



THINK SMALL (2)

WORKSHOP PROCEEDINGS REPORT

Facilitated by

Poverty Reduction Forum Trust (PRFT)

28 November 30, 2012

Harare

2012

Overview of the workshop

The Poverty Reduction Forum Trust (PRFT) organized a half day “Thinking Small 2” workshop on November 28th 2012. With a total attendance of 15 people, the workshop was premised on informing CAFOD’s aim of identifying what the needs and priorities of small businesses and smallholder farmers are as well as helping to identify the ways in which small entrepreneurs would be able to better participate in markets and have more successful livelihoods.

The half-day workshop contributed towards two overarching objectives which were set forth by CAFOD:

- To identify needs and priorities of small businesses, including farmers, to have more effective participation in markets and more successful livelihoods. Thereby to define an “investment climate” that works for poor men and women (i.e. an investment climate that is informed from the bottom up).
- To test “investment climate” assumptions of priorities and reforms made by donors, governments and institutions, specifically using the Doing Business Rankings as an example.

Workshop methodology

The workshop was held at the Africa Institute for Policy Analysis and Development (AIPAD) premises in Avondale, Harare and it started at 900hrs. Ten small entrepreneurs were invited representing various sectors **(Table 1)**. In order to enrich the discussion, PRFT also brought in three representatives from The Zimbabwe Womens' Bureau and Kunzwana Woman's Association. These organizations work at grassroots level and they provide entrepreneurship skills and capacity building to small businesses. In addition to the facilitator, three other PRFT staff members were also in attendance, and besides helping to capture the discussions, they also contributed immensely during plenary sessions. A representative from CAFOD's local office in Zimbabwe also participated in the workshop. Two facilitation methods were employed, namely, group work and plenary discussions. All the workshop proceedings were captured on paper, and visuals (photos) were taken during the workshop. The workshop was facilitated in both vernacular (Shona) and English.

Table 1: Participants and type of businesses that were represented¹

Sectors/Organizations represented	Number of Participants		Total
	Male	Female	
Buying and selling (cross boarder trading)	1	5	6
Poultry production	1	1	2
Micro-finance		1	1
Saloon		1	1
Small scale cattle ranching	1		1
Art and crafts		1	1
Small-scale Crop production		2	2
Zimbabwe Women's Bureau	1	1	2
Kunzwana Women's Association	1		1
CAFOD	1		1
PRFT	1	3	4

Table 2: Age groups of respondents

Age group	Number of respondents		Total
	Male	Female	
Less than 18 years	0	0	0
18 - 23	1		1

¹ Some participants are engaged in one or more sectors. Some representatives of organizations working with small businesses who attended the workshop are also engaged in some form of entrepreneurship activities

24 -29		1	1
30 – 35	2		2
36 – 41	1	2	3
42 – 47		1	1
48 – 53			0
54 – 59		4	4
60+	1		1

Table 3: Size of Businesses (Number of employees)

