

THE NON-FARM
INFORMAL SECTOR IN
ZAMBIA
2002 - 2003

Published by

Central Statistical Office,
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FOREWORD

This is the first report on the non-farm informal sector in Zambia based on the third Living Conditions Monitoring Survey (LCMS III) that was undertaken by the CSO from November 2002 to October 2003.

This report is designed to answer a number of key policy questions on the existence of the informal sector in Zambia. This is under the perception that, in recent years, there has been a rapid multiplication of informal sector activities in the country.

The main objective of the report was to glean data from the LCMS III that would provide information on, among others, the contribution of the informal sector to the economy; main economic activities in the informal sector; the proportion of the workforce employed in the sector; proportion of household income generated; and capital investment.

The results cover various aspects of the informal sector, which include the basic characteristics of the informal enterprises, the characteristics of informal employees and the characteristics of the proprietors of the informal enterprises.

The results of the survey relied heavily on the cooperation of the respondents who were interviewed. The CSO would like to express its sincere gratitude to these people for sparing their valuable time.

I also wish to acknowledge the contribution of all those who participated in the planning, organization, financing and analysis of the survey data. These include the Zambia Social Investment Fund – Poverty Monitoring and Analysis component (ZAMSIF-PMA), all the members of the analysis team and the field staff in the provinces.

It must be noted that the tables presented in this report are far from being exhaustive. The data set allows for further tabulation and analysis to be made. Data users are therefore encouraged to come and utilize this reservoir of information.



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26th January, 2006

ABBREVIATIONS

CSO	Central Statistical Office
GDP	Gross Domestic Product
HBS	Household Budget Survey
ICLS	International Conference of Labour Statisticians
ILO	International Labour Office
ISIC	International Standard Industrial Classification of all Economic Activities
LCMS	Living Conditions Monitoring Survey
NOE	Non-Observed Economy
PMA	Poverty Monitoring and Analysis
SEA	Standard Enumeration Area
SNA	System of National Accounts
ZAMSIF	Zambia Social Investment Fund

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Executive Summary

The informal sector is broadly characterised by the activity of enterprises engaged in the production of goods and services with the primary objective of generating employment and income to persons concerned. Most informal sector producers have the characteristics of household enterprises. They are operated mostly by a single person with or without the help of family members, and usually not licensed.

The definition of the informal sector in this report combines the concepts of informal production units and informal employment. The informal sector is defined on the basis of the following criteria:

- Non-registration of the enterprise with a government agency
- Employment size less than five employees in the 12 months reference period
- No formal wage contracts issued to employees
- Employees not entitled to paid leave
- Enterprises engaged in non-agricultural activities

Of the 2,005,677 households in Zambia, a total of 506,724 households, representing 25.3 percent of all households, operated an informal non-farm enterprise. Since some households had more than one enterprise, the total number of informal business enterprises that were reported was 618,877.

Urban areas reported a higher proportion of households with informal non-farm businesses, at 31 percent, compared to 22 percent of the households in the rural areas.

Luapula Province recorded the highest percentage of households with non-farm informal enterprises at 51 percent. North-Western Province had the lowest percentage of households with non-farm informal businesses, at only 5 percent.

The trading industry dominated the economic activities of the enterprises. Over one in every two informal non-farm enterprises [54 percent] was reported to be in the trading industry. The proportion of the enterprises engaged in trading and community, social and personal services were higher in the urban areas, while the proportion of enterprises in the forestry, fishing and manufacturing industries were higher in the rural areas.

The main source of capital for setting up the enterprise were own household savings. This was the case for both the rural and urban areas. The most common difficulty that households experienced in setting up the enterprise was the lack of credit or capital.

Of the 618,877 enterprises in Zambia, 57.5 percent were operated by male business owners while 42.5 percent were operated by their female counterparts. The majority of the proprietors were working as self-employed workers.

The survey also revealed that the majority of proprietors were married.

Among those employed in the informal sector, 77 percent were in the agricultural sector, while 23 percent were in the non-agricultural sector. Further, the results show that there were more males in the informal non-agricultural sector than females: 60 percent males compared to 40 percent females.

Of the 685,810 persons employed in the informal sector, about 38 percent of them or 258,127 persons, were engaged in the retail trade industry. The other industries that were dominant in terms of the number of persons employed were Agriculture [17 percent], private households with employed persons [8 percent], fishing [7 percent], construction [4 percent] and business activities, bars and restaurants and land transport, each at 2 percent.

In terms of economic contribution, the non-agricultural informal sector's gross value added was estimated at K 210.7 billion valued at 2003 prices. The industry with the highest contribution was Trade, accounting for 72 percent of the total value added in this sector. Manufacturing had the second largest share of 11 percent.

1 BACKGROUND

The informal sector is broadly characterised by the activity of enterprises engaged in the production of goods and services with the primary objective of generating employment and income to persons concerned. Most informal sector producers have the characteristics of household enterprises. They are operated mostly by a single person with or without the help of family members, and usually not licensed.

The informal sector plays an important role in the Zambian economy. It provides jobs and reduces unemployment and underemployment. It boosts entrepreneurial activity, but at the detriment of state regulations compliance, particularly regarding tax and labour regulations. It also helps alleviate poverty.

One of the characteristic elements of the Zambian economy is the existence and growth of informal sector activities. Since the introduction of structural economic reforms and the country's transition to a market economy in 1991, there has been increased activity in the informal economy. The existence of a large informal sector has implications on the macroeconomic policy and the functioning of the economy. However, there is scanty information concerning the informal sector activities. The national accounts, used to measure the economic performance of the economy, do not usually take into account the many economic activities carried out in the informal sector. While its characteristics render direct measurement of informal economic activity difficult, household surveys have provided some limited information. The results of the 1993/1994 Household Budget Survey (HBS) were used to provide benchmark information for the 1994 estimates of Gross Domestic Product (GDP). In the previous GDP estimates, the informal sector was largely excluded just as was the case in most other official Zambian statistics. In fact, except for agriculture, the estimates excluded informal economic activities.

