Industrial	--	--	6,180 0.7%	2,997 0.3%	-30.4%
Commercial	--	--	2,241 0.3%	5,460 0.6%	56.1%
<b>Rural Area Total</b>	<b>7,560,944</b> 75.0%	<b>7,995,725</b> 74.5%	<b>598,196</b> 71.5%	<b>686,403</b> 72.9%	<b>7.1%</b>
Smaller Towns	312,519 3.1%	343,441 3.2%	26,825 3.2%	33,189 3.5%	11.2%
Growth Points	110,894 1.1%	128,790 1.2%	14,615 1.7%	17,040 1.8%	8.0%
District Councils	5,322,904 52.8%	5,634,571 52.5%	432,864 51.8%	413,424 43.9%	-2.3%
Rural Councils	1,814,626 18.0%	1,867,458 17.4%	123,892 14.8%	222,750 23.6%	34.1%
<b>TOTALS</b>	<b>10,081,258</b>	<b>10,732,517</b>	<b>836,337</b> 100.0%	<b>941,944</b> 100.0%	<b>6.1%</b>

All statistics represent MSEs with 50 or fewer workers.

The 1991 figures differ slightly from Table 3-1A because Table 3-1A was extrapolated from the 58 enumeration areas covered by the 1991 survey. In order to more accurately compare changes by stratum, only the 40 EAs returned to in 1993 are used to extrapolate the 1991 figures in this table. The Annual Growth Rate is calculated as a geometric growth rate.

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TABLE E-2

 SECTORAL DISTRIBUTION OF MSEs AND GROWTH RATES  
 1991 AND 1993

Sector	Urban Areas (% of total)		Rural Areas (% of total)		Total (% of total)		Annual Growth Rate (%)
	1991	1993	1991	1993	1991	1993	
<b>Manufacturing Total</b>	<b>65.7</b>	<b>58.5</b>	<b>73.9</b>	<b>67.4</b>	<b>71.6</b>	<b>65.0</b>	<b>1.2</b>
Butchery	0.2	*	0.4	0.2	0.3	0.2	
Flour Mill	0.0	0.2	1.0	0.4	0.7	0.3	
Bread, Biscuits, Cake Baking	0.2	*	0.1	*	0.1	0.1	
Other Food Mfg.	0.1	0.0	0.0	3.1	*	2.3	
Beer Brewing	0.0	0.1	8.2	2.9	5.9	2.1	
Other Beverage Prod.	0.0	0.0	0.5	0.0	0.4	0.0	
Dress Making	5.3	9.0	1.9	1.4	2.9	3.5	17.3
Tailoring	9.6	2.8	3.9	1.8	5.5	2.1	-34.7
Knitting	18.2	15.1	9.2	7.3	11.8	9.4	-4.9
Other Textile Mfg.	4.1	2.9	1.8	1.1	2.5	1.6	-15.2
Weaving	1.0	0.1	0.3	0.7	0.5	0.5	
Crocheting	16.4	19.5	7.5	12.4	10.0	14.3	26.9
Other Leather Work	0.4	0.3	0.0	0.2	0.1	0.2	
Shoework and Repairs	0.9	1.1	1.0	1.1	1.0	1.1	12.7
Grass, Cane, Bamboo	1.0	0.6	20.0	16.4	14.6	12.1	-3.4
Coal and Wood Prod.	*	*	0.3	*	0.3	*	
Wood Carving	0.2	0.2	5.1	4.6	3.7	3.4	2.4
Carpentry	1.7	1.0	2.4	2.6	2.2	2.2	5.4
Furniture Making	0.1	0.5	0.2	*	0.2	0.1	
Other Woodwork	*	0.0	0.2	0.4	0.1	0.3	
Printing Works	*	0.1	*	0.0	*	*	
Plastic Work	0.1	0.3	0.0	0.2	*	0.2	
Chemical Production	0.0	0.1	0.2	0.0	0.2	*	
Pottery Work	*	*	2.5	3.6	1.8	2.6	
Glass Work	*	0.1	0.0	0.0	*	*	
Brick Making	0.0	0.1	2.6	1.9	1.9	1.4	

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TABLE E-2, Continued

Sector	Urban Areas (% of total)		Rural Areas (% of total)		Total (% of total)		Annual Growth Rate (%)
	1991	1993	1991	1993	1991	1993	
Other Masonry Work	0.1	0.0	0.2	*	0.2	*	-
Blacksmith	*	0.0	0.7	0.0	0.5	0.0	
Tinsmithing	0.3	0.2	1.3	1.2	1.0	0.9	
Other Metalworking	0.3	0.2	0.3	1.8	0.3	1.3	
Welding	1.1	0.9	0.3	0.6	0.5	0.7	21.1
Jewelry Works	*	*	*	0.0	*	*	
Art or Artifact Prod.	1.1	0.4	0.6	0.4	0.8	0.4	
All Other Mfg.	0.3	0.6	0.3	0.4	0.3	0.4	
Bike Repair	0.1	0.3	0.1	0.2	0.1	0.2	
Auto Works	0.8	0.5	0.2	0.4	0.4	0.4	12.1
Electrical Repair	0.9	0.7	*	*	0.3	0.2	
Radio/TV Repair	0.4	0.2	*	0.1	0.1	0.1	
Clock, Watch, or Jewelry Repair	0.1	*	*	*	*	*	
Other Repairs	0.5	0.5	0.2	*	0.3	0.1	
<b>Construction</b>	<b>1.4</b>	<b>1.1</b>	<b>5.5</b>	<b>3.8</b>	<b>4.3</b>	<b>3.1</b>	<b>-10.2</b>
<b>Trade Total</b>	<b>28.6</b>	<b>35.6</b>	<b>18.1</b>	<b>25.5</b>	<b>21.1</b>	<b>28.2</b>	<b>22.8</b>
Wholesaler	*	0.1	*	*	*	*	
Vending Foods	2.0	1.7	1.9	1.3	1.9	1.4	-8.6
Vending Drinks	0.7	1.8	0.0	0.5	0.2	0.8	117.0
Vending Farm Products	11.1	12.9	6.6	6.9	7.9	8.5	10.5
Vending Garments	5.8	4.4	1.5	2.0	2.7	2.6	4.5
Vending Wood-Based Products	0.4	0.3	1.5	0.4	1.2	0.3	
Vending Hardware	0.3	0.1	*	0.2	0.1	0.1	
Vending Art or Artifacts	0.3	0.1	*	0.0	0.1	*	
Vending Other	1.4	5.0	0.5	5.3	0.8	5.2	172.5
Grocery	0.3	0.1	1.5	1.3	1.1	1.0	-0.2
Retail Food	1.9	0.2	0.3	0.2	0.8	0.2	
Bottle Store	0.1	0.1	0.9	0.3	0.6	0.3	
Retail Livestock	0.1	0.4	*	1.1	0.1	0.9	

