

UNPACKING THE TRAVELLER'S REBATE (STATUTORY INSTRUMENT NUMBER 148 OF 2015)

Final Draft I

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1. INTRODUCTION AND BACKGROUND

The new development blueprint Sustainable Development Goals (SDGs) 3 adopted by United Nations on the 15th of September 2015, presents a much wider agenda compared to the original Millennium Development Goals (MDGs) in that, prominence is given to the role of domestic resource mobilization. Mobilization of financial resources beyond traditional development assistance and other external flows are recognized as crucial to ending absolute poverty and achieving the SDG goals. Domestic resource mobilization has become a topical issue particularly in many African countries, as many have historically relied on foreign aid to finance development plans. With suppressed growth in the global economy¹, delivery of financial aid is being affected therefore, African economies are being encouraged to mobilize more resources domestically and improve their capacity to do so for more sustainable growth².

The greatest challenge to domestic resource mobilisation for most African countries, including Zimbabwe is the ability to curb illicit financial flows due to weak institutions and governance, lack of regulation and information, and external borrowing. The African continent lost \$60.3 billion to illicit financial flows on average over 2003–12. As part of domestic resource mobilization, Zimbabwe has been implementing several policies including broadening of the tax base to incorporate the informal sector. The country's formal sector has been shrinking while the informal sector has been growing due to the depressed economy.

The adoption of the multi-currency system in 2009 coupled with fiscal discipline and liberalized business environment brought about stability in prices and restored market confidence. As a consequence the country's GDP growth rebounded from -14.8 percent in 2008 to 5.7 percent in 2009. The highest growth was registered in 2012 of 10.6 percent. Economic growth however has been sluggish since 2013 owing to structural weaknesses in the economy such as limited capital resources and deficient infrastructure. GDP growth declined from 4.5 percent in 2013 to 1.5 percent in 2015³ undermined by low international commodity prices and drought. In order to stay afloat some firms have had to scale down operations, while some firms have closed down resulting in job losses. This has inevitably propelled the growth of informal sector as an increasing number of the active labour force is being absorbed in the informal sector. In 2014 the country's unemployment rate stood at 11.3 percent from the 4.8 percent in 2011.

The depressed economic activity is also reflected by the negative trend in the country's inflation. The rate of inflation has been on downward trend in the negative range as from the fourth quarter of 2014, due to the appreciation of the US\$ against the South African Rand, tight liquidity conditions and weak demand in the economy.

¹In 2015 Global economic growth was projected at 3.1%, which is 0.3 percentage points lower than 3.4% level in 2014

² Domestic resource mobilization refers to generating savings and taxes from domestic resources—and allocating them to economically and socially productive activities—rather than using external sources of financing, such as foreign direct investment, loans, grants, or remittances ACBF ACI Report 2015.

³Estimate

Year on year inflation fell from -1.3 % in January 2015 to an October low of -3.3% before rising to -2.5% in December 2015 (Zimstats).

Due to the growing fiscal constraints attributable to sluggish economic performance and huge debt overhang, funding for social and economic developmental projects continue be inadequate. As a result the country's rankings on both the international and regional platforms have not been impressive. Zimbabwe still lies in the low human development category, with a poor ranking of 155 out of the 188 countries assessed in 2014 (UNDP HDI 2015 Report). Since independence the country's Human Development Index improved by only 16 percent from a value of 0.437 in 1980 to 0.509 in 2014, implying an annual average growth of only 0.45 percent. Life expectancy at birth decreased by 1.9 years and mean years of schooling increased by 4.1 years and expected years of schooling increased by 4.4 years since independence. However, the country's GNI per capita decreased by 30.2 percent in the same period to reach PPP\$1,615. Zimbabwe's HDI value falls below the Sub-Saharan Africa regional average of 0.518. Life expectancy and GNI per capita also lags behind the regional averages of 58.5 and PPP\$3,063 (*Human Development Index Report 2015*). The 2015 Africa Capacity Index value for the country stood at 47.6 in among the 33 nations falling under the medium category. Only 8 country positioned 35 of the 46 countries considered. Although developmental policies are in place effective implementation remains a challenge.

Table 1: Summary of Human Development Index Indicators for Zimbabwe Since 1980

	Life expectancy at birth	Expected years of Schooling	Mean Years of Schooling	GNI per Capita 2011 PPP\$	HDI Value
1980	59.4	6.5	3.3	2,314	0.437
1985	61.9	9.7	4.0	2,318	0.498
1990	59.6	9.8	4.5	2,432	0.499
1995	50.3	9.8	5.5	2.286	0.465
2000	41.7	9.9	6.5	2.363	0.428
2005	41.8	10.5	6.8	1,600	0.411
2010	49.6	10.7	7.3	1,442	0.461
2011	51.6	10.9	7.3	1,491	0.474
2012	53.7	10.9	7.3	1,605	0.491
2013	55.7	10.9	7.3	1,624	0.501
2014	57.5	10.9	7.3	1,615	0.509

Source: Human Development Index Report 2015

1.1 Purpose of the Study

The Poverty Reduction Forum Trust (PRFT) has initiated the undertaking of the current study to assess the social and economic impacts of recent regulatory changes in the travellers rebate and other tariff measures as stipulated by Statutory Instrument 148 of 2015. The study is limited to the possible impacts of these measures on the informal cross border traders, and the poor so as to guide future public policy interventions in Zimbabwe.