Zambia is yet to conduct a fully-fledged informal sector survey to determine the size and contribution of the informal sector to the economy.

Undoubtedly the failure to determine the contribution of the informal sector since 1994 has underestimated the economic potential of the sector. Furthermore, the policy makers continue to make policies with little knowledge of the informal economic environment. The challenge therefore is how to measure the informal sector and determine its contribution to the economy.

There are different methods that can be used to measure the informal sector. Since the concept of the informal sector was first introduced in the International Labour Office's (ILO) 1972 report on Kenya, the question of how to measure it statistically has regularly been raised as economic research fleshed out the concept and the definition became more precise.

Research on the statistical measurement of the informal sector has developed in tandem with improvements in our understanding of it. Estimates are now made on the basis of both indirect (national accounting) and direct (the results of household or establishment surveys) sources.

The Living Conditions Monitoring Survey (LCMS), a household survey conducted in 2002/2003, contained a module on non-farm household enterprises, most of which were informal in nature. It is in view of this that the analysis of this data was done to provide insight to the policy makers regarding the size of the informal economy and prospects of broadening the tax base.

The LCMS was designed to cover 520 Standard Enumeration Areas (SEAs) or approximately 10,000 non-institutionalised private households residing in both the rural and urban areas of all the nine provinces of Zambia. The survey was carried out for a period of 12 months using a rolling sample. The sampling frame used for the LCMS was developed from the 2000 Census of Population and Housing. Data collection was done by way of personal interviews using two structured questionnaires. The first questionnaire (Main Questionnaire Part I) included the collection of data on demographic characteristics, education, current economic activities and the labour force. The second questionnaire (Main Questionnaire Part II) was, among other things, used to collect data on household non-farm enterprises and household income.

2 CONCEPTS AND DEFINITION OF THE INFORMAL SECTOR

2.1 Introduction

The informal sector is part of a bigger entity called the Non-Observed Economy (NOE). The NOE corresponds to the whole set of activities that are not usually measured by traditional means (administrative registers, enterprise surveys, and/or household surveys). They are not measured by the means of these systems because of economical or administrative reasons.

The NOE draws on the 1993 SNA for its definitions of economic activities not covered in the formal sector, including:

- *Underground production*, defined as those activities that are productive and legal but are deliberately concealed from public authorities to avoid payment of taxes or complying with regulations;
- *Illegal production*, defined as those productive activities that generate goods and services forbidden by law or that are unlawful when carried out by unauthorized producers;
- *Informal sector production*, defined as those productive activities conducted by unincorporated enterprises in the household sector that are unregistered and/or are less than a specified size in terms of employment, and that have market production. It covers all activities which fall completely or partly outside national rules, that is, activities that are carried out without any kind of link with the administrative authorities. Consequently, they are not registered in any administrative register (fiscal, social insurance, employment, etc.). The most well known of these activities are those that are carried out in the street.
- *Production for own final use*, defined as those productive activities that generate goods and services consumed or capitalized by the households that produced them.

2.2 Underground Production

The 1993 SNA 6.34 states that “certain activities may be both productive in an economic sense and also quite legal (provided certain standards or regulations are complied with) but deliberately concealed from public authorities for the following kinds of reasons:

- (a) *To avoid payment of income, value added or other taxes;*
- (b) *To avoid having to meet certain legal standards such as minimum wages, safety or health standards, etc.;*
- (c) *To avoid payment of social security contributions*
- (d) *To avoid complying with certain administrative procedures such as completing statistical questionnaires or other administrative forms.”*

It also states that “Producers engaged in this type of production may be described as belonging to the ‘underground economy’.”

2.3 Illegal Production

The 1993 SNA states explicitly that illegal activities should be included in the system of national accounts, noting that “despite obvious practical difficulties in obtaining data on illegal production, it is included in the production boundary of the system”(1993 SNA: 6.30), and that:” All illegal actions that fit the characteristics of transactions-notably the characteristic that there is mutual agreement between two parties-are treated the same as legal transactions”(1993 SNA:3.54). Illegal activities are forbidden by law, for example production and distribution of illegal drugs or activities that are illegal when they are carried out by unauthorized actors, for example unlicensed practice of medicine. Illegal production is thus classified by the 1993 SNA in two categories:

- *The production of goods and services whose production, sale or mere possession is forbidden by law;*
- *Production activities which are usually legal but which become illegal when carried out by unauthorized producers*

When recommending the inclusion of illegal activities in the production boundary, the 1993 SNA makes a clear distinction between transactions mutually agreed upon by the purchaser and the seller (for example sale of drugs, trafficking stolen goods, or prostitution), which are included within the production boundary and other activities where such mutual agreement is missing (for example extortion and theft), which are excluded. This means that the criterion for exclusion from the production boundary is the absence of consent rather than illegality. Theft is an example of an illegal activity that has no effect on output and value added (1993 SNA: 3.55 and 6.33).

The borderline between underground and illegal production is not entirely clear. Production that does not comply with certain safety, health or other standards could be described as illegal. Evasion of taxes is usually a criminal offence. The rule of thumb is that underground activities according to the 1993 SNA are those not complying with administrative rules, where as illegal activities are associated with criminal behaviour.

2.4 Informal Sector Production

The informal sector may be characterised as consisting of units engaged in the production of goods and services with the primary objective of providing employment and incomes to the persons concerned. These units typically operate at a low level of organisation with little or no division between labour and capital as factors of production and on a small scale. Labour relations, where they exist, are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.

Production units of the informal sector have the characteristic features of household enterprises. The fixed and other assets do not belong to the production units as such but to their owners. The owners have to raise the necessary finance at their own risk and are personally liable, without limit, for any debts or obligations incurred in the production process. Expenditure for production is often indistinguishable from household expenditure. Similarly, capital goods such as buildings or vehicles may be indistinguishable for business and household purposes.