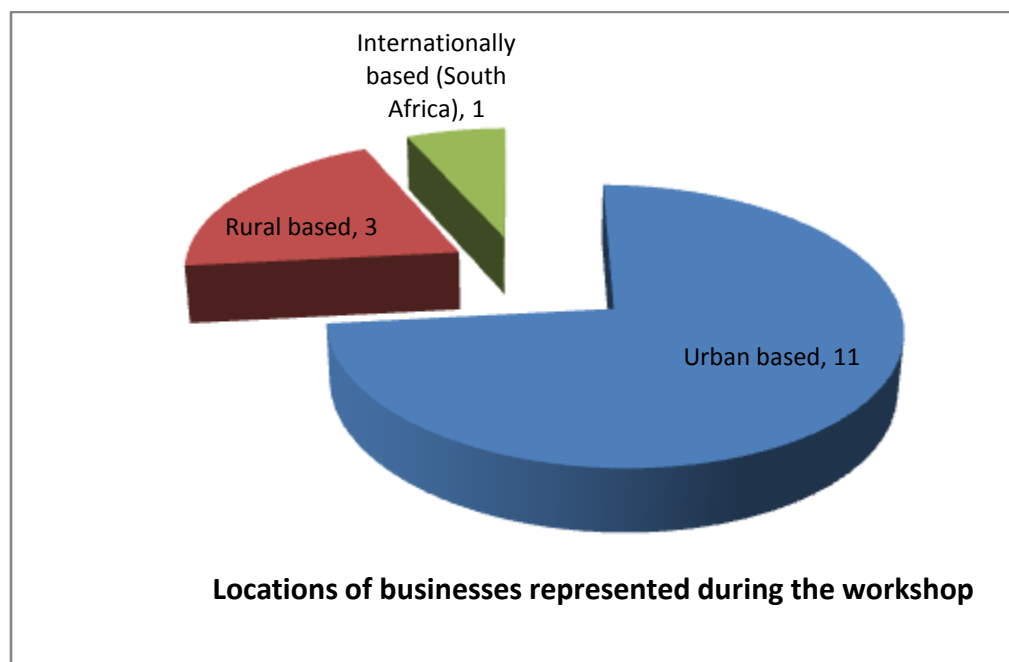
Number of workers (including respondent)	Number of respondents
1	6
2	2
3	2
4	1
5 or more	0

Registration of businesses

Four businesses are registered while the rest are not.

Location of businesses

The figure below depicts the locations of businesses of participants who attended the workshop:



Section 1: Defining success

Motivation for starting businesses, benefits and future business hopes

Participants were divided into three groups to discuss the reasons why they started their small businesses, the benefits that they get from the businesses and their future hopes.

Table below presents responses from the three groups:

Table 4: Purpose of businesses

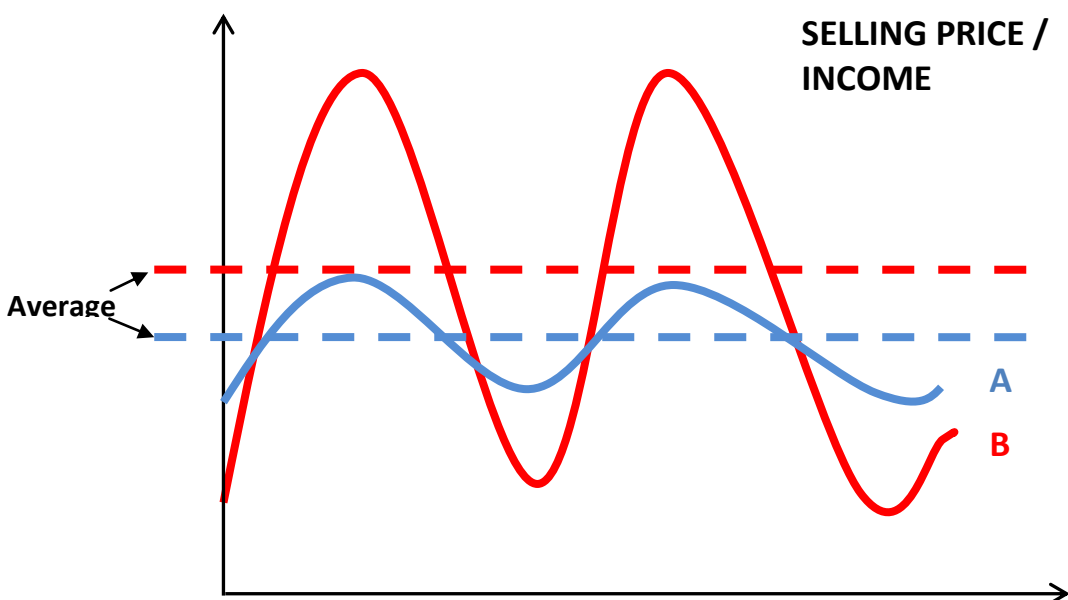
	Why did you start your businesses?	Benefits derived from the businesses	Business hopes for the future
Group 1	<ul style="list-style-type: none"> • Availability of market for certain products (for example the country was importing chickens so it was a business opportunity to start poultry projects to fill the local market) • Need/demand for certain products • Availability of skills – participants indicated that they are either trained in certain fields or poses artisan skills which motivated them to get into the various businesses. • Availability of resources – industries like arts and crafts require availability of resources such as stones. Availability of these resources has been an influencing factor for starting arts and craft businesses. • To get financial returns to support families 	<ul style="list-style-type: none"> • Disposable income (one group member reported that she gets at least \$200 as profit after six months of rearing a 125-batch of chickens) • Nutrition from poultry and crop production • Information and exposure to bigger markets through networking 	<ul style="list-style-type: none"> • To attract bigger markets for business products • Expand and become registered companies
Group 2	<ul style="list-style-type: none"> • In order to be self sustaining and be able to meet the livelihood needs of families • Have an opportunity to export products which are not found in the country but are required by many • Was laid off and could not find employment opportunities and the only option was to start a small business • To get 'quick money' instead of waiting for a salary from an employer which comes once towards month-end. 	<ul style="list-style-type: none"> • Income to send children to school and meet other household requirements like food and health • Opportunities to network, form strategic partnerships and assist each other • Exposure to markets and a variety of products which attracts the Zimbabwean market (mainly through networking) 	<ul style="list-style-type: none"> • To expand businesses so that we are able to serve both urban and rural customers. • To equip others with skills so that they are able to start their own businesses • Grow businesses so that they make meaningful contributions to the economy of