1.2 Specific Objectives of the Study

The study seeks to assess the social and economic implications of the regulatory changes in the travellers rebate which entails:

- (i) reduction of the travellers rebate threshold from \$300 to \$200;
- (ii) exclusion of imports by a traveller being transported by a transport service vehicle, which is drawing a trailer and is used for conveyancing of goods through a port of entry from travellers rebate, and
- (iii) other tariff measures, on the poor and cross border traders.

The study also seeks to outline the gaps and policy recommendations in this sector including areas that may need further research to improve civil society's advocacy on the informal sector (specifically cross boarder trading).

1.3 Methodology

An extensive literature review was undertaken to contextualize the study and draw some insights which provided a framework for analysis. The study methodology employed was qualitative through desk research and key informant interviews. Several policy documents including Customs and Excise Act, Statutory Instruments, National Budget Statements, and Monetary Policy Statements were reviewed to get an understanding of the dynamics in rebate policy framework affecting travellers, especially the poor and the informal sector in Zimbabwe. In addition Zimstat Statistical Surveys as well as other reports were also reviewed to assess the extent of socio-economic impacts.

The study methodology is however limited by the lack of primary data on cross-border experiences for the period concerned, since the regulatory changes were only effected 1st of January 2016 and no surveys have been carried out. The study relied more of existing literature to inform the experiences of cross border traders.

2. CRITICAL REVIEW OF THE CHANGES IN THE TRAVELLERS EFFECTS REBATE POLICY

2.1 Travellers Effects Rebate and its Application

A Traveller's Rebate is a duty-free allowance which is granted to bona fide travellers and is subject to certain prescribed conditions of a country. Part XIII Subsection 114 of the Customs and Excise (General) Regulations, 2001, published in Statutory Instrument 154 of 2001 also referred to as "the Principal Regulations" deals with the "Rebate of Duty on Travellers' effects'. Travellers that are entitled to the rebate allowance are those entering the country as returning residents, tourists, immigrants and diplomats. However, any persons employed as the pilot or master or any

member of the crew of an aircraft or vehicle arriving from outside Zimbabwe are excluded from enjoying the travellers' rebate. The travellers rebate is divided into two categories namely total and partial rebates. The total rebate refers to an allowance granted on all used personal effects such as clothes and toilet requisites but excludes such articles as radios and cameras, among others (ZIMRA)⁴. A partial rebate on the hand is an allowance granted on goods imported by the traveller once a month under certain conditions. Several amendments have been made to the principal regulation Statutory Instrument (SI) 154 of 2001 subsection 114 which relate to travellers effects rebate over the years.

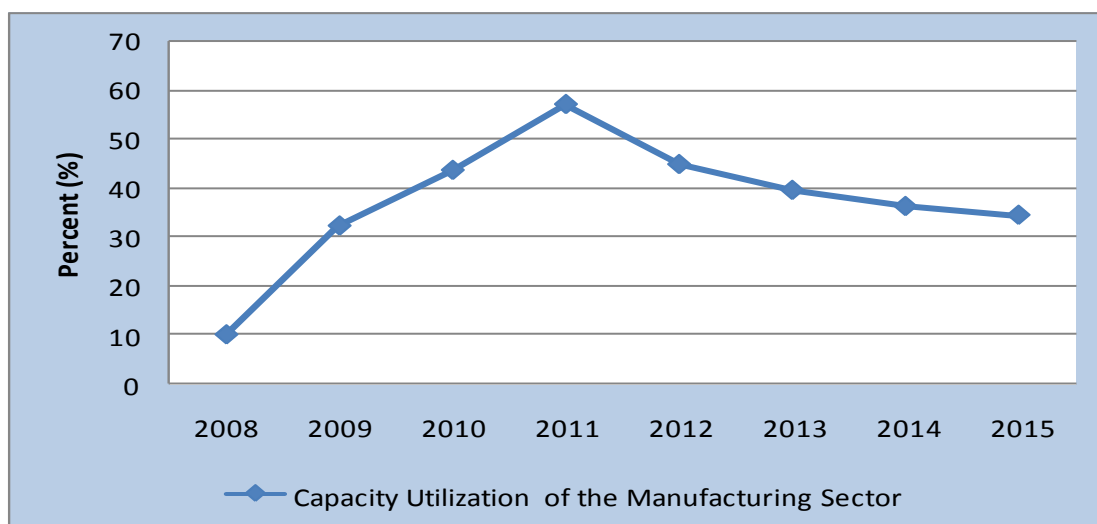
2.2 Changes in the Duty Free Allowance

The SI 154 of 2001 stipulated that a rebate duty shall be granted in respect of personal effects, remainder of food and drink and other consumable goods in such quantities and values considered reasonable by the Commissioner and other goods for duty purposes which should not exceed US\$250 per traveller. Statutory Instrument 2 of 2005 reviewed the travellers rebate upwards to US\$300 as the country was facing commodity shortages due to price controls and high levels of inflation. In 2009 the rebate was still pegged at US\$300, and a flat 65% rate of duty was then charged on the value of goods in excess of the travellers' rebate threshold of US\$300 per calendar month (GoZ, 2009).