Activities performed by production units of the informal sector are not performed with deliberate intention of evading the payment of taxes or social security contributions or infringing labour or other legislation or administrative provisions. Accordingly, the informal sector is distinguished from the concept of the hidden or underground economy.

The scope of the informal sector is very wide, as informal productive units are present in nearly all industries (and heavily concentrated in sections D, F, G, H, I and O of the ISIC, i.e. Manufacturing, Construction, Retail Trade, Hotels and Restaurants, Transport and Personal Services.

In January 1993, the 15th International Conference of Labor Statisticians (ICLS) adopted an international statistical definition of the informal sector that was subsequently included in the revised international

System of National Accounts (1993 SNA). Inclusion of the informal sector definition in the SNA was considered essential as it would make it possible to identify the informal sector separately in the accounts and, hence, to quantify the contribution of the informal sector to GDP. In order to obtain an internationally agreed definition of the informal sector, which was acceptable to labor statisticians as well as national accountants, the informal sector had to be defined in terms of characteristics of the production units (enterprises) in which the activities take place (enterprise approach), rather than in terms of the characteristics of the persons involved or of their jobs (labor approach).

The 15th ICLS resolution defined informal sector enterprises on the basis of the following criteria:

- *They are private unincorporated enterprises (excluding quasi-government corporations), i.e. enterprises owned by individuals or households that are not constituted as separate legal entities independently of their owners, and of which no complete accounts are available that would permit a financial separation of the production activities of the enterprise from the other activities of its owner(s). Private unincorporated enterprises include unincorporated enterprises owned and operated by individual household members or by several members of the same household, as well as unincorporated partnerships and co-operatives formed by members of different households, if they lack complete sets of accounts.*
- *All or at least some of the goods or services produced are meant for sale or barter, with the possible inclusion of the informal sector of households producing domestic or personal services in employing paid domestic employees.*
- *Their size in terms of employment is below a certain threshold to be determined according to national circumstances, and/or they are not registered under specific forms of national legislation (such as tax or security laws, professional groups' regulatory bodies, or similar acts, laws or regulations established by national legislative bodies as distinct from local regulations for issuing trade licenses or business permits), and/or their employees are not registered.*
- *They are engaged in non-agricultural activities, including secondary non-agricultural activities of enterprises in the agricultural sector.*

2.5 Definition of Informal Employment

With the growth of the informal sector in Zambia, a rise in various forms of non-standard, irregular, etc., forms of employment can be observed. From the beginning, it had been clear that an enterprise-based definition of the informal sector would not be able to capture all aspects of such a trend towards an increasing 'informalization' of employment.

There is currently no internationally agreed definition for the statistical measurement of informal employment. However, a proposal for defining informal employment has been made in the ILO report on 'Decent Work and the Informal Economy' (ILO 2002). The report defines informal employment as the total number of informal jobs, whether carried out in formal enterprises, informal enterprises, or households, or the total number of persons engaged in informal jobs during a given reference period.

Accordingly, informal employment comprises:

- *Own-account workers and employers who have their own informal sector enterprises*
- *Contributing family workers, irrespective of whether they work in formal or informal sector enterprises*
- *Employees who have informal jobs, whether employed by formal sector enterprises, informal enterprises, or as paid domestic workers by households. Employees are considered to have informal jobs if their employment relationship is not subject to standard labor legislation, taxation, social security or entitlement to certain employment benefits (advance notice dismissal, severance pay, paid annual leave, etc.) for reasons such as : non-declaration of the jobs or employees; casual jobs; employment by unregistered enterprises or by persons in households.*

- *Members of informal producers' cooperatives; and*
- *Persons engaged in the own-account production of goods exclusively for own final use by their household, such as subsistence farming.*

2.6 International Data Comparability

The 15th ICLS provided considerable flexibility to countries for defining the informal sector. Some elements of flexibility were desired, as the conference's main purpose was to provide technical guidelines for the development of informal sector statistics at national level. However, flexibility reduces international comparability. Moreover, some countries continue to use national statistical definitions of the informal sectors, which are not always in line with the international definition. As a result, available national statistics are often not comparable across countries.

To address the problem of lack of international comparability of informal sector statistics, the international Expert Group on Informal Sector Statistics (Delhi Group) formulated a set of recommendations for the harmonization of national definitions of the informal sector on the basis of the framework set by the international definition. The harmonized definition of the informal sector resulting from the recommendations by the Delhi Group is based on the largest common denominator of currently used national definitions. It leads to a rather narrowly defined subset of the informal sector, for which countries should, in principle, be able to make internationally comparable data available:

- *Private unincorporated enterprises (excluding quasi-corporations) which produce at least some of their goods or services for sale or barter*
- *Have less than five paid employees*
- *Are not registered, and*
- *Are engaged in non-agricultural activities (including professional or technical activities)*
- *Households employing domestic employees are excluded.*

2.7 Operational Definition of the Informal Sector

The operational definition of the informal sector used in this report is drawn from the 1993 15th International Conference of Labor Statisticians (ICLS) resolution on the Informal Sector adapted to the Zambian context and was limited to the currently available data from the LCMS III.

Box 1: Operational Definition of the Informal Sector in Zambia

The definition of the informal sector in Zambia takes into consideration the recommendations made by the 15th ICLS and the Delhi Group, and the data currently available from the LCMS III household survey.

The definition of the informal sector in this report combines the concepts of informal production units and informal employment. The informal sector is defined on the basis of the following criteria:

- Non-registration of the enterprise with a government agency
- Employment size less than five employees in the 12 months reference period
- No formal wage contracts issued to employees
- Employees not entitled to paid leave
- Enterprises engaged in non-agricultural activities

The registration and employment size criteria were the main criteria used.

2.8 Scope and Limitations of the Definition

Registration may refer to registration under factories or commercial acts, tax or social security laws, professional groups' regulatory acts, or similar acts, laws or regulations established by national legislative bodies. The registration criterion is limited to non-registration with a government agency. A government agency, however, is not defined. Registration of the employees of the enterprise is not considered in the questionnaire.