		<ul style="list-style-type: none"> • Advice from already established businesses 	Zimbabwe
Group 3	<ul style="list-style-type: none"> • To get income to meet basic needs and services e.g. school fees, food, shelter and health • To eradicate household poverty 	<ul style="list-style-type: none"> • Education and knowledge through networking with others at local, regional and international levels • Improved living standards • Increased household income • Improved availability of food and nutrition (from farming related businesses) 	<ul style="list-style-type: none"> • Regularizing businesses by registering – however the socio-political environment makes it uncertain to determine how businesses would be like in the near future. • To help others so that they can start their own businesses.

Which is more important – high prices or predictable prices?

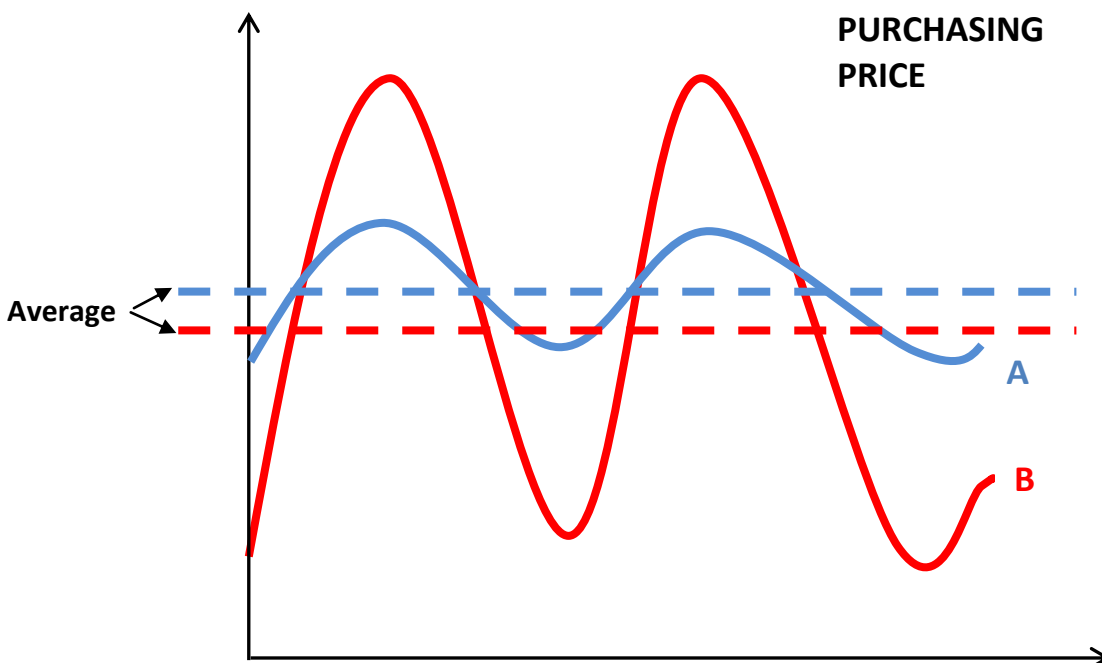
To trigger discussion on this issue the facilitator used the two illustrative diagrams which were provided. The two diagrams representing different scenarios of selling price/income and buying price were put on flip charts and presented to participants for debate. Simple examples (such as buying price and selling price of tomatoes on the local market) were used to explain the different situations.