However, no revisions were made on product restrictions and quantities individuals could import under the rebate, since at this time industry was not producing due to the effects of the hyperinflationary period. Companies were facing challenges of lack of working capital, low product demand, antiquated machinery and lack of raw materials among others. Capacity utilization in 2009 for most firms had improved to 32.3% from 10% in 2008, following the adoption of the multicurrency system (see **Figure 1**). This development however, opened up opportunities for abuse as commercial goods for resale could be imported under the rebate. Revenue accruing to the government from customs was therefore, undermined.

Figure 1: Capacity Utilization Trend in the Manufacturing Sector 2008-2015

⁴The Statutory Instrument 154 of 2001 defined personal effects as articles pertaining to or carried upon a body such as clothing, toilet requisites etc, but excludes items such as radios, musical instruments, camera, binoculars, business equipment and sports goods etc..



Source: Various CZI Manufacturing Sector Survey Reports

Capacity utilization continued to improve, reaching a peak of 57.2 % in 2011 before tailing off to current subdued levels as shown in Figure 1. Some of the shortcomings were however addressed in 2012 as the government imposed restrictions on the goods allowable for rebate purposes. As of the 1st January, 2012, Section 114 (“Rebate of duty on travellers’ effects”) was amended by the repeal of Subsection (4) and the substitution of the one that included blankets, shoes, refrigerators and stoves and clothing to the list of goods to which the rebate should not apply (Statutory Instrument 157 of 2011)..

In the 2016 National Budget Statement, the Minister Finance and Economic Development made a pronouncement to curb the abuse of the travellers rebate facility by Cross Border Traders as this has been prejudicing government of the much needed revenue, as commercial goods were being imported duty free under the guise of personal consumption. Further, the abuse of the facility has been undermining the government’s efforts to revive local industry. The Minister of Finance and Economic Development further noted that;

“..there has been an increase in informal transport carriers mainly through Beitbridge Border Post, transporting and clearing imported goods on behalf of cross border traders. These transporters unlawfully clear commercial consignments duty free through remission or rebate of duty facilities, in collaboration with local residents or other travellers. Although the informal transport carriers play a significant role in facilitating trade, they however, in most cases transport under-declared and unlicensed goods, such as fruits and vegetables, in contravention of the required standards. This has grossly undermined growth of the local industry, health and safety standards, revenue to the fiscus as well as crowding out bona fide transporters.” (GoZ 2016 National Budget Statement, 2015).

It was proposed that consignments transported on behalf of third parties be cleared under commercial importations as opposed to private importations, with effect from 1 January 2016. The government has since made some amendments to the Principal Regulatory Instrument, SI 154 of 2001 through the gazetting of Statutory Instrument 148 of 2015 on the 31st of December, 2015⁵, in order to curb revenue leakages

⁵The regulation is cited as ‘Customs and Excise (General) (Amendments) Regulations, 2015 No.80.

arising from the abuse of the Travellers Rebate facility. The amendments were specified by insertion of definitions in subsection (1) of transport services and transport service vehicles, repealing of the US\$300 rebate in subsection (2) and also by insertion of paragraph (k) in Subsection (4) which adds goods imported by a traveller that are transported by a transport service to be excluded for rebate purposes (see **Table 1**).

Table 1: Amendments to the Travellers Rebate SI 148 of 2015

(a) In subsection 1 by insertion of the following definitions,

“transport services” means

- (a) the carriage of passengers and or goods for hire or reward or
- (b) any other transport service for hire or reward by whatever name known

“transport service vehicles” means

- (a) a goods vehicle or
- (b) an omnibus or
- (c) a vehicle drawing a trailer that is used for conveyancing of goods through a port of entry (excluding a vehicle and trailer used exclusively for the conveyance of tourists on an organised tour or safari) or
- (d) any other vehicle used in connection with a transport service which has seating accommodation for not more than seven (7) passengers

(b) In subsection 2 by the repeal of paragraph (c) and substitution of the following ‘c’ other goods to a total value of for duty purposes not exceeding an amount equivalent to US\$200 per traveller”

(c) In subsection (4) by insertion of the following paragraph after (j)

‘k’ goods imported by a traveller and being transported by a transport service vehicle, which is drawing a trailer and is used for conveyancing of goods through a port of entry.

.....
Source: ZIMRA website

2.3 Comparative Analysis of Traveller Effects Rebates

Compared to other countries, the current rebate for travellers of \$200 is higher than that of Zambia which is \$150, and Botswana \$187 but lower than that of South Africa (at the current exchange rate US\$1 = ZAR16) which is ZAR25,000 (US\$1,562) (See **Table 2**). The Zimbabwean definition of personal effects and consumables is more or less the same with that of our neighbouring countries (See **Table 2**).

Table 2: Comparative Analysis of Traveller Effects Rebates/ Duty Free Allowance

Country	Travellers Rebate or Duty Free Allowance
Zimbabwe	<p>Rebate \$200</p> <p>Zimbabwe’s travellers rebate is divided into two categories namely total and partial rebates. The total rebate refers to an allowance granted on all used personal effects such as clothes and toilet requisites but excludes such articles as radios and cameras, among others (ZIMRA). A partial rebate on the hand is an allowance granted on goods imported by the traveller once a month under the following conditions:</p> <ul style="list-style-type: none">• Goods are properly declared;• Goods are not for resale of a commercial nature;• The value of the goods does not exceed a US\$200;• The traveller is not a crew member; <p>(b) Alcoholic beverages are not more than 5 litres of which not more than 2 litres may be spirits and the traveller is 18 years and above;</p>