While the size criterion should preferably refer to the number of employees employed on a continuous basis, in practice, it was specified in terms of the total number of employees or the number of persons engaged during the reference period. The upper size limit in the definition of enterprises of informal employers varies between countries and branches of economic activity. In Tanzania and Botswana, for example, where informal sector surveys have been carried out, the upper size limit of enterprises of informal employers was set at a maximum of ten paid employees on a continuous basis for the case of Tanzania, and five employees for the case of Botswana. In Zambia, the upper size limit for consideration in the informal sector is less than five employees for all the branches of economic activity. This was determined on the basis of minimum size requirements in terms of empirically determined norms. The choice of the upper size limit also takes into account the criteria used in labor statistics. In the case of enterprises that carry out their activities in more than one establishment, the size criterion, in principle, refers to each of the establishments separately rather than to the enterprise as a whole. Accordingly, an enterprise was considered to satisfy the size criterion if none of its establishments exceeded the specified upper size limit of five employees.

For practical reasons, agricultural activities are excluded from the scope of the informal sector. The 15th ICLS recognized that, from a conceptual point of view, there was nothing against the inclusion, within the scope of the informal sector, of private unincorporated enterprises engaged in agricultural and related activities, if they met the criteria of the informal sector definition. The recommendation to exclude agricultural and related activities from the scope of informal sector surveys, and to measure them separately, was however made for practical data collection reasons.

The criterion for keeping of accounts could not be used as there was no question in the LCMS to address it.

The chapter on informal employees may not necessarily refer to employees working for the production units captured in the chapter on informal enterprises.

For the purposes of national accounting, the collection of data on the production and incomes generated by informal sector units should aim at providing the elements needed for the estimation of gross output, value added and mixed income (operating surplus) as defined in the United Nations System of National Accounts (SNA). However, with the limited data collected in the survey and the lack of forethought at the design stage of the survey, these variables could not be explicitly determined. This makes it difficult to determine the economic contribution of the informal sector in terms of value added. It should also be borne in mind that the non-agricultural informal sector is just a small part of the overall informal sector, which is dominated by the agricultural sector. Thus to determine the overall contribution of the informal sector, the share of agricultural informal activity has to be determined.

3 CHARACTERISTICS OF INFORMAL ENTERPRISES

3.1 Introduction

This chapter provides some characteristics of informal business enterprises in Zambia. Respondents were asked whether any household member operated any non-farm business. Using the operational definition of the informal sector, those that did not satisfy the criteria for the informal sector were filtered out. The informal non-farm enterprises are as defined in Chapter 2 of this report.

The characteristics of the informal non-farm enterprises that are covered include the type of economic activity they are engaged in, the period the enterprise had been in operation, the usual number of persons employed in the enterprise, the major constraints in establishing the enterprise, the main source of capital for its setting up, the main source of credit used in the operations. Other characteristics covered include the revenue and assets of the enterprise.

3.2 Households with Informal Non-farm Enterprises by Geographical Location

Of the 2,005,677 households in Zambia, a total of 506,724 households, representing 25.3 percent of all households, operated an informal non-farm enterprise. Since some households had more than one enterprise, the total number of informal business enterprises that were reported was 618, 877. The data collection was restricted to two enterprises operated by each household.

Urban areas reported a higher proportion of households with informal businesses, at 31 percent of the households, compared to 22 percent of the households in the rural areas.

Luapula Province recorded the highest percentage of households with non-farm informal enterprises at 51 percent. This was followed by Central, Copperbelt, Western and Lusaka provinces with 30 percent, 29 percent, 27 percent and 25 percent of the households, respectively. North-Western Province had the lowest proportion of households with informal businesses, at only 5 percent. Table 3.1 illustrates the distribution of households operating an informal business by residence, stratum and province.

In terms of actual numbers, the Copperbelt Province had the highest number of non-farm informal enterprises, at 107,121 enterprises, closely followed by Luapula Province, which had 104,027 enterprises; Lusaka Province had the third highest number of enterprises at 83,830 enterprises.

Table 3.1: Households Operating Non-farm Informal Enterprises, Zambia 2002 - 2003

Background Characteristic	Households with Informal Enterprises (%)	Households with non- Informal Enterprises (%)	Total (%)	Total number of households (N)
<i>All Zambia</i>	25.3	74.7	100.0	618, 877
<i>Residence</i>				
<i>Rural</i>	22.2	77.8	100.0	358,385
<i>Urban</i>	31.4	68.6	100.0	260,492
<i>Province</i>				
<i>Central</i>	30.3	69.7	100.0	76,517
<i>Copperbelt</i>	29.4	70.6	100.0	107,121
<i>Eastern</i>	20.3	79.7	100.0	68,244
<i>Luapula</i>	50.5	49.5	100.0	104,027
<i>Lusaka</i>	24.8	75.2	100.0	83,830
<i>Northern</i>	17.9	82.1	100.0	59,746
<i>North-Western</i>	4.5	95.5	100.0	5,707
<i>Southern</i>	21.6	78.4	100.0	58,213
<i>Western</i>	26.5	73.5	100.0	55,472

3.3 Distribution of Informal Business Enterprises

The LCMS III reported a total number of 618,877 informal business enterprises. These were broken down into first and second enterprises. Of these, a total of 545,627 enterprises, or 88 percent, were first enterprises while 73,250 enterprises, or 12 percent, were second enterprises. In the rural areas, the small scale stratum reported the highest proportion of enterprises, while in the urban areas, the highest proportion of enterprises was reported in the low cost areas.