Selling price/income:



- Most participants (13) preferred scenario 'A' which represents lower overall but stable income. By getting a stable flow of income from their businesses, participants felt that they can better plan for the future. They are not hesitant to apply for loans because they are assured that they at least get a smooth inflow of income.
- For those who chose scenario 'B', they argued that by getting 'lower overall but stable income' businesses don't grow. Using the example of tomatoes, they argued that during the time when the product sells most, they can use the high incomes that they receive to diversify into other products which would in the long-run enable them to get higher and stable incomes than depicted in the diagram, and eventually help grow their businesses.
- As a general comment, participants highlighted that most small businesses are operating within scenario 'B' where they cannot predict their profits. They do not have permanent places to work from – at times they lose their products to municipal police who confiscate their wares because they are selling in undesignated places and are unlicensed, and as a result lose out on their profits.

Buying price



- All the participants agreed that higher but stable buying prices (Scenario 'A') are better than unpredictable conditions. Stable buying prices allow businesses to budget. Using the example of a 'tomatoes trader' one participant argued that it doesn't have business sense for a small trader who is going to hoard tomatoes for re-sell to leave for the market with US\$10, only to find that the actual cost of tomatoes for the day is US\$15/box. With stable purchase prices traders can plan accordingly.

Section 2: Identifying what matters

During plenary, participants identified and prioritized personal and external things that they thought matter most for the success of their businesses. These are highlighted below:

Table 5: Things that matter most for the success of businesses

Personal/internal	Rank	External	Rank
Quality assurance of products	6	Regulations that support operations	3
Customer care skills	7	Support services (including availability of electricity, water, toilets)	5
Financial management skills (including record-keeping)	4		
Availability of market	2		
Tangible profits	1		

Priorities for change

The following are internal/personal and external things that participants felt need to be changed to enable small businesses to prosper:

Table 6: Priority things that can be changed

	Things that can be changed	Rank
Personal/internal	Capital to boost businesses	4
External	Size of operational area	3
	Corruption which has become rooted in public offices	2
	Licensing and fees system which is cumbersome and very bureaucratic	1

After the plenary, participants were divided into two groups and each group was asked to respond to two sets of questions. The first group looked at the importance of social ties and tradition in business while the other group discussed support required from government and what government had done. Sections below capture submissions from the groups and additions that were discussed during plenary.

Importance of social ties in businesses

The following were identified as the importance of social ties in businesses:

- You can get support (e.g. financial support) from friends or social networks when you are in need
- You can share ideas and advice on how to start, maintain or grow your businesses

- You can assist each other in accessing complicated or sophisticated markets
- Building trust – through social interactions you build trust which at times enable businesses to get access to credit for their ventures
- You can reference each other especially when one is applying for a loan
- You can pull resources/products together to service specific markets

Importance of traditions in business

Participants identified the following as key tradition considerations in business

- You get a deeper understanding of what the market you are dealing with consumes or doesn't consume
- Helps to guide businesses so that they do not conflict with local cultures and local taste
- Helps to avoid conflicts between local leadership and business owners

Obstacles/Barriers to the success of Small Businesses

In order to make the discussion lively, a plenary session was used for this session. Participants were asked to debate and rank the importance of issues that were flashed on a flipchart as obstacles or barriers to the success of their businesses. The ranks were adopted from the guide provided where; 0 shows that it is not an obstacle to business; 1 shows it is a minor obstacle to business; and 2 shows that it is critically important obstacle to business. For each point, prompt ratings were suggested and these were subjected to debate in plenary with participants giving personal examples to support their arguments. The table below shows the ratings and arguments that were finally agreed during the workshop:

Table 7: Obstacles to the success of small businesses

Issue	Rating	Explain why (or why not) this matters to your business – give examples or stories to illustrate what you mean
Problems registering your business a. With regards to the need to be legally registered or not b. With regards to the process involved in registering your business	2	<ul style="list-style-type: none"> • The government charges exorbitant registration fees which are not affordable to many small businesses • Getting a license involves getting through many offices where in most cases the officials are corrupt • As a result of the high fees and the bureaucratic process of obtaining licenses, many businesses operate without licenses, exposing their businesses to police raids and seizure of goods.
Problems getting permission to build	2	<ul style="list-style-type: none"> • Most small businesses operate from rented premises or from undesignated areas. The government has not been able to provide commercial 'stands' for small businesses. One participant highlighted that he has been on the city of Harare waiting list for over 15 years now, and to date has not even been given a stand to operate from. • There is general concern that the process of getting permission to build has been politicized. According to the participants you have to be a registered member of a certain

		party, and should be able to provide proof in order to easily get permission to build.
Problems getting electricity	2	<ul style="list-style-type: none"> • Small businesses are operating in areas where they get erratic electricity supplies. This has mainly affected electricity dependent businesses like poultry, craft and flea market traders. • Instead of closing shops around 1900hrs flea market traders who rent shops in town are forced to close at 1800hrs because of electricity problems. • Poultry producers indicated that at times they lose quite a number of their chicks especially when they are still in the brooder where they require constant supply of electricity for their warms. • Tied to this is also the issue of water supply. Most suburbs where small businesses operate from may spend weeks or months without tape water, posing heath challenges to business owners.
Problems registering property	0	<ul style="list-style-type: none"> • Participants viewed this as not very important because most of the businesses are either home based or they operate from rented premises.
Problems getting credit	2	<ul style="list-style-type: none"> • There are stringent requirements for accessing credit such as age limit and collateral. Most small businesses do not have anything to show as collateral hence find it very difficult to borrow money from the banks. • Through the Youth empowerment fund, small businesses operated by the youth are asked to prepare business proposals in order to get loans, a skill that is not available to many youths. As a result many potential youths are pushed out of the credit system. • Only about \$300 000 has been distributed to date out of about ten to eleven million that is available for youth projects. • Age limitations - One women entrepreneur visited a bank and inquired about the possibility of getting a credit – she was turned away because she is now over 40 years old. • Applications for credit for small businesses are assessed the same way as bigger businesses hence most small ventures fail to meet the required criteria
Problems with the legal system protecting the rights of business owners	2	<ul style="list-style-type: none"> • Participants felt that this is a critical problem hindering the prosperity of their small businesses. While legal instruments that protect the rights of business owners are available, small businesses are not aware of them. They only feel the brunt of police raids and are forced to pay unjustified fines. • Authorities have not done enough to build awareness among business owners about the legal instruments that protect their rights.