	<p>and</p> <p>(c) The goods exclude blankets, refrigerators, laundry soap, cooking oil, stoves, beds, mattresses, flour, maize meal, sugar, meat, fish, powdered milk, yoghurt, cheese, eggs, corn puffs, jam and honey.</p>
Zambia	<p>Rebate \$150</p> <p>A rebate of duty shall be granted in respect of goods imported in his baggage or upon his person by a traveller for his own use:</p> <p>(a) if such articles have been in use by the traveller prior to importation and are in such quantities as may be considered reasonable by the Commissioner-General; and</p> <p>(b) food, drink and other consumable articles in such quantities as may be considered reasonable by the Commissioner-General.</p> <p>[Reg 16(1) am by reg 2 of SI 13 of 1997.]</p> <p>(2) A rebate of duty shall be granted on goods not exceeding in value the equivalent of one hundred and fifty United States Dollars for each traveller in respect of goods, other than merchandise, or the goods referred to in sub-regulation (1), imported by the traveller in his accompanied baggage or upon his person and declared by him to an officer:</p> <p>Provided that if the amount of duty payable by the traveller after the allowance of the rebate does not exceed one thousand Kwacha, that amount shall also be rebated.</p> <p>Source: http://www.zambialaws.com/Subsidiary-Legislation/chapter-322-customs-and-excise-subsidiary-legislation-subsidiary-legislation.html#</p>
Botswana	<p>Rebate</p> <p>Outside SACU = UA – 3000 (ZAR3000) = US\$187</p> <p>From SACU = UA500 (ZAR500) = US\$33</p> <p>Customs duties are not charged on the following goods imported as accompanied or un-accompanied passengers' baggage:</p> <p>(i) Personal effects, sporting and recreational effects, new or used</p> <p>(i) The following articles and consumables (excluding any goods the importation of which is prohibited), declared at the place where the traveller enters Botswana and not imported on behalf of other persons or by way of trade, may be admitted free of duty and, where applicable, Value Add Tax (VAT).</p> <ul style="list-style-type: none"> • Wines - 2 litres • Spirituous and other alcoholic beverages - 1 litre • Cigarettes - 200 • Cigars - 20 • Cigarette or pipe tobacco - 250 gms • Perfume - 50 ml • Toilet water - 250 ml • Other new or used goods of a total <ul style="list-style-type: none"> • Value not exceeding (from outside SACU) - 3000 UA*

- Other new or used goods of a total
 - Value not exceeding (from SACU) - 500 UA*
- *UA is equivalent to One South African Rand.

Additional goods imported from outside SACU, new or used of a total value not exceeding 12 000 UA* per person, excluding the consumable items detailed above, are admissible at a flat rate of 20%, if the owner so elects.

Duty is payable at the applicable rates where travellers import goods exceeds the above allowances. Travellers importing goods for business or commercial purpose will not qualify for the above allowances.

The concession for new and used goods specified above do not apply to such goods imported by residents of Botswana returning after an absence of less than 48 hours

Source: <http://www.gov.bw/Visitors/topics/Entry-Requirements/Entry-Requirements/#e1ecad652fa945979dbf17aa0a20788b>

South Africa

Total Rebate ZAR5000 = US\$312 (2014)

Duty Free for SACU members

The duty free allowance entitlement can be divided into:

Duty Free Allowance

a) Travellers from international countries are entitled to import goods, excluding consumable goods of paragraph 7.2.2 of the Customs External Guide Duty Free Allowances for Travellers up to a value of R5 000 per person without paying any duty or tax thereon.

b) Crew members including the master / pilot are only entitled to a duty free allowance of R 700.

c) The duty free allowance will only be granted once per person in a thirty (30) day cycle after an absence of 48 hours or more from the country.

d) Travellers from the SACU member countries

i) Travellers from the SACU member countries do not pay Customs duties and are entitled to a VAT exemption on goods up to a value of R25 000.

ii) The R25 000 VAT exemption for travellers from the SACU member countries will be granted once during the thirty (30) day cycle after an absence of 48 hours or more from the country, provided that the goods do not exceed R25 000.

e) Customs will ensure that travellers qualify for the duty free allowance by randomly selecting travellers to verify that the goods do fall within the allowances.

Consumable Goods

- a) Travellers are entitled to import free of duty or tax consumables goods (*crew members including the master / pilot are not entitled to any*) not exceeding the specified limits; being: i) 200 cigarettes; ii) 20 cigars; iii) Combined 250 gram pipe and / or

cigarette tobacco; iv) 2 litres of wine; v) 1 litre of other alcoholic beverages (including beer); vi) 250 ml eau de toilette; and vii) 50 ml perfume.

- b) b) Consumable goods in excess may not be claimed under the duty free allowance. Full duty and VAT must be paid on such excesses
- c) The consumable goods are allowable in addition to the duty free allowance and flat rate allowance. These goods are allowed once per person in a thirty (30) day cycle after an absence of less than 48 hours

Source: South African Revenue Services 2014 Customs External Guide Duty Free Allowances for Travellers
<http://www.sars.gov.za/ClientSegments/Customs-Excise/Travellers/Pages/Arrival-in-SA>.

2.3 Government Perspectives in Effecting Regulatory Changes in Travellers Rebate

Under the prevailing economic environment the government motive/rationale behind the statutory changes on travellers' effects rebate regulation can be classified into three categories: (i) to enhance revenue collection for the country through curtailing the abuse of the facility by cross border traders; (ii) to promote growth of the local industry through shielding them from import competition and (iii) to address the country's current account or Balance of Payments position.