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TABLE E-2, Continued

Sector	Urban Areas (% of total)		Rural Areas (% of total)		Total (% of total)		Annual Growth Rate (%)
	1991	1993	1991	1993	1991	1993	
Retail Farm Products	0.1	*	0.2	0.0	0.1	*	
Retail Garments	1.3	0.7	0.1	0.1	0.4	0.2	-20.7
Retail Leather or Shoes	*	0.1	*	*	*	*	
Stationers or Bookstore	0.1	0.1	*	*	*	*	
Filling Station	0.1	*	0.2	0.4	0.2	0.3	
Pharmacy	*	*	0.1	0.0	*	*	
Retail Hardware	0.3	0.2	0.1	*	0.1	0.1	
General Trader	0.7	0.3	1.8	3.5	1.5	2.6	42.4
Other Retail	0.8	3.6	0.3	0.8	0.4	1.6	107.2
Hotel	0.0	*	*	*	*	*	
Restaurant	*	*	0.4	0.2	0.3	0.1	
Bar, Pub, or Shebeen	*	0.5	0.3	0.5	0.2	0.5	
<b>Transport Total</b>	<b>0.4</b>	<b>0.3</b>	<b>*</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>24.5</b>
Bus or Taxi Service	0.3	0.3	0.0	0.0	0.1	0.1	
Good Transport	0.1	*	*	0.2	*	0.1	
<b>Renting Rooms or Flats</b>	<b>0.1</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	
<b>Services Total</b>	<b>3.8</b>	<b>4.5</b>	<b>2.5</b>	<b>3.1</b>	<b>2.9</b>	<b>3.5</b>	<b>17.5</b>
Traditional Healer	0.8	0.5	0.7	0.7	0.7	0.7	
Laundry	*	0.1	0.0	*	*	*	
Dry Cleaning	*	0.1	*	0.0	*	*	
Hair Salon or Barber	1.2	1.4	0.1	0.3	0.4	0.6	27.8
Photo Studio	0.4	0.2	0.1	0.4	0.2	0.3	
Funeral Services	*	0.0	0.0	0.2	*	0.1	
Other Services	1.4	2.1	1.6	1.5	1.5	1.7	12.2
<b>TOTAL, ALL ENTERPRISES</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>6.2</b>

\*Less than 0.1 percent

The annual growth, described in footnote 10, was not calculated for sectors which represented less than 0.7 percent of the sample MSEs. In these cases, the sample was too small to give an accurate estimate of the change in the number of MSEs.

TABLE E-3  
MSE BIRTH RATES BY SECTOR  
1988 TO 1993

Sector	Annual Birth Rates by Sector						Six-Year Avg.
	1988	1989	1990	1991	1992	1993	
<b>Manufacturing Total</b>	<b>9.6</b>	<b>14.9</b>	<b>26.8</b>	<b>16.8</b>	<b>19.0</b>	<b>10.1</b>	<b>16.2</b>
Beer Brewing	10.8	5.2	15.9	17.3	5.1	15.1	11.5
Dress Making	7.6	22.0	27.3	15.2	13.2	28.0	18.9
Tailoring	5.2	17.3	26.2	17.8	6.9	5.3	13.1
Knitting	17.4	18.7	29.1	14.5	18.7	6.8	17.5
Other Textile Mfg.	6.0	12.8	30.7	23.1	7.8	6.5	14.5
Crocheting	24.3	18.0	50.5	24.2	29.1	10.6	26.1
Shoework and Repairs	1.8	6.3	5.5	5.9	29.7	4.3	8.9
Grass, Cane, Bamboo	7.0	20.8	38.0	19.7	28.1	6.7	20.0
Wood Carving	0.1	3.6	19.4	6.6	22.0	0.0	8.6
Carpentry	10.5	3.7	2.5	27.2	1.6	1.1	7.8
Furniture Making	4.6	0.0	0.0	0.0	24.2	21.4	8.4
Plastic	0.0	12.6	0.0	0.0	0.0	0.0	2.1
Chemical Production	*	0.0	*	0.0	73.5	0.0	18.4
Pottery Work	0.0	9.7	0.7	0.0	21.0	0.0	5.2
Tinsmithing	12.2	12.7	2.6	0.0	1.5	0.9	5.0
Other Metalworking	0.0	3.4	3.5	20.3	17.9	0.0	7.5
Welding	27.7	17.6	49.7	41.3	6.3	5.8	24.8
Art/Artifact Prod.	4.0	47.5	6.4	10.2	163.5	77.3	51.5
All Other Mfg.	0.0	0.0	0.0	13.5	71.5	13.6	16.4
Auto Works	7.2	0.0	3.7	1.2	3.7	2.1	3.0
Electrical Repair	20.5	17.0	6.0	15.2	0.0	47.6	17.7
Other Repairs	0.0	188.3	18.1	0.0	10.8	24.5	40.3
<b>Construction</b>	<b>10.5</b>	<b>14.4</b>	<b>3.7</b>	<b>21.3</b>	<b>1.8</b>	<b>22.7</b>	<b>12.4</b>
<b>Trade Total</b>	<b>12.0</b>	<b>17.3</b>	<b>35.3</b>	<b>32.8</b>	<b>38.0</b>	<b>39.5</b>	<b>29.2</b>
Vending Foods	4.8	6.9	42.7	51.8	22.3	37.7	26.1
Vending Drinks	21.1	34.9	54.7	124.5	154.1	46.5	72.7