Table 3.2: Proportional Distribution of Informal Business Enterprises by Residence and Stratum

Background Characteristic	First Enterprise (%)	Second Enterprise (%)	Total (%)	Proportion of female operated enterprises	Total number of businesses
All Zambia	88.2	11.8	100.0	42.5	618,877
Residence					
Rural	88.3	11.7	100.0	66.4	358,385
Urban	87.9	12.1	100.0	45.3	260,492
Stratum					
Rural small scale	88.6	11.4	100.0	32.7	321,857
Rural medium scale	86.9	13.1	100.0	20.3	2,295
Rural large scale	100.0	-	100.0	70.9	230
Rural non-agric	85.4	14.6	100.0	43.4	34,003
Urban low cost	88.3	11.7	100.0	54.5	225,232
Urban medium cost	86.5	13.5	100.0	57.3	20,993
Urban high cost	84.6	15.4	100.0	54.8	14,267
Province					
Central	93.9	6.1	100.0	41.2	76,517
Copperbelt	91.4	8.6	100.0	59.2	107,121
Eastern	84.9	15.1	100.0	42.8	68,244
Luapula	85.8	14.2	100.0	28.5	104,027
Lusaka	88.4	11.6	100.0	43.0	83,830
Northern	84.9	15.1	100.0	43.6	59,746
North-Western	98.7	1.3	100.0	26.1	5,707
Southern	88.5	11.5	100.0	42.5	58,213
Western	84.2	15.8	100.0	38.0	55,472

Females operated 43 percent of the enterprises, more so in the rural areas than in the urban areas. The Copperbelt was the only province that had a higher proportion of enterprises operated by females, at 59 percent, than males.

3.4 Ownership of Informal Enterprises by Kind of Economic Activity

As earlier mentioned, the 506,724 households were reported to own 618,877 enterprises. This section explores the distribution of these enterprises by kind of economic activity. Table 3.3 shows the distribution of the enterprises by kind of economic activity.

Table 3.3: Distribution of Informal Enterprises by Kind of Economic Activity, Zambia, 2002 - 2003

Province/Residence	Forestry & Fishing	Manufacturing	Construction	Trade	Bars & Restaurants	Transport & Communications	Real Estate & Business Services	Community, social & Personal services	Other	Total number of enterprises
All Zambia	16.8	14.5	1.1	54.0	0.8	1.9	3.6	5.3	2.0	618,877
Residence										
Rural	24.3	16.7	0.8	47.0	0.4	2.1	3.1	3.9	1.6	358,385
Urban	6.5	11.4	1.5	63.7	1.4	1.7	4.2	7.2	2.5	260,492
Province										
Central	21.0	6.4	-	67.4	0.6	0.3	0.8	2.8	0.8	76,517
Copperbelt	5.3	12.2	1.5	65.5	2.8	2.8	2.5	7.2	0.2	107,121
Eastern	7.0	23.2	-	54.9	0.4	1.6	3.4	5.0	4.4	68,244
Luapula	47.8	12.6	1.6	28.0	0.3	1.6	2.6	3.2	2.4	104,027
Lusaka	2.2	8.9	2.3	61.0	0.3	2.6	4.8	11.7	6.2	83,830
Northern	12.9	27.8	1.4	53.1	0.5	0.3	1.9	2.0	0.0	59,746
North-Western	31.6	27.0	2.5	31.1	-	-	-	5.3	2.5	5,707
Southern	6.7	18.0	0.8	60.7	0.3	1.2	9.2	2.1	1.0	58,213
Western	22.4	11.9	0.3	47.0	0.5	5.6	6.2	6.2	-	55,472

One in every two informal enterprises was reported to be in the trading industry, at 54 percent [mostly retail trade], and one in every six enterprises were reported to be in the forestry and fishing industries. Fifteen percent of the informal enterprises were engaged in the manufacturing industry, while five percent are in the community, social and personal services.

The proportions of the enterprises engaged in trading and community, social and personal services were higher in the urban areas, 64 percent and 7 percent, than in the rural areas, 47 percent and 4 percent, respectively; while the proportions of enterprises in forestry, fishing and manufacturing were higher in the rural areas.

Central Province had the highest proportion of trading enterprises, at 67 percent, while North-Western had the lowest proportion of trading enterprises. Luapula Province recorded the highest proportion of informal fishing enterprises followed by Western Province. The 32 percent proportion of enterprises in the Forestry and Fishing industry under North-Western Province is entirely attributed to informal Forestry enterprises.

Northern and North-Western provinces recorded the highest proportions of enterprises in the manufacturing industry at 28 percent and 27 percent, respectively. Central and Lusaka provinces had the lowest proportions of informal enterprises engaged in manufacturing. Most enterprises were engaged in food and beverage products; wood and wood products; textiles; and fabricated metal products.

Lusaka and Copperbelt provinces had the highest proportions of enterprises in the Community, social and personal services; Northern and Southern provinces had the lowest proportion of informal enterprises in this sector.

3.5 Period of Active Operation

Table 3.4 shows the distribution of the period of time (in years) that the enterprise had been in operation. Most of the enterprises have been in operation for over a year.

Table 3.4: Period of Years the Enterprise has been in Active Operation

Period of Operation	Forestry & Fishing	Manufacturing	Construction	Trade	Hotels, bars & Restaurants	Transport & Comm.	Real Estate & Bus. Services	Comm., Social & Pers. Services	Other	Total
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	618,877
<i>Under 1 year</i>	10.3	10.0	1.2	17.6	23.0	11.4	10.7	16.0	36.6	
<i>1-2 years</i>	18.5	22.4	19.0	29.5	14.7	24.4	20.7	21.2	27.7	
<i>3-4 years</i>	20.9	16.7	4.7	22.4	35.7	24.0	21.7	19.3	21.1	
<i>5-9 years</i>	21.6	24.5	28.9	19.3	13.4	12.1	18.9	21.8	5.3	
<i>10 + years</i>	28.7	26.5	46.2	11.2	13.2	28.1	27.9	21.7	9.3	

Nearly half of the enterprises were in operation in the 10-12 months prior to the survey, which suggests that half the enterprises operated through the greater part of the year. The other half had been in operation for a period less than 10 months.