2.3.1.. Revenue Generation

The government has been experiencing a decline in revenue accruing to the fiscus owing to the economic slowdown. The growth of the economy became sluggish due to structural weaknesses such as limited capital resources and infrastructure bottlenecks, coupled with weak international commodity prices. As a result the GDP growth rate declined from 4.5 percent in 2013 to 3.8 in 2014 and further down to 1.5 percent in 2015⁶ (GoZ, 2015). The El-Niño induced drought of 2015 has been a contributing factor to the low growth for 2015.

The decline in government revenue has led to accumulation of arrears, slowdown in implementation of some capital development projects, delays and reductions in disbursements. The fiscal situation is further worsened by the high employment costs constituting 80 percent of recurrent government expenditure, which are crowding out capital investment projects (GoZ, 2015). With 2 percent going towards interest payments about 18 percent has to be shared between capital expenditure and the recurrent budget. The lack of fiscal space undermines the ability to finance capital projects and cushion the vulnerable members of the society from the tough economic environment.

⁶Estimates for 2014 and 2015

Worsening the country's financial position is the huge debt overhang. Total public and publicly guaranteed debt including arrears as at September 2015 were estimated at US\$8.368 billion, of which US\$1.290 billion is domestic debt, whilst US\$7.078 billion is external debt (GoZ, 2015).

Therefore as part of its domestic resource mobilisation efforts, the government has been looking for ways to incorporate the informal sector into the tax system. Informal sector employees do not usually pay taxes and in instances where the income is declared it is grossly underestimated and it is always difficult to challenge their claims. In 2014 LFCLS estimated that around 859 thousand of the working population aged 15 years and above was in the informal sector. Of this working population 94 % were informally employed.

2.3.2 Industry Protection

The supply of locally produced commodities has improved significantly whilst prices of the same have by and large been reasonable as some companies have resuscitated production as well as adjusted their cost structures. Despite the improved local commodities supply, companies are still facing challenges such as low demand, loss of competitiveness of their products due to the influx of cheap imports, lack of access to capital, high interest rates and costs of utilities. Some of the industry support initiatives implemented by government since 2009 were the Zimbabwe Economic and Trade Revival Facility (ZETREF), the Distressed Marginalised Areas Fund (DiMAF) and Buy Zimbabwe Campaigns. Government has also been providing support for domestic manufacturing industry through protectionist policies such as import tariffs and quotas, however, being cognisant to the regional and multilateral trade the country is signatory to (SADC, COMESA etc). This has been evidenced for instance in the food processing industry through levying customs duties on imported foodstuffs. Other industry support measures have been through duty exemptions for raw material and packaging irrespective of country of origin. For example in the 2016 National Budget, rebate of duty on raw materials imported for the manufacture of clothing was extended for the next 2 years and Suspension of duty on Milk powder for approved manufacturers

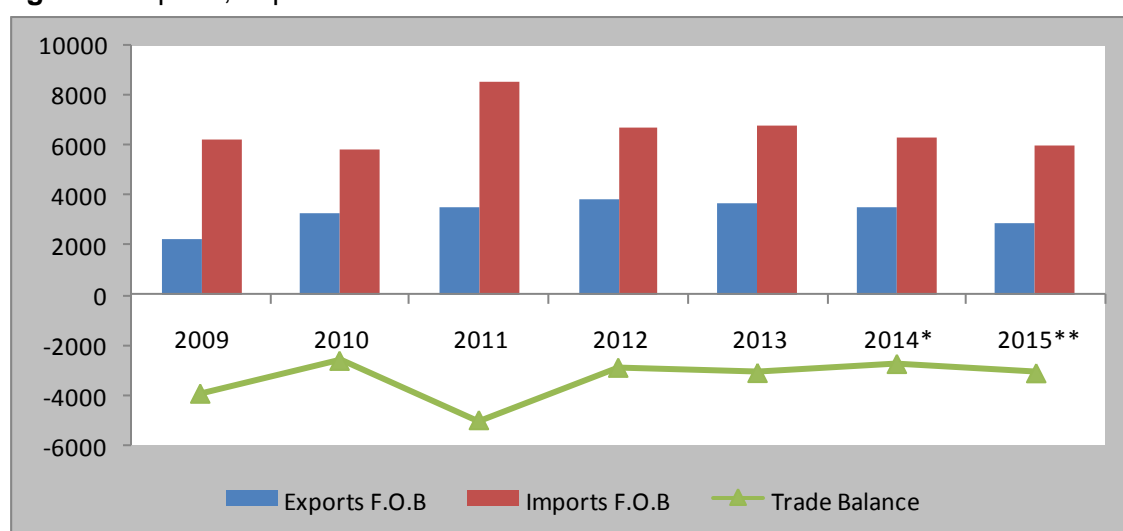
The appreciation of the USD against the currencies of our major trading partners including our neighbouring countries like South Africa, has made imports cheaper and our products less competitive. Rand depreciated by 45% between December 2014 and January 2016 from R11.4 to the US\$ to the current level of R16 (Monetary Policy 2016, RBZ).