TABLE E-3, Continued

Sector	Annual Birth Rates by Sector						Six-Year Avg.
	1988	1989	1990	1991	1992	1993	
Vending Farm Products	12.3	19.5	40.6	31.0	61.7	40.4	34.3
Vending Garments	16.8	18.8	37.7	37.8	22.9	41.5	29.2
Vending Art or Artifacts	0.0	172.2	20.4	27.5	*	*	55.0
Vending Other	10.7	21.4	35.4	21.7	31.8	42.8	27.3
Grocery	2.6	39.7	11.2	23.8	4.4	1.3	13.8
Retail Livestock	19.7	0.0	0.0	27.6	15.2	26.6	14.9
Retail Farm Products	43.9	38.9	0.0	43.9	*	0.0	25.3
Retail Garments	5.8	21.1	46.4	14.3	11.3	19.1	19.7
Retail Leather or Shoes	0.0	66.7	0.0	0.0	0.0	51.8	19.7
Stationers or Bookstore	23.0	18.7	16.3	18.7	0.0	0.0	12.8
General Trader	1.5	5.4	10.2	13.8	33.8	16.2	13.5
Other Retail	7.3	18.9	138.8	33.5	21.0	8.8	38.1
Restaurant	30.2	0.0	801.6	3.2	0.0	0.0	139.2
Bar, Pub, or Shebeen	0.0	0.0	0.0	4.1	0.0	570.5	95.8
<b>Transport Total</b>	<b>225.9</b>	<b>5.0</b>	<b>15.9</b>	<b>38.9</b>	<b>14.9</b>	<b>15.4</b>	<b>52.7</b>
Good Transport	0.0	0.0	0.0	133.3	2.5	0.0	22.6
<b>Renting Rooms or Flats</b>	<b>0.0</b>	<b>0.0</b>	<b>71.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>12.0</b>
<b>Services Total</b>	<b>14.6</b>	<b>16.6</b>	<b>20.1</b>	<b>36.7</b>	<b>9.4</b>	<b>21.2</b>	<b>19.8</b>
Traditional Healer	0.6	2.9	2.8	7.4	0.0	0.0	2.3
Hair Salon or Barber	26.5	34.0	42.4	44.7	17.2	13.7	29.8
Other Services	30.6	24.6	24.4	48.7	16.3	27.9	28.7
<b>TOTAL, ALL ENTERPRISES</b>	<b>10.5</b>	<b>15.4</b>	<b>27.1</b>	<b>20.9</b>	<b>22.0</b>	<b>18.2</b>	<b>19.0</b>

## Technical Notes:

Birth rates are calculated as the number of firms born in each year divided by the number of firms alive at the beginning of the year.

A "\*" represents years in which no firms were alive in that sector at the beginning of the year and therefore the birth rate could not be calculated.

If a household had more than one business, only the business that generated the most income for the household was included in the birth rates. These were referred to as primary enterprises earlier in the report. Information on secondary MSEs could not be included in the birth and death rate calculations because information the year secondary enterprises were born was not collected in the 1991 survey.

Sectors with fewer than 20 MSEs in the sample were not included in the birth rate calculations.

TABLE E-4

MSE MORTALITY RATES BY SECTOR  
1988 TO 1993

Sector	Mortality Rates by Sector						Six-Year Avg.
	1988	1989	1990	1991	1992	1993	
<b>Manufacturing Total</b>	<b>1.2</b>	<b>2.6</b>	<b>6.7</b>	<b>2.5</b>	<b>13.0</b>	<b>8.4</b>	<b>5.7</b>
Butchery	1.0	0.0	0.0	0.0	2.8	0.0	0.6
Flour Mill	0.0	0.0	0.0	0.8	1.5	0.0	0.4
Bread, Biscuits, Cake Baking	37.3	1.3	12.6	53.7	0.0	0.0	17.5
Beer Brewing	0.0	5.8	8.3	0.0	24.1	21.9	10.0
Dress Making	9.6	0.3	10.6	0.8	15.6	13.4	8.4
Tailoring	0.9	2.4	9.1	2.1	9.6	1.9	4.3
Knitting	0.1	0.9	8.3	1.9	9.1	12.3	5.4
Other Textile Mfg.	2.3	1.8	4.9	1.7	31.2	2.6	7.4
Weaving	0.0	0.0	4.3	1.4	1.4	3.6	1.8
Crocheting	0.0	3.5	5.6	1.1	9.2	8.8	4.7
Shoework and Repairs	0.0	0.0	0.5	0.6	4.6	0.0	0.9
Grass, Cane, Bamboo	1.7	2.7	6.9	1.4	16.0	4.6	5.5
Wood Carving	0.0	0.3	8.2	0.0	15.5	8.4	5.4
Carpentry	0.0	0.2	0.9	0.0	0.3	0.4	0.3
Plastic Works	0.0	0.0	0.0	0.0	4.2	4.7	1.5
Chemical Production	*	100.0	*	0.0	73.5	0.0	43.4
Pottery Work	6.0	0.0	8.8	19.4	21.0	16.8	12.0
Brick Making	0.0	9.7	0.0	17.8	21.6	17.7	11.1
Other Metalworking	0.0	0.0	0.0	0.0	0.5	0.5	0.2
Welding	0.0	1.3	7.7	0.0	24.8	2.3	6.0
Art or Artifact Prod.	0.0	2.4	0.7	6.2	10.2	73.2	15.4
All Other Mfg.	4.0	0.0	0.0	5.6	64.9	9.1	13.9
Other Repairs	0.0	0.0	1.5	7.7	21.7	9.8	6.8
<b>Construction</b>	<b>0.0</b>	<b>0.4</b>	<b>2.5</b>	<b>0.7</b>	<b>1.3</b>	<b>13.7</b>	<b>3.1</b>
<b>Trade Total</b>	<b>7.7</b>	<b>9.0</b>	<b>6.7</b>	<b>2.5</b>	<b>13.0</b>	<b>8.4</b>	<b>7.9</b>
Vending Foods	2.1	8.2	2.0	14.7	19.8	22.6	11.3