Table 3.5: Period of Active Operation in the Last 12 Months prior to the Survey

Period of Operation	Forestry & Fishing	Manufacturing	Construction	Trade	Hotels, bars & restaurants	Transport & Comm.	Real Estate & Bus. Services	Comm., Social & Pers. Services	Other	Total
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	618,877
<i>0-3 months</i>	16.3	17.0	9.1	18.5	5.9	19.9	16.9	9.1	18.0	106,117
<i>4-6 months</i>	20.0	18.2	43.1	17.1	30.0	20.2	18.1	21.6	19.5	114,824
<i>7-9 months</i>	32.1	8.7	15.5	13.6	13.9	23.7	13.2	4.6	16.1	97,748
<i>10-12 months</i>	31.6	56.0	32.2	50.8	50.2	36.3	51.9	64.7	46.4	300,188

3.6 Employees Currently Working for the Enterprise

Respondents were asked how many persons usually worked for the enterprise in the 12 months preceding the survey. This included household members, apprentices and hired labour, but excluded persons responsible for the enterprise.

There were a total of 264,780 reported employees in the 618,877 enterprises, excluding working proprietors, who numbered 496,149. Of these 264,780 employees, 43 percent were household members, 16 percent were apprentices and 41 percent were hired labour. The trade sector had the highest proportion of household members in the enterprise, 51 percent, while employees in the Real Estate and Business Services and Construction were more likely to be hired.

Table 3.6: Employee Status for the Enterprise by Industry

Type of Industry	Household members	Apprentices	Hired Labour	Total (%)	Total Workers	Working Proprietors	Number of informal businesses
Total	43.2	16.3	40.5	100.0	264,780	496,149	618,877
<i>Forestry & Fishing</i>	31.6	25.9	42.4	100.0	51,205	81,321	103,942
<i>Manufacturing</i>	43.9	26.3	29.8	100.0	54,169	67,290	89,673
<i>Construction</i>	28.3	13.4	58.3	100.0	3,308	5,206	6,840
<i>Trade</i>	51.2	7.5	41.3	100.0	124,379	273,259	334,356
<i>Hotels, Bars, Restaurants</i>	40.9	7.9	51.1	100.0	4,460	3,409	5,054
<i>Transport & Communications</i>	27.2	28.5	44.3	100.0	6,813	8,312	12,046
<i>Real Estate & Business Services</i>	3.6	16.7	79.7	100.0	5,274	19,534	22,057
<i>Community, Social & Personal Services</i>	40.0	15.5	44.5	100.0	10,953	27,110	32,615
<i>Other</i>	34.8	23.9	41.4	100.0	4,219	10,708	12,294

3.7 Main Source of Capital for Setting up the Enterprise

Respondents cited many sources of capital that were used in setting up their enterprises. One out of every three first enterprises (35 percent) and two in every five second enterprises (41.3 percent) were set up using household savings; One in every four enterprises were set up using proceeds from relatives and friends; while 13 to 17 percent obtained the capital to set up the enterprise from family farm proceeds. Households did not rely much on bank loans, NGO support, church assistance, membership associations and remittances from abroad in order to set up their enterprises. Collectively, they account for 1 percent as sources of capital.

Rural enterprises relied more on household savings, family farm proceeds and relatives and friends as a source of capital, while the urban enterprises relied mainly on household savings and relatives and friends.

Table 3.7: Main Source of Capital for Setting up the Enterprise

Main Source of Capital	Total		Rural		Urban		Total number of Enterprises
	First Enterprise	Second Enterprise	First Enterprise	Second Enterprise	First Enterprise	Second Enterprise	
Total Zambia	100.0	100.0	100.0	100.0	100.0	100.0	
<i>Household savings</i>	35.3	41.3	30.7	39.3	41.7	43.9	222,976
<i>Bank loans</i>	0.7	0.2	0.8	-	0.6	0.4	3,835
<i>Remittances from abroad</i>	0.0	-	-	-	0.1	-	204
<i>Family farm proceeds</i>	17.3	12.9	27.9	21.4	2.6	1.7	103,738
<i>Family non-farm proceeds</i>	6.7	8.8	7.8	10.6	5.1	6.4	42,748
<i>Family property incomes</i>	3.2	1.3	2.2	0.6	4.5	2.3	18,417
<i>NGO support</i>	0.3	0.0	-	-	0.7	0.1	1,667
<i>Association support</i>	0.0	-	0.0	-	0.0	-	233
<i>Church assistance</i>	0.4	-	0.2	-	0.6	-	1,926
<i>Relatives/friends</i>	24.1	26.3	18.7	18.1	31.4	37.1	150,617
<i>Other</i>	12.1	9.1	11.6	9.9	12.7	8.1	72,516
Total	545,627	73,250	316,565	41,820	229,062	31,430	618,877

3.8 Main Source of Credit for the Enterprise

In order to operate effectively, enterprises borrowed from other sources to finance their operations. These sources of credit included banks, moneylenders, family/friends, and proceeds from family farm and non-farm businesses.

Ninety percent of the first enterprises and 92 percent of the second enterprises did not borrow to finance their operations. For the 8 percent who borrowed, fewer than 2 percent got credit from banks and other financial agencies, 3 percent obtained credit from family and friends, while 2 percent obtained credit from proceeds.