2.3.3 Trade Balance

The country's import absorption remains high relative to export performance. The resulting trade deficit has undermined efforts to sustainably build adequate foreign exchange reserve buffers and improve domestic money supply conditions in the

economy. The country has been experiencing persistent trade deficits since the dollarization of the economy (2009 – 2015). The value of total imports increased from US\$6,21billion in 2009 to US\$5,86 billion in 2010, and further to US\$8,6 billion in 2011 before declining to levels below US\$7 billion since 2012. Exports increased progressively from 2009 to 2012 from US\$2.2 billion to US\$3.8 billion before declining to US\$3.6 in 2013 as shown under Figure 2. Further declines to US\$ 2.9 billion were registered in 2015 due to depressed international prices and effects of the drought. The huge import bill has been draining the country's foreign exchange resources realized from exports, credit lines, and remittances, thereby further tightening liquidity conditions with constraining effects on economic growth potential. Essentially the country is consuming more than what it is producing resulting in a current account deficit.

Figure 2:Exports, Imports and Trade Balance



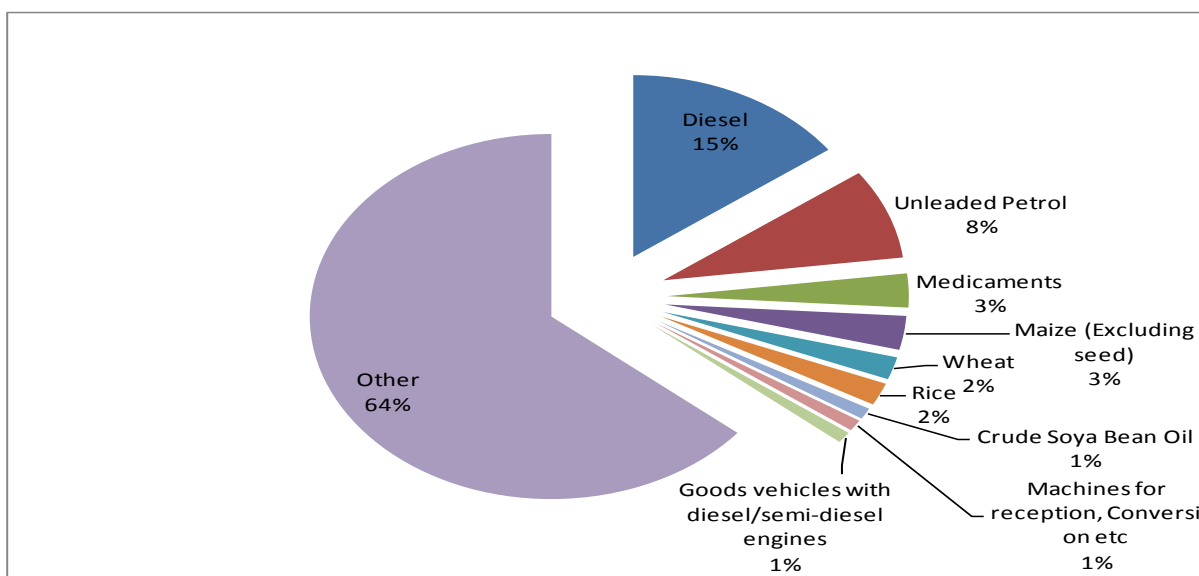
Source: ZIMSTAT, MoF, RBZ

* Estimate value

**Projected Value

It is worrisome that the country has mainly been importing finished consumption goods (Figure 3). This partly explains the government interventions to reduce the amount of goods being imported into the country by way of rebate reduction. The appreciation of the US\$ against the South African has contributed to loss of competitiveness of the Zimbabwean products as South African imports become even cheaper. There is need for companies and individuals to take advantage of the strengthening of the US\$ through importation of capital goods and raw materials which will help boost the country's productive capacity. Continued importation of consumption goods is counterproductive as it is tantamount to exporting jobs.

Figure 3: Import Composition January to October 2015



Source:Zimstat

3. FINDINGS OF THE STUDY

The government acknowledges the increase in the activity of informal Cross Border traders and informal transport operators at the country's borders. The increase in such activities is a symptom of the depressed economy. In 2014 the country's unemployment rate stood at 11.3 percent from the 4.8 percent in 2011 (Zimstat, 2015). As a consequence the formal employment has been declining while informal has been increasing. Reinforcing the existence of a growing informal economy is the fact that out of the 7.1 million economically active population in Zimbabwe, the highest percentage of labour force (52.3 percent) were own account workers (communal, peri-urban and resettlement farming) followed by paid employee-permanent (14 percent) (Zimstat Labour Force Survey 2014).

Women continue to constitute the majority of the informal economy as the Labour Force Survey revealed that of the females in the labour force, 56 percent were own account workers (communal, peri-urban and resettlement farming), 15 percent were unemployed and 13 percent were own account worker (other). Only 45 percent of the male labour force were own account workers, 19 percent were paid employee-permanent and 12 percent were own account worker (other). The changes in the travellers rebate policy as well as tariff measures are undoubtedly going to worsen challenges faced by informal cross border traders as expounded below.

3. 1 Implications of the Rebate Policy Changes on Informal Cross Border Traders and the Poor

3.1.1 Effects of the Reduction in Rebate Value Threshold

Informal Cross border traders and the poor like other travellers were benefiting from the higher rebate of \$300, as they could bring in more goods for personal consumption as well as for their families. The rebate reduction of \$100 reduces their ability to stretch the use of hard earned resources (profits) generated from their trading activities. The weakening South African Rand provided them with more options provided the merchandise bought was not dutiable.