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TABLE E-4, Continued

Sector	Mortality Rates by Sector						Six-Year Avg.
	1988	1989	1990	1991	1992	1993	
Vending Drinks	0.0	0.0	11.2	0.0	9.6	47.6	11.4
Vending Farm Products	7.9	9.2	12.6	16.2	14.5	16.7	12.8
Vending Garments	20.0	16.9	18.4	18.2	23.8	29.6	21.1
Vending Wood-Based Products	6.5	29.7	1.1	0.0	4.8	0.0	7.0
Vending Hardware	0.0	11.2	8.9	0.0	0.0	0.0	3.3
Vending Other	0.9	2.3	22.0	2.5	2.0	13.0	7.1
Grocery	0.0	0.6	10.3	12.0	0.0	1.8	4.1
Retail Food	0.0	3.1	16.0	10.2	3.6	0.0	5.5
Retail Livestock	0.0	0.0	6.5	0.0	37.5	27.8	12.0
Retail Garments	36.8	8.6	15.2	10.4	22.6	10.3	17.3
Other Retail	4.6	46.5	0.0	1.6	7.5	6.1	11.1
<b>Transport Total</b>	<b>0.0</b>	<b>0.0</b>	<b>59.0</b>	<b>11.2</b>	<b>17.5</b>	<b>5.4</b>	<b>15.5</b>
Bus or Taxi Service	0.0	0.0	62.4	12.4	57.1	20.2	25.4
<b>Services Total</b>	<b>4.5</b>	<b>2.7</b>	<b>1.8</b>	<b>0.8</b>	<b>0.8</b>	<b>1.3</b>	<b>2.0</b>
Hair Salon or Barber	7.6	8.8	8.6	3.5	3.0	3.2	5.8
Other Services	1.8	1.3	1.0	0.5	0.6	1.7	1.1
<b>TOTAL, ALL ENTERPRISES</b>	<b>2.1</b>	<b>3.1</b>	<b>6.0</b>	<b>3.6</b>	<b>9.1</b>	<b>7.2</b>	<b>5.2</b>

**Technical Notes:**

Death rates are calculated as the number of firms that died each year divided by the number of firms alive at the beginning of the year.

A "\*" represents years in which no firms were alive in that sector at the beginning of the year and therefore the birth rate could not be calculated.

Death rates for sectors which typically operate in a fixed place of business away from the home are biased. This is because enterprises that fold in commercial or industrial areas vacate or sell their premises. When the closed enterprise questionnaire is administered, no one is available from the closed enterprise to answer questions. Similarly, mobile enterprises are not likely to be included in the closed enterprise questionnaire.

**ANNEX F**  
**DEFINITIONS USED IN THE SURVEY**

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**Child**

A person who is less than 15 years old.

**Closed Household**

A closed household is a household that was visited during the survey, but no one was home to respond to the questionnaire.

**Diversified Enterprise (how to count several businesses run by the same person)**

If two activities are operated by the same person, it is counted as one diversified business if it is undertaken at the same place and time. If the two activities are undertaken at the same place but at different times, then the business is counted as two activities. If the two activities are undertaken at the same time, but at two different places, then the business is counted as two activities.

**Enumeration Area**

A geographic area defined by boundaries delineated by the Central Statistics Office and used in the population census.

**Formal Sector**

Business activities that are registered with the Companies and Deeds Registry and are included in national statistics.

**Household**

A group of people who share the same living quarters and eat out of the same pot.

**Gross Job Creation**

Gross job creation represents jobs created through firm births and through employment expansion within firms. It does not subtract jobs lost through firm closures or employment contraction within firms.

**Informal Sector**

Business activities that are not registered with the Companies and Deeds Registry and are not included in national statistics.

**Initial Start-Up Costs**

The amount of money spent on equipment, buildings, and/or inventory to start the business.

**Manufacturing Enterprise**

If an enterprise produces the goods that it sells, then it is classified as a production enterprise. If the enterprise sells both self-produced and purchased goods, then whichever dominates the value of the stock sold is used to determine whether the enterprise is a manufacturing or trade activity.

**Micro- and Small-Scale Enterprises (MSEs)**

A business activity that employs 100 or fewer workers, inclusive of the proprietor(s) and markets at least 50 percent of its product. The terms micro, small, and medium refer to firms with 1-4 workers, 5-19 workers, and 20-50 workers, respectively.

**Net Job Creation**

Net job creation represents the summation of the following: (1) jobs created through births of existing and closed enterprises, (2) jobs created through expansion of existing and closed enterprises, (3) jobs lost through firm closures, and (4) jobs lost through contraction of existing and folded enterprises.

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**Part-time Worker**

A person who works at an enterprise less than 30 hours per week.

**Profits**

Profits are equal to sales minus expenses. Expenses include stationery, fuel, inventory, purchased inputs, hired labour, and any miscellaneous items.

**Primary Enterprise**

If there is more than one enterprise at a household, then the enterprise that contributes the highest level of income to the household is considered the primary enterprise. If there is only one enterprise at a household, then it is considered the primary enterprise.

**Retail Enterprise**

The distinction among vending, retail, and wholesale enterprises is based on the quantity of goods held for sale. If the person has enough stock to both display and replenish the display as customers buy, then the activity is classified as retailing.

**Secondary Enterprise**

If there is more than one enterprise at a household, then all enterprises that contribute less income to the household than the highest contributing enterprise are considered secondary enterprises.

**Trade Enterprise**

If an enterprise sells goods that it purchased, then the business activity should be classified as a trade or commerce activity. If the enterprise sells both self-produced and purchased goods, then whichever dominates the value of the stock sold is used to determine whether the enterprise is a manufacturing or trade activity.

**Trainee**

A person working at an enterprise primarily for the training. This person is not fully paid for his or her services or contribution.

**Unpaid Worker**

A person working at an enterprise who is not paid or not fully paid for his or her labour contribution.

**Vending Enterprise**

The distinction among vending, retail, and wholesale enterprises is based on the quantity of goods held for sale. If the person has only limited displayed goods for sale without stock to replenish the display, then the activity is classified as vending.