Table 3.8: Main Source of Credit for operating the Enterprise

Main Source of Credit	Total		Rural		Urban		Total number of Enterprises
	First Enterprise	Second Enterprise	First Enterprise	Second Enterprise	First Enterprise	Second Enterprise	
Total Zambia	100.0	100.0	100.0	100.0	100.0	100.0	
No Credit Used	90.2	92.2	91.7	92.4	88.0	92.0	559,457
Bank	1.2	0.8	1.7	1.0	0.5	0.4	7,058
Other Financial Agencies	0.5	0.0	0.5	-	0.6	0.1	2,834
Co-operatives	0.3	0.2	0.2	-	0.3	0.6	1,561
Moneylender	0.5	2.0	0.3	3.5	0.9	-	4,305
Family/friends	2.8	1.4	3.0	1.9	2.7	0.6	16,540
Proceeds	1.8	1.9	0.7	1.2	3.3	2.8	11,122
Other	2.7	1.5	2.0	-	3.8	3.5	16,000
Total	545,627	73,250	316,565	41,820	229,062	31,430	618,877

3.9 Average Value of Credit used in the Last 12 Months

The households that got credit for their enterprises were asked the value of credit they used in the 12 months prior to the survey. For the first enterprise, the majority borrowed K100,000 or less, 71.4 percent. Only 5.6 percent of the first enterprises borrowed over a million Kwacha. For the second enterprises, the majority borrowed between K100,000 and K1,000,000, or 58 percent.

In rural areas, the majority of enterprises that borrowed for both the first and second enterprises borrowed K100,000 or less. In urban areas, the proportions of first and second enterprise that borrowed were more than forty percent for those that borrowed K100,000 or less and between K100,000 and K1,000,000.

Table 3.9: Average Value of Credit used in the Last 12 Months

Average Value	Total		Rural		Urban		Total number of Enterprises
	First Enterprise	Second Enterprise	First Enterprise	Second Enterprise	First Enterprise	Second Enterprise	
Total Zambia	100.0	100.0	100.0	100.0	100.0	100.0	
100,000 or less	71.4	34.8	70.4	92.9	41.8	44.3	5,226
100,001-1,000,000	23.0	58.9	29.6	7.1	40.7	43.1	2,859
Over 1,000,000	5.6	6.4	-	-	17.4	12.7	500
Total	6,125	2,460	3,416	2,303	2,709	157	8,585

3.10 Difficulties In Establishing The Enterprise

Table 3.10 shows the difficulties that households experienced in establishing enterprises. The most common difficulty reported by households was lack of/inadequate capital or credit, 55.8 percent. This was also true for second enterprises. A reasonably large proportion of enterprises reported that they had no difficulties in establishing enterprises. The pattern was similar for enterprises in both rural and urban areas although the proportion of enterprises that did not have difficulties was higher in rural areas compared to urban areas.

The table also shows that the government has provided an enabling environment for entrepreneurs as small proportions indicated that the difficulties they had in establishing the enterprise was government regulation.

Table 3.10: Difficulties in Establishing the Enterprise

Type of Difficulty	Total		Rural		Urban		Total number of Enterprises
	First Enterprise	Second Enterprise	First Enterprise	Second Enterprise	First Enterprise	Second Enterprise	
Total Zambia	100.0	100.0	100.0	100.0	100.0	100.0	618,877
No difficulty	30.7	27.0	34.5	25.7	25.3	28.7	187,002
Capital/credit	55.8	57.3	49.6	53.4	64.2	62.6	346,229
Technical know-how	4.9	9.5	5.8	13.4	3.5	4.2	33,431
Government regulations	2.4	1.5	2.7	2.1	1.9	0.8	13,985
Other	6.4	4.7	7.4	5.4	5.0	3.7	38,230

3.11 Average Annual Expenditure by Item and Industry, in the last 12 Months

Transport and communication had the highest total average annual expenditure among the industries. Within this industry, the highest average expenditure was on fuel and lubrication. The least average expenditure in this industry was on Raw materials. After Transport and communication, Real estates and business services had the highest total average expenditure and this was followed by Manufacturing and Community, social and personal services.

For the trade sector that had the highest proportion of household members in the enterprise, the highest annual expenditure was on Rental of machinery. This was followed by articles for resale and fuels and lubricants.

Table 3.11: Average Annual Expenditure by Item and Industry in the Last 12 Months [Each Enterprise]

Expenditure item	Forestry & Fishing	Manufacturing	Construction	Trade	Hotels, bars & Restaurants	Transport & Comm.	Real Estate & bus. Services	Comm., soc. & pers. services	Other
Hired labour	467,067	335,773	120,000	394,090	1,052,945	2,546,072	404,453	187,805	488,955
Raw Materials	124,468	340,190	.	449,757	50,000	59,383	222,475	501,714	1,750,920
Spare parts	86,637	165,495	.	456,204	.	741,227	90,121	94,560	405,384
Articles for resale	1,633,194	786,766	.	2,295,877	1,503,518	2,193,268	1,883,584	431,433	1,451,026
Rental of land/building	600,000	259,362	100,000	396,765	363,266	.	719,617	453,890	204,673
Rental of machinery	223,908	271,164	48,000	3,150,000	.	.	125,000	.	.
Repairs/maintenance	41,592	45,156	.	35,390	200,000	121,879	647,856	334,599	70,000
Rental of vehicles	259,406	700,000	.	623,228	150,000
Fuel/Lubricants	253,439	199,895	.	14,177,795	.	518,223	3,220	1,787,198	11,008,327
Other transport	154,419	171,635	154,810	346,420	140,000	33,691	318,477	167,726	120,000
Electricity	428,372	611,945	.	495,408	352,710	.	570,090	285,602	960,000
Water	2,000	.	.	213,015	180,000	.	360,000	149,654	.
Taxes	786,361	304,969	.	387,537	259,500	190,014	165,832	94,112	231,000
Other expenses	79,559	28,977	.	625,541	60,000	71,000	140,000	23,073	.
Total Expenditure									
Total	326,955	512,541	146,116	1,581,012		1,057,593	672,784	511,853	1,414,808

3.12 Estimated Annual Value of expenditure

Table 3.12 shows the estimated annual value of expenditure for all the enterprises. The manufacturing industry had the highest estimated value of expenditure of 15.6 billion kwacha. Within the industry, most of the expenditure was on raw materials and articles for resale. After manufacturing, the forestry and fishing industry and the real estates and business services had the highest estimated annual expenditure.