According to the 2014 Labour Force Survey, of the 1.5 million paid employees, around 1.4 million were in informal employment, and, of 37 percent received income of between US\$1 - US\$100 followed by those who received between US\$101 - US\$200. Three percent received income of US\$1001 and above. Forty-five percent of the females and 32 percent of the males who were paid employees in informal employment received cash income of between US\$1 and US\$100. Compared to 2011 the percentage of employees in informal employment receiving a cash income of \$100 or less declined in 2014 to 38 % from 84%. The implication is that more are earning incomes in the higher bracket.

This position may not hold true for informal Cross Traders as they do not have fixed monthly incomes. Their average incomes may not add up to \$100 per month. Even in instances where they do due to large extended families they fend for in addition to their own they are likely to fall below the Total Consumption Poverty Line (TCPL). The TCPL stood at \$102 in May 2014 and has since fallen to \$96.65 per person in December 2015. This means that an individual required that much to purchase both non-food and food items as at May 2014 and December 2015 in order not to be deemed poor. Compared to November 2015 there was a negligible decrease of 0.20 percent. The TCPL for an average of five persons was \$483.25 in December 2015 meaning that an average household required that much to purchase both food and non-food items for them not to be deemed poor.

In 2014 about 28.9 percent of the Zimbabwean population (4,222 thousand people) were multi-dimensionally poor while an additional 29.3 percent live near multidimensional poverty (4,273 thousand people). The breadth of deprivation (intensity) in Zimbabwe, which is the average of deprivation scores experienced by people in multi-dimensional poverty, is 44.1 percent. The MPI, which is the share of the population that is multi-dimensionally poor, adjusted by the intensity of the deprivations, is 0.128. Lesotho and Kenya have MPIs of 0.227 and 0.226 respectively (UNDP, 2015).

Given the weakening of the South African Rand, cross-border traders especially women prefer to bring groceries for the family consumption instead of bringing in hard cash which will not afford them the same amount of goods. **Table 3** below illustrates this point:

Table 3: **Basics purchased by women taking advantage of the weak US\$/Rand**

Item	Cost in Rand	Cost in US\$	Cost in Zim	Difference in US\$
5 L cooking oil	72R	US\$4.55	US\$7.000	US\$2.45
1 kg Powdered milk (Ellis brown/ cremora)	32R	US\$2.02	US\$ 3.79	US\$1.77
2 kg surf (OMO)	33R	US\$2.08	US\$ 5.55,	US\$3.47
1 tablet Protex bathing soap	7R	US\$0.44	US\$ 1.30	US\$0.86
Bar green soap	9R	US\$0.56	US\$ 1.20	US\$0.64
Box 100 tea bags	11R	US\$0.69	US\$ 2.90	US\$2.21
5kg macaroni	35R	US\$2.21	US\$ 5.95	US\$3.74
1 packet spaghetti	7R	US\$0.44	US\$ 0.60	US\$0.16
TOTAL	206R	US\$12.99	US\$28.29	US\$15.30

Source: PRFT Research

3.1.2 Effects of the Changes in Transport Vehicles Used for Conveyancing Goods through Ports of Entry

By specifying that the rebate shall not apply to '**goods imported by a traveller and being transported by a transport service vehicle, which is drawing a trailer and is used for conveyancing of goods through a port of entry**', the government is prejudicing the poor people and informal traders who use such transport facilities like the omnibuses and pick-up trucks, in ferrying their goods across the borders.

Although it cannot be denied that the transport service vehicles have been used in facilitating evasion of duty by some unscrupulous cross border traders, there are however, some poor people who use conveyancers to ferry their goods because they are usually affordable. Regarding poor people's cargo as commercial is been insensitive to their economic hardships.

A significant number of cross border and informal traders use the informal transporters to ferry both their personal goods and those for resale across the borders.

The unilateral decision by government to classify such goods as commercial cargo puts those informal cross border traders merely using such means for ferrying personal goods at a disadvantage compared to other travellers using private vehicles importing similar goods. The decision is discriminatory as mostly the poor use such modes of transport normally in groups order to cut costs and save money.

To be treated like other normal travellers the poor people who have been using such transport vehicles subjected to clearance as commercial cargo have to hire private vehicles which may turn out to be expensive, as they cannot do this in large numbers due to the size of the vehicles. In cases where they continue using small trucks, omnibuses etc.to transport their personal stuff, the poor informal traders and ordinary people have to contend with increased hassles in the form of:

- **Increased time delays:-** Due to lack of automated travellers rebate verification system ,a timeous and cumbersome manual system is still being used to check if travellers have not exhausted their monthly rebates.The government proposed that an IT system be set up by ZIMRA by June 2016;
- **Increased exposure to corruption;**As the use of manual systems has been known promote corruption activities.
- **Harassment by immigration and customs officials especially women;** and
- **Loss of goods to immigration officials or the police.**

3.1.3Tariff Measures/ Duty Exemption and Rebates on Commercial Imports

As productive capacity of local companies continue to improve, the list of goods no longer qualifying for travellers duty rebate also keeps growing. Currently the goods exclude blankets, refrigerators, laundry soap, cooking oil, stoves, beds, mattresses, flour, maize meal, sugar, meat, fish, powdered milk, yoghurt, cheese, eggs, corn puffs, jam and honey. Imports of such goods are subject to customs duty which continues to be reviewed upwards. Basic commodities like maize meal and cooking oil saw customs duty reintroduced in 2012,which impacted positively on the operations of manufacturing companies. In 2012 customs duty was introduced on pre-packed rice, flour and salt. Wheat flour increased at a modest rate of 5% effective 1 January 2012. In 2015 government increased customs duty on wheat flour from 5% to 20%, and ring-fenced wheat flour imported by approved bakers for blending purposes at a lower rate of 5%. Table 4 provides more information on this duty structure.