**Wholesale Enterprise**

The distinction among vending, retail, and wholesale enterprises is based on the quantity of goods held for sale. If the person has sufficient goods to supply other businesses engaged in retailing, then the activity is classified as wholesaling.

**Worker**

A worker is a person working at an enterprise. Four types of workers were counted in the survey: working proprietors (physically working at the MSE), paid employees, unpaid employees (typically family members), and trainees.

**Working Proprietor**

An owner of an enterprise who works at the enterprise.

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**ANNEX G**  
**QUESTIONNAIRES**

6

**USAID/GEMINI/HUMAN RESOURCES SURVEY -- STRICTLY CONFIDENTIAL!!  
EXISTING ENTERPRISE QUESTIONNAIRE, ZIMBABWE, AUGUST 1993**

Date Proofed _____	Date Entered _____	Date Verified _____
--------------------	--------------------	---------------------

1. Enumerator Name \_\_\_\_\_ Code \_\_\_\_\_

2. Supervisor Name \_\_\_\_\_ Code \_\_\_\_\_

3. Enumeration Area Name \_\_\_\_\_ Code \_\_\_\_\_

4. New Unique ID	5. 1991 Unique ID	6. Enterprise Type	7. Code	8. Year Started	9. Month Started	10. Months/Year	11. Days/Month	12. Hours/Day	13. Working Owners	Paid Workers 1	Unpaid Workers 1	Apprentices 1	Total Workers 1	Females 18.	19. Part-time	20. Children	Of Total Workers		
21. Paid workers added or subtracted Sept 92 to Aug 93		22. Unpaid workers added or subtracted Sept 92 to Aug 93		23. Paid workers added or subtracted Sept 91 to Aug 92		24. Unpaid workers added or subtracted Sept 91 to Aug 92		25. Paid workers added or subtracted in first year		26. Gender of proprietor(s)  (b)		27. Eth  (c)		28. Loc  (d)					

- b/ (1) female, one proprietor; (2) male, one proprietor; (3) more than one female; (4) more than one male; (5) mixed-gender
- c/ (1) Black Zimbabwean; (2) White Zimbabwean; (3) Indian/Pakistani/Bangladeshi; (4) Chinese/Korean; (5) White South African (6) Other African; (7) Colored; (8) Other
- d/ (1) home; (2) traditional market; (3) commercial district shop; (4) roadside; (5) mobile (6) industrial site (7) Other \_\_\_\_\_

29. How many workers did you have when you started the business?

Working Owners	Prop _____
Paid Workers	Paid _____
Unpaid Workers	Unpaid _____
Apprentices	Trainees _____

30. What are your two most important business problems now in order of importance?

\_\_\_\_\_

\_\_\_\_\_

31. What were the two most important problems you faced when you started the business, in order of importance?

\_\_\_\_\_

\_\_\_\_\_

32. To whom do you sell your products or provide services? (Tick as many as appropriate). \_\_\_\_\_  
 1) Final Consumer 4) Export \_\_\_\_\_  
 2) Retailer 5) Manufacturer \_\_\_\_\_  
 3) Wholesaler 6) Other \_\_\_\_\_
33. Did the volume of your business change because of the drought? \_\_\_\_\_  
 1) much increase 4) little decrease \_\_\_\_\_  
 2) little increase 5) much decrease \_\_\_\_\_  
 3) no change 6) don't know \_\_\_\_\_
34. Has the volume of your business changed since the rains began? \_\_\_\_\_  
 1) much increase 4) little decrease \_\_\_\_\_  
 2) little increase 5) much decrease \_\_\_\_\_  
 3) no change 6) don't know \_\_\_\_\_
35. Has competition for your business increased due to an increase in the number of similar businesses?  
 1 = Yes, 2 = No, 3 = Don't know \_\_\_\_\_
36. Has competition for your business increased due to an increase in imported inputs or finished products?  
 1 = Yes, 2 = No, 3 = Don't know \_\_\_\_\_
37. Overall, are physical inputs (not labor) more or less difficult to obtain than they were two years ago?  
 (Do not consider price, only availability) \_\_\_\_\_  
 1) more difficult 2) less difficult 3) about the same \_\_\_\_\_
38. Do you use more imported inputs than you used to before 1991?  
 1) Yes 2) No 3) Don't know 4) Never used imported inputs \_\_\_\_\_

If you are not speaking to the owner (or someone who knows the owner and business well), you may go to the last page and record the name and address of the business.

39. Considering all sources of cash income for your household, what proportion of household income does this business contribute? \_\_\_\_\_  
 1) all 4) about half \_\_\_\_\_  
 2) more than half 5) don't know \_\_\_\_\_  
 3) less than half \_\_\_\_\_
40. Do use you income from agriculture to support your business?  
 1 = Yes, 2 = No \_\_\_\_\_
- |  |                   |                |
|--|-------------------|----------------|
| 41. How many bags of maize did you harvest ... | Size of bag (Kgs) | Number of bags |
| a) this past season (92/93)?                   | _____             | _____          |
| b) in 91/92 (the drought year)?                | _____             | _____          |
| c) in the 90/91 season, before the drought?    | _____             | _____          |
42. How many business are you operating right now? \_\_\_\_\_
43. How many businesses are run by all of the people that live in your household including your own business(es)?  
 a. If there is more than one business in the household, does this business generate the most income of all of the businesses?  
 1 = Yes, 2 = No, 3 = Don't know \_\_\_\_\_
44. Including this business and others, how many years have you been in this type of business, either employed or as the owner? \_\_\_\_\_
45. How many years have you been in other types of small businesses, either employed or as the owner? (not salaried employment) \_\_\_\_\_
46. Are you currently married? 1 = Yes, 2 = No \_\_\_\_\_
47. How many dependents are you responsible for under the age of 15? \_\_\_\_\_

48. What level of education did you complete? \_\_\_\_\_

1) none	5) secondary
2) some primary	6) A-levels
3) primary	7) university
4) some secondary	8) college

49. What were you doing immediately before you started this business? \_\_\_\_\_

1) Too young to work	6) Employed in a similar business
2) In school	7) Employed in an unrelated business
3) Farming	8) Employed in salaried employment
4) Staying at home	9) Unemployed
5) Running another business	10) Other _____