Problems with the tax system for business	2	<ul style="list-style-type: none"> • Small businesses are charged high taxes and fees for the properties that they operate from. • Small business participants expressed concern that they are charged so many taxes for a single business operation, and they are not even aware of the relevance of the different taxes. For example, Cross border traders indicated that they pay levies in addition to the presumptive taxes that they are charged at the border post. • Instead of having so many taxes on one product, establishment of one-stop shop at the borders can help traders make a once off payment thereby avoiding getting into different offices where they risk meeting corrupt ZIMRA officials.
Problems with imports and exports	2	<ul style="list-style-type: none"> • Some items like craft or agricultural products that traders sell or buy from foreign countries require permits or certificates. However, most small businesses can not afford these permits. At the end of the day they are forced into paying bribes to ZIMRA officials to have their products cross the border. • At times traders face inhumane treatment at the borders, where they are subjected to harassment and extensive body searches. • Traders are not updated of new import/export regulations and at times they are taken unaware when they get to the borders. For example, duties may change when they are out buying products for resale and because they had not budgeted for the changes they are forced to leave their products at the border. One participant indicated that he so piles of goods left by traders which are being kept in the ZIMRA warehouse at Beitbridge border post. • Participants suggested that ZIMRA officials post clear notifications at the Border posts especially on duties and levies that need to be paid.
Problems with contracts (for example contracts with your customers / suppliers etc.)	2	<ul style="list-style-type: none"> • This challenge is mainly affect small scale farmers who enter into agreements with contractors. Farmers are provided with seed and other agricultural inputs and in return they are required to sell their products to the 'contractor'. At times the contractors fail to fulfill their obligations: - An example was given where farmers were contracted to grow tomatoes at Nyanyadzi Irrigation Scheme in Chimanimani District. The contractor failed to come and collect the ripe tomatoes resulting in farmers losing tones of the product in the fields.
Problems with bankruptcy laws	1	<ul style="list-style-type: none"> • Participants felt bankruptcy laws that affect bigger businesses have negative implications on them as well. • One example was cited: Some small businesses had deposited their monies in local banks such as Interfin Commercial Bank

		<p>which were later put under curatorship because of their liquidity crisis. The small businesses could no longer access their money leading to the collapse of their businesses.</p>
Problems with hiring and firing workers	1	<ul style="list-style-type: none"> • Most businesses are run by families hence this is not a critical obstacle to small businesses.
Problems with poor health or lack of skills <ul style="list-style-type: none"> a. For yourself b. Of the people you work with 	2	<ul style="list-style-type: none"> • Poor health negatively affects functioning of businesses. One participant highlighted a situation when she spent 6 months in hospital with her ailing son. As a result she lost out on her business and she had to divert all the profits that she was getting towards her son's healthcare. • Since most small businesses are run at family level, illnesses of either the business owner or family members threatens sustainability of small businesses.
Problems with transport	2	<ul style="list-style-type: none"> • Small scale farmers require timely transport to ferry their products to the market. At times the transport is expensive and some areas are remote and not easily accessible by road. • Cross border traders indicated that they use public buses to transport their products. However they at times lose some of their wares at the many road-blocks which are usually manned by ZIMRA officials, ZRP and the army.
Problems with getting customers	1	<ul style="list-style-type: none"> • Small businesses face stiff competition from well established companies/businesses who are already known on the market. • At times small businesses are asked by potential buyers to provide websites or email addresses of their companies. Most small businesses are not up to date with technology and they are not able to tap into the market where customers buy online. • However, through their networks small businesses who attended the workshop indicated that they already have customers for their products.
Problems created by an unstable business environment or market	2	<ul style="list-style-type: none"> • Political instability has been affecting operations of small businesses. For example during the 2008 pre-elections era, some areas were pronounced as no-go areas because of political violence. This stabilized the market of small businesses. • Flooding of certain products on the market, especially cheap products from China, has forced local traders to sell their products for lower prices, thereby driving many out of business.

Section 3: Assessing solutions

What has the government done?

- The government has already put in place the Indigenization and Economic Empowerment Act whose focus is to ensure that locals have control and actively participate in national economic empowerment activities. The Act provides an enabling platform for small businesses to participate in economic development.
- The government has also developed the 'broad-based women's economic empowerment framework' which promotes women participation in economic development and particularly in the areas of tourism, mining and agriculture.
- Through the indigenization and Economic Empowerment Act, the government has allocated 'Youth Funds', aimed at helping youths who want to venture into small businesses. However there are bottlenecks in accessing these funds. For example the youth are required to have collateral to get the funds and at times the whole process is politicized.
- There is an SMEs Policy which guides operations of small businesses
- The government has put in place an Anti Corruption Commission to deal with corruption in public offices. However capacity of this commission has been crippled by the lack of resources
- The government has agreed on the Simplified Trade Regime (STR) with Zambia, which makes movement of goods between the two countries easier. Participants recommended that this arrangement should be done at all border posts.
- Introduction of the multicurrency system has helped small businesses to operate in a relatively stable environment

Support required from government to help businesses

- Establish one-stop shop for business registration to avoid the current cumbersome, bureaucratic and costly process
- Provide loans and grants for small businesses
- Set up separate funds for small and established businesses (currently small and well established businesses compete for the same available government funds)
- Capacitate the anti-corruption commission and other civil society organizations that fight corruption
- Establish a 'one-stop facility' at all border posts to reduce time that traders spent at the country's borders. This also reduces corruption among Zimbabwe Revenue Authority (ZIMRA) officials who are manning the borders. A 'one-stop facility' has already been established at the Chirundu Border post between Zambia and Zimbabwe.