Table 4: Current duty structure for some basics			
Product	MFN Duty %	SADC Duty %	Proposed Duty %
Rice –Bulk	10-15	0	0
Prepacked	10-15	0	15
Flour –Bulk	10-25	5-10	0
Prepacked	10-25	5-10	5-10
Salt – Bulk	5-15	0	0
Pre-packed	5-15	0	5-15

Travellers (informal Cross Border Traders and the poor included) importing the above listed commodities have to pay duty. The duty effectively increases the import prices of commodities. Depending on the product elasticity the poor are likely to

reduce consumption of the imported goods (elastic), and look for cheaper alternatives which may be compromised on quality.

3.3. Other Cross Border Challenges

- Informal cross border traders continue to face other challenges such as Lack of government support;
- High transport costs – transport problems also includes taking too long and high rate of accidents ;
- Loss of goods and cash to thieves;
- Stiff competition in supply of goods to the same market
- Absence of clearly laid down policies and procedures for small scale traders;
- Delays in the clearing of goods and processing of tax refunds
- Unfair application of the rules of origin resulting in the poor paying duty where large corporate are exempted: Traders also lack of knowledge and information on the benefits of trading with other COMESA countries; Complex documents and complicated processes of filling the current forms; increased clearance costs;
- Xenophobia and harassment of traders by locals and officials in the country of destination;
- Corruption and extortion at border posts and in municipality areas; and stringent duty free rebates rules.
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4.GAPSIN POLICY MAKING

4.1. Inclusive Growth Model

The government needs to adopt an inclusive growth strategy for the country to achieve sustainable economic growth that can eradicate poverty and address challenges of the informal sector. A piecemeal approach to the prevailing economic challenges will not achieve the desired goals. The extent to which economic growth broadens improvements in economic opportunity and living standards is influenced by an interdisciplinary mix of structural and institutional aspects of economic policy, going well beyond the two areas most commonly featured in discussions about inequality: education and redistribution (World Bank, 2015).

The government needs an all-inclusive growth model that deals with the structural problems the economy is facing. The Dual enclave economy argument has caught up with us now - for more than 30 years we have not integrated the marginalized into the mainstream centre - formal economy. The size of the formal economy has shrunk and for it to generate enough revenue to drive the economy is a myth. Government has to fix the supply side - demand management will only address the short- term pressures.

4.2. Policy Initiation: - Though regulatory policies such as the travellers' rebate policy are important and the government has revised it in the hope of curtailing imports and improving customs revenue flow, amock policy that is tested before

implementation to gauge possible policy incidence and ensure better targeting the government should have been done. For example the exclusion of *'goods imported by a traveller and being transported by a transport service vehicle, which is drawing a trailer and is used for conveyancing of goods through a port of entry'* from travellers rebate seems to be penalising the innocent poor people who rely on such transport services vehicles.

4.3. Transparency on what informs policy: -Transparency on what informed the changes in travellers' rebate policy is important for it to be better understood and received by the targeted audience and also for accountability purposes. Currently the nation doesn't seem to know what did inform the policy. For instance, it is not publicly known how much Treasury has lost through keeping the rebate at \$300. All this information must be available for transparency purposes. The government continues to implement policies which are not fully informed by stakeholders.

5. RECOMMENDATIONS AND CONCLUSIONS

The government focus should be on economic growth in order to expand the formal economy and formalize the informal. One strategy would be the promotion of Value Chains with local and regional supermarkets. The role of government should be in facilitating linkages of informal traders with the established business/industry to enable their growth as well development of the economy

Government alone cannot address the challenges faced by the informal cross border traders. There is need for a comprehensive approach involving all stakeholders in the economy to address the challenges. Government working with other stakeholders should:

- facilitate access of traders to capital;
- improve trading places, accommodation and storage facilities, and other services;
- support the establishment of efficient ICBT associations as a way of semi-formalizing the sector;
- establish specific government offices and policies dealing with ICBT;
- deal with issues of violence and harassment against traders.

The private sector, development partners and civil society organisations should grant financial assistance to informal cross border traders and invest in the sector through:

- provision of affordable and reliable transport;
- facilitating the strengthening of cross border traders associations;
- empowering informal traders in business skills through training;
- supporting the construction of adequate trading places and affordable accommodation; and
- promoting campaigns against violence and harassment of informal cross border traders,

The government needs to prioritize expansion/upgrading of the busy ports like Beitbridge and provide more personnel and technologies in order to improve on transparency and efficiencies of the clearance system.

There is need to educate the traders on the STR facility. For goods that have been grown or wholly produced in the COMESA Region and appear on the Common List, the trader will complete a simplified Customs Document (declaration form) and a simplified COMESA Certificate of Origin. These documents are filled in at the border post by the

trader and are stamped and certified by a customs official. Goods imported and exported should comply with the normal food safety, plant and animal health regulations including environmental protection. Import or Export permits needed to import or export certain agricultural foods and animal products are still required.

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