50. Were you retrenched from a job in the last three years? 1 = Yes, 2 = No \_\_\_\_\_

51. Why did you start this business? \_\_\_\_\_

1) Parents/relatives in business	4) Had no better options
2) Too few wage opportunities	5) Other _____
3) Saw profitable opportunity	

52. Did you start the business from scratch, purchase it, or did you inherit it? \_\_\_\_\_

1) Started from scratch	3) Inherited
2) Purchased	4) Other _____

53. What was the principal source of your money to start the business? \_\_\_\_\_

1) Loan from family/friends	6) Rotating credit society
2) Given free from family/friends	7) Inherited Business
3) Moneylender (Chimbadzo)	8) Formal credit institution
4) Own savings from agriculture	9) None - didn't need any
5) Own savings from non-agriculture	10) Other _____

54. How much money did you spend on equipment and/or buildings to start the business? \_\_\_\_\_

Item _____	Amt _____
Item _____	Amt _____
Item _____	Amt _____

55. After your initial purchases, how much have you spent on equipment and/or buildings. \_\_\_\_\_

56. How much did you spend on your initial inventory of raw materials and other production inputs when starting? \_\_\_\_\_

57. What types of credit have you received for this business. Consider all types of credit -- family, moneylenders, rotating credit societies, formal institutions, banks. (Tick as many as appropriate) \_\_\_\_\_

1) Loan (not free) from family/friends	5) Bank overdrafts
2) Moneylender	6) Formal credit institution
3) Formal credit institution	7) Other _____
4) Rotating credit society	8) None

a. (If proprietor did receive credit) How much have you received over the life of the business? (GO TO 57C) \_\_\_\_\_

b. If you have never received credit from a bank or a formal institution, have you ever applied to one? \_\_\_\_\_  
 1 = Yes (GO TO 58), 2 = No

c. (If never applied to a bank) why not? (tick as many as appropriate) \_\_\_\_\_

1) Don't need any credit	5) Bank forms too complicated
2) Lack of collateral	6) I would not receive it
3) Don't know where to go	8) High interest rates
4) Afraid that I couldn't pay back	9) Other _____

58. Are you familiar with the following organizations? \_\_\_\_\_

1) SEDCO? 1 = Yes, 2 = No	SEDCO _____
2) BESA, the Business Extension and Advisory Service 1 = Yes, 2 = No	BESA _____
3) VCC, the Venture Capital Company? 1 = Yes, 2 = No	VCC _____

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59. Did you know that the following organizations have programs to help small-scale businesses?

- 1) ZNCC, the Zimbabwe National Chamber of Commerce Small Business Program
- 2) CZI, the Confederation of Zimbabwean Industries
- 3) ZIMBANK 1 = Yes, 2 = No
- 4) Standard Chartered Small Business Program 1 = Yes, 2 = No
- 5) Barclays Bank Small Business Program 1 = Yes, 2 = No
- 6) ADB, African Development Bank 1 = Yes, 2 = No

ZNCC \_\_\_\_\_  
 CZI \_\_\_\_\_  
 ZIMBANK \_\_\_\_\_  
 STANDARD \_\_\_\_\_  
 BARCLAYS \_\_\_\_\_  
 ADB \_\_\_\_\_

a. Have you received any type of assistance from them?

- 1) SEDCO? 1 = Yes, 2 = No
- 2) BESA, the Business Extension and Advisory Service 1 = Yes, 2 = No
- 3) VCC, the Venture Capital Company? 1 = Yes, 2 = No
- 4) ZNCC, the Zimbabwe National Chamber of Commerce Small Business Program
- 5) CZI, the Confederation of Zimbabwean Industries
- 6) ZIMBANK 1 = Yes, 2 = No
- 7) Standard Chartered Small Business Program 1 = Yes, 2 = No
- 8) Barclays Bank Small Business Program 1 = Yes, 2 = No
- 9) ADB, African Development Bank 1 = Yes, 2 = No

SEDCO \_\_\_\_\_  
 BESA \_\_\_\_\_  
 VCC \_\_\_\_\_  
 ZNCC \_\_\_\_\_  
 CZI \_\_\_\_\_  
 ZIMBANK \_\_\_\_\_  
 STANDARD \_\_\_\_\_  
 BARCLAYS \_\_\_\_\_  
 ADB \_\_\_\_\_

60. What type of telephone service do you have at your business?

- 1) None (GO TO 60B)
- 2) Private telephone line (GO TO 63)
- 3) Party line
- 4) Shared telephone with neighbors
- 5) Other \_\_\_\_\_

a. (If you have a party line or a shared telephone), is the phone usually available?

- 1) Usually available when needed
- 2) Almost always busy
- 3) Busy half the time
- 4) Phone rarely works
- 5) Other \_\_\_\_\_

b. (If you don't have access to a telephone at your business) how far is the closest call box?

- 1) < than one-minute walk
- 2) < than five-minute walk
- 3) < one-hour walk
- 4) > than one-hour walk

c. (If you don't have access to a telephone at your business) \_\_\_\_\_ do you use the closest call box for your business?  
 1 = Yes, 2 = No

61. What would you pay per month to have your own reliable telephone, assuming that you would pay extra for each call?

- 1) Nothing, I don't need a phone
- 2) Nothing, I can't afford one
- 3) Z\$1 to Z\$20
- 4) Z\$21 to Z\$40
- 5) Z\$41 to Z\$80
- 6) Z\$81 to Z\$100
- 7) > than Z\$100

62. If you had a telephone for your business, would you experience...

- a) an expansion in sales 1 = Yes, 2 = No, 3 = Don't know
- b) an expansion in employees 1 = Yes, 2 = No, 3 = Don't know
- c) a decrease in expenses 1 = Yes, 2 = No, 3 = Don't know

63. Do government policies keep you from hiring more workers?

- 1 = Yes (GO TO 63A),
- 2 = No, I don't want to hire more workers (GO TO 64)
- 3 = No, the laws allow me to hire and fire workers easily (GO TO 64)

a. (If yes to 63), which ones?