Small business voice (do small businesses have the opportunity to talk to officials?)

- Small businesses rarely get an opportunity to talk to officials about the needs or challenges that they face in their ventures. Most small business owners are not aware of the appropriate offices that they can submit their concerns or grievances.
- There was a general concern by workshop participants that regulations that govern operations of small businesses are scattered across various government offices and small businesses do not really know where to report.
- An example was given where traders in Harare are at times given permission by the Zimbabwe Republic Police (ZRP) to sell their products from certain designated areas. However when city of Harare Municipal Police officials come, they ignore the permission that vendors would have obtained from the ZRP, and using city by-laws they either seize goods belonging to the traders, and in some cases the vendors are fined.
- Participants also highlighted that at times they present their issues and officials take appropriate actions. For example, through their representative body, The Zimbabwe Cross Border Traders Association (ZCBTA), cross border traders managed to make submissions to the Minister of Finance, and these submissions were included in the 2013 National Budget.
- Another example was also given where through engaging relevant authority, cross borders managed to convince the government to negotiate the Simplified Trade Regime (STR) with Zambia. The STR allows for goods worth \$1000 made in Zimbabwe or Zambia to be traded duty freely between the two countries.
- Participants indicated that bigger businesses regard them as a threat to their operations, especially when they are within the same line of trade. As a result, bigger businesses rarely listen to the needs of small entrepreneurs.

Other Obstacles the small businesses face

The following are additional obstacles that were reported by participants;

- High theft cases especially at Border posts and on buses when traders are coming from hoarding their products
- The government has not provided secure facilities for traders to keep their products especially at the Border posts. In addition there are no facilities like bathrooms especially for women who would have spent days without taking a shower
- Traders lack awareness on procedures that they should follow when their products are seized by the police
- Recurrent droughts are affecting small scale agriculture production
- At times small businesses have challenges getting inputs in time. For example during this time when we go towards the festive season, small scale poultry producers cannot find broiler chicks locally. All chicks are taken by large companies.
- At times government gazettes producer prices of agricultural produce which are very low and not profitable to small scale farmers

Challenges affected by being a small rather than big business

- In plenary participants discussed challenges peculiar to small businesses which do not apply to bigger enterprises. The following are some of the issues that were identified;

- Small businesses have difficulties getting loans from banks and government than bigger ones
- Small businesses do not at times have all the requirements to have operating licenses and permits
- Small enterprises face stiff competition from bigger companies
- Bigger companies have the capacity and skills to use technology for marketing than smaller businesses

Challenges particularly related to gender

- Women are harassed and sexually abused at border posts. Participants pointed out that because of the corruption at border posts, women are vulnerable and at times they are forced to offer sexual services in exchange of favours from ZIMRA officials.
- Overwhelming roles of women – women in business experience the burden of caring for the family while at the same time are expected to ensure that their businesses function well.
- Economic empowerment funds recently introduced by government were mainly targeting the youth and women, most adult men cannot access these support mechanisms

Conclusion

The discussions ended on a high note; the workshop was scheduled to end at 1300hrs but it went over to 1500hrs. Participants expressed appreciation to PRFT for taking time to understand their situation, and encouraged the organizing team to continuously engage them in policy discussions that affect them. They also recommended that PRFT undertake in-depth research in order to understand the operational environment that small businesses are working in.

ANNEXES

Annex1: Participants Register

Annex 2: Registration Form for businesses

Annex 3: Visuals

NB: All the Annexes are enclosed as separate files.