- 1) minimum wage laws, 1 = Yes, 2 = No
- 2) hard to fire people, 1 = Yes, 2 = No
- 3) workmen's compensation required to pay \$100 per employee, 1 = Yes, 2 = No
- 4) other \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

64. Are you affected by other government policies such as:

a. zoning laws (tick as many as appropriate)

- 1) Yes, therefore I cannot move my business where I would like to
- 2) Yes, therefore I do not advertise my business with signs
- 3) Yes, therefore I cannot register my business
- 4) Yes, therefore I cannot sell my goods where I want
- 5) Yes, therefore I pay high rent to be in this area
- 6) No, my business is in a legal operating zone
- 7) No, my business is in an illegal zone, but no one bothers me
- 8) No, I was not aware that there were zoning laws
- 9) Other \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b. high company/income tax rates (tick as many as appropriate)

- 1) Yes, the taxes that I pay are too high
- 2) Yes, therefore I have not registered my business and do not pay taxes
- 3) No, I am not subject to taxes
- 4) No, the tax rates are fair
- 5) No, I don't pay taxes
- 6) Other \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

c. foreign exchange regulations

- 1) Yes, I have no or limited access to foreign exchange but would like access
- 2) No, I have Export Retention Scheme (ERS) credits because I am an exporter
- 3) No, I can buy ERS credits
- 4) No, I do not need foreign exchange for my business
- 5) No, I have no problems getting foreign exchange
- 6) Other \_\_\_\_\_

\_\_\_\_\_

65. Do you have a title deed for any property? 1 = Yes (GO TO 66), 2 = No

\_\_\_\_\_

a. (If no to 65) Do you think you would apply for credit from a bank if you had a title deed?

1 = Yes, 2 = No, 3 = Don't know

\_\_\_\_\_

66. Is your business registered? 1 = Yes, 2 = No

\_\_\_\_\_

a. (NO PROMPTING ON THIS) Are there any advantages that you know of for registering your business? (Tick as many as appropriate)

- 1) None, there aren't any
- 2) Yes, I could apply for credit
- 3) Yes, I wouldn't have to hide
- 4) Yes, increased customers
- 5) Yes, can deal with other registered companies
- 6) Yes, I can buy raw materials in bulk
- 7) Yes, I can apply for foreign exchange
- 8) I don't know
- 9) Other \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b. (If no to 66), why isn't your business registered? (Tick as many as needed)

- 1) taxes are too high
- 2) bookkeeping required if registered
- 3) too expensive to register
- 4) too much shuqs (too many formalities if registered)
- 5) no real reason to register; no benefits
- 6) no real reason to register; business is too small
- 7) no enforcement of registration
- 8) no, it doesn't need to be registered
- 9) don't know how to register
- 10) other \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

67. Do you have a license for your business? 1 = Yes 2 = No (GO TO 67B) \_\_\_\_\_

a. If yes, which type:

- 1. Shop license; 1 = Yes, 2 = No
- 2. Municipal license; 1 = Yes, 2 = No
- 3. Factory license; 1 = Yes, 2 = No
- 4. Hawkers license; 1 = Yes, 2 = No
- 5. Vendor license; 1 = Yes, 2 = No
- 6. Import/Export license; 1 = Yes, 2 = No
- 7. Liquor license; 1 = Yes, 2 = No
- 8. Other \_\_\_\_\_ 1 = Yes, 2 = No

SHOP \_\_\_\_\_  
 MUN \_\_\_\_\_  
 FACT \_\_\_\_\_  
 HAWK \_\_\_\_\_  
 VEND \_\_\_\_\_  
 EX/IM \_\_\_\_\_  
 LIQ \_\_\_\_\_  
 OTHER \_\_\_\_\_

b. (If no to 67), why not? (tick as many as appropriate)

- 1) I don't need a license
- 2) I don't know where to go or how to get one
- 3) I can't afford to get a license
- 4) other \_\_\_\_\_

68. Do you know of any benefits of having a license? (Tick as many as needed)

- 1) None, there aren't any
- 2) Yes, I could apply for credit:
- 3) Yes, I wouldn't have to hide
- 4) Yes, increased customers
- 5) Yes, I can't operate without one
- 6) Yes, I can buy raw materials in bulk
- 7) Yes, I can apply for foreign exchange
- 8) I don't know
- 9) Other \_\_\_\_\_

69. Which months during the year do you have high, low, and average sales?

Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Tot
High													
Low													
Avg													

70. How much money do you make from sales in

- a. high sales months?
- b. low sales months?
- c. average sales months?

HIGH \_\_\_\_\_  
 LOW \_\_\_\_\_  
 AVG \_\_\_\_\_

71. During the past week, how much were your sales? \_\_\_\_\_

72. During the past week, how much money did you spend on the following categories of business expenses:

- Stationery \_\_\_\_\_
- Fuel \_\_\_\_\_
- Inventory \_\_\_\_\_
- Purchased Inputs \_\_\_\_\_
- Hired Labor \_\_\_\_\_
- Other \_\_\_\_\_

STAT \_\_\_\_\_  
 FUEL \_\_\_\_\_  
 INV \_\_\_\_\_  
 PURCH \_\_\_\_\_  
 LABOR \_\_\_\_\_  
 OTHER \_\_\_\_\_

73. During the past week, how much profit did you make? \_\_\_\_\_

74. What is the most important thing that you do with profits from the business? \_\_\_\_\_

- 1) Use for household needs
- 2) Re-invest in business
- 3) Give to family in rural area
- 4) Put into savings
- 5) Use for entertainment
- 6) Invest in agriculture
- 7) Other \_\_\_\_\_

75. What is the salary of the best paid worker in this business? \_\_\_\_\_

a. Over what period is the above salary for? \_\_\_\_\_

- 1) per hour
- 2) per day
- 3) week
- 4) per month
- 5) per year
- 6) other \_\_\_\_\_

Proprietor's name/nickname \_\_\_\_\_

Business name \_\_\_\_\_

Business address \_\_\_\_\_

Remember to ask about other existing enterprises and dead enterprises.

**USAID/GEMINI/HUMAN RESOURCES SURVEY -- STRICTLY CONFIDENTIAL!!!!  
DEAD ENTERPRISE QUESTIONNAIRE, ZIMBABWE, AUGUST 1993**

Date Proofed _____	Date Entered _____	Date Verified _____
Unique Dead Enterprise ID .....		

- |  |                            |            |
|--|----------------------------|------------|
| 1. Enumerator  | Name _____                 | Code _____ |
| 2. Supervisor  | Name _____                 | Code _____ |
| 3. Enumeration Area  | Name _____                 | Code _____ |
| 4. 1991 Unique ID  | _____                      |            |
| 5. Dead Enterprise Type  | _____                      | Code _____ |
| 6. What year did the business start?   | _____                      |            |
| 7. What month did the business start?  | _____                      |            |
| 8. How many workers did you have when you started?   | Total _____                |            |
| Working proprietors _____  | Prop _____                 |            |
| Paid workers _____   | Paid _____                 |            |
| Unpaid workers _____   | Unpaid _____               |            |
| Trainees _____   | Trainees _____             |            |
| 9. What year did the business close?   | _____                      |            |
| 10. What month did the business close?   | _____                      |            |
| 11. How many workers did you have when you closed?   | Total _____                |            |
| Working proprietors _____  | Prop _____                 |            |
| Paid workers _____   | Paid _____                 |            |
| Unpaid workers _____   | Unpaid _____               |            |
| Trainees _____   | Trainees _____             |            |
| 12. What was the highest number of workers that you ever had?<br>Including: Working proprietors, paid workers, unpaid family, trainees                                     | _____                      |            |
| 13. What year was the highest number of workers?   | _____                      |            |
| 14. What month was the highest number of workers?  | _____                      |            |
| 15. What type of customer did you sell to?   | _____                      |            |
| 1) Final consumer  | 4) Export                  |            |
| 2) Retailer  | 5) Manufacturer            |            |
| 3) Wholesaler  | 6) Other _____             |            |
| 16. What type of credit did you receive for your business?<br>Considering all types of credit — family, moneylenders, chimbado, kutambirisana, formal institutions, banks. | _____                      |            |
| 1) Loan (not free) from family   | 4) Rotating credit society | _____      |
| 2) Formal credit institution/bank (Kutambirisana)  | 5) None                    | _____      |
| 3) Moneylender (Chimbado)  |                            |            |
| 17. How much money did you spend on equipment and/or buildings when you started the business?  | _____                      |            |
| 18. After your initial purchases, how much did you spend on equipment and/or buildings during the life of the business?  | _____                      |            |

19. Which months during the year did you have high, low, and average sales?

Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Tot
High													
Low													
Avg													

20. How much money did you make from sales in

a. high sales months?

high \_\_\_\_\_

b. low sales months?

low \_\_\_\_\_

c. average sales months?

avg \_\_\_\_\_

21. How much did you spend during an average week on the following categories of business expenses:

Stationery \_\_\_\_\_

stat \_\_\_\_\_

Fuel \_\_\_\_\_

fuel \_\_\_\_\_

Inventory \_\_\_\_\_

inv \_\_\_\_\_

Purchased Inputs \_\_\_\_\_

purch \_\_\_\_\_

Hired Labor \_\_\_\_\_

labor \_\_\_\_\_

Other \_\_\_\_\_

other \_\_\_\_\_

22. How many....

Months/Year did your business operate on average?

months \_\_\_\_\_

Days/Month did your business operate on average?

days \_\_\_\_\_

Hours/Day did your business operate on average?

hours \_\_\_\_\_

23. Was your business registered? 1 = Yes, 2 = No

\_\_\_\_\_

24. Did you have one of the following licenses for your business? 1 = Yes, 2 = No

1. Shop license

Shop \_\_\_\_\_

2. Municipal/Rural license

Mun \_\_\_\_\_

3. Factory license

Fact \_\_\_\_\_

4. Hawkers license

Hawk \_\_\_\_\_

5. Vendors license

Vend \_\_\_\_\_

6. Import/Export license

Im/Ex \_\_\_\_\_

7. Liquor

Liquor \_\_\_\_\_

8. Other \_\_\_\_\_

Other \_\_\_\_\_

25. Did you have a title deed for your property when you were operating your business? 1 = Yes, 2 = No

\_\_\_\_\_

26. Why did your business close?

\_\_\_\_\_

27. How many years did you work in this type of business either as a worker or the owner?

\_\_\_\_\_

28. What are you doing now?

1) Owns a new business

5) Unemployed

2) Works in another business

6) Staying at home

3) Has a salaried job

7) Other \_\_\_\_\_

4) Farming

a. (If the respondent owns a new business) What type of business are you running now? \_\_\_\_\_

\_\_\_\_\_

29. What level of education do you have?

- |                             |                               |
|-----------------------------|-------------------------------|
| 1) none                     | 5) completed secondary school |
| 2) some primary school      | 6) completed A-levels         |
| 3) completed primary school | 7) university                 |
| 4) some secondary school    | 8) college                    |

\_\_\_\_\_

30. Gender

- |                    |                  |
|--------------------|------------------|
| 1) Female, one     | 4) Male, several |
| 2) Male, one       | 5) Mixed         |
| 3) Female, several |                  |

\_\_\_\_\_

31. Location of closed enterprise

- |                             |                    |
|-----------------------------|--------------------|
| 1) Home                     | 5) Mobile          |
| 2) Traditional market       | 6) Industrial site |
| 3) Commercial district shop | 7) Other _____     |
| 4) Roadside                 |                    |

\_\_\_\_\_

32. Race of proprietor

- |                                 |                        |
|---------------------------------|------------------------|
| 1) Black Zimbabwean             | 5) White South African |
| 2) White Zimbabwean             | 6) Other African       |
| 3) Indian/Pakistani/Bangladeshi | 7) Other _____         |
| 4) Chinese/Korean               |                        |

\_\_\_\_\_

33. Proprietors Name \_\_\_\_\_  
Address of Business \_\_\_\_\_

Do you or anyone else in this household have any other businesses that closed in the last three years?

If yes, start another dead enterprise questionnaire.

as

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