The industry with the least estimated annual expenditure was Hotels bars and restaurants with an estimate of about 2.0 billion kwacha.

Table 3.12: Estimated Annual Value of Expenditure (All Enterprises)

Expenditure Item	For. & Fishing	Manufacturing	Construction	Hotels, bars & Restaurants	Transport & Comm.	Real Estate & bus. Services	Comm., soc. & pers. services	Other
Hired labour	2,279,287,000	1,456,248,000	37,440,000	1,101,380,000	2,164,161,400	7,987,894,000	612,807,000	420,990,000
Raw Materials	1,132,654,500	685,142,2000	.	3,500,000	108,136,000	1,038,960,000	930,177,600	828,185,000
Spare parts	326,621,500	855,609,000	.	.	640,420,000	169,337,500	94,276,000	136,775,000
Articles for resale	3,535,864,400	2,406,716,000	.	299,200,000	1,318,154,000	2,181,190,000	1,541,940,000	5,743,160,000
Rental of land/building	37,800,000	578,636,000	33,800,000	233,580,000	.	790,140,000	603,220,000	43,800,000
Rental of machinery	214,280,000	581,647,000	16,224,000	.	.	39,000,000	.	.
Repairs/maintenance	369,216,500	199,905,200	.	59,000,000	190,131,700	874,606,000	181,687,000	8,890,000
Rental of vehicles	135,410,000	336,700,000	.	5,250,000
Fuel/Lubricants	10,6698,000	609,676,500	.	.	179,305,000	943,500	443,225,000	288,165,000
Other transport	610,111,000	544,255,000	133,756,000	71,680,000	8,928,000	331,216,000	482,715,800	76,080,000
Electricity	167,065,000	761,259,000	.	150,960,000	.	315,260,000	322,730,000	121,920,000
Water	362,000	.	.	17,280,000	.	162,000,000	152,497,500	.
Taxes	326,340,000	295,820,000	.	49,824,000	56,244,000	33,498,000	178,059,000	82,236,000
Other expenses	343,295,500	85,537,800	.	8,520,000	8,023,000	14,420,000	18,458,000	.
Total Expenditure								
Total	9,585,005,400	15,573,434,500	221,220,000	2,000,174,000	4,673,503,100	6,749,365,000	5,561,792,900	7,777,201,000

3.13 Average Annual Revenue By Item

Average annual revenue by item shows that revenues were highest from rentals. The industry with the highest rental revenue was transport and communication with an average of K249,600,000. The other industry with relatively high revenues from rentals was Hotels, bars and restaurants, with K46,932,521. It ranged from K249.6 million for transport and communication to K1.6 million in manufacturing. After the transport and communication industry, cash from sales was another significant source of revenue. The revenues from this source ranged from K24,363,636 for financial institutions to K2,254,462 for forestry and fishing industry.

Table 3.13: Average Annual Revenue by Item in the 12 Months prior to the Survey

Source Item	For. & Fishing	Mining and quarrying	Manufacturing	Construction	Trade	Hotels, bars & Restaurants	Transport & Comm.	Fin. Institutions	Real Estate & bus. Services	Comm., soc. & pers. services	Other
Total	2,950,360	8,749,536	4,402,180	2,940,735	6,836,591	10,058,278	11,765,970	43,795,455	9,857,165	3,716,072	7,219,030
Cash from sales	2,254,462	8,832,495	3,397,244	2,592,490	6,271,698	6,443,823	6,031,912	24,363,636	7,418,764	3,275,930	7,635,304
Goods & services	822,941	-	4,003,935	5,200,000	3,594,465	1,239,368	6,059,244	22,100,000	15,670,922	1,131,070	624,000
Household consumption	550,170	1,443,077	508,251	120,518	549,737	1,314,394	745,155	2,275,000	3,072,708	616,272	955,358
Rentals	18,949,663	2,340,000	1,602,641	-	7,616,798	46,932,521	249,600,000	-	21,512,871	10,047,185	-

3.14 Average Annual Net Income by Item in the last 12 Months

Table 3.14 below shows the average annual net income by item in the 12 months prior to the survey. The table shows that overall Savings for the enterprises gave the highest average net income and this ranged from K7,537,684 million under trade to K1,112,868 million under Real estate and business services. Generally, the average annual net income by item was lowest for incomes indicated by the households as incomes from other purposes and income from other household.

Table 3.14: Average Annual Net Income by Item in the 12 Months prior to the Survey

Source Item	Forestry & Fishing	Manufacturing	Construction	Trade	Hotels, bars & Restaurants	Transport & Comm.	Real Estate & bus. Services	Comm., soc. & pers. services	Other
Total	2,945,333	2,427,184	1,973,455	5,509,915	4,116,955	5,803,263	3,600,168	2,056,006	4,129,566
Household	1,652,230	1,941,780	1,698,894	2,821,285	2,191,421	3,388,557	2,985,063	1,558,308	3,012,222
Personal	624,850	516,697	707,416	1,134,916	7,020,315	3,798,507	1,715,692	821,904	1,177,235
Other households	791,027	676,925	180,005	596,235	2,680,941	672,200	1,449,557	371,423	584,033
Savings for the enterprise	4,058,488	1,175,635	1,505,592	7,431,207	7,537,684	7,440,584	1,112,868	1,247,352	4,281,023
Other purposes	59,364	31,261	23,200	45,568	297,619	78,602	57014	40,672	45,738

4

INFORMAL SECTOR BUSINESS OWNERS' CHARACTERISTICS

4.0 Introduction

This chapter covers the basic characteristics of the informal sector business owners. These characteristics include, among other things age, sex, marital status, employment status, educational background and the relationship level of proprietor.

4.1 Sex and Age of proprietor

Table 4.1 indicates that out of 618,877 enterprises in Zambia, 57.5 percent were operated by male business owners while 42.5 percent were operated by their female counterparts. The survey further reveals that overall there were more male proprietors in all age categories than females, except for the age category 15-19 years and 45-49 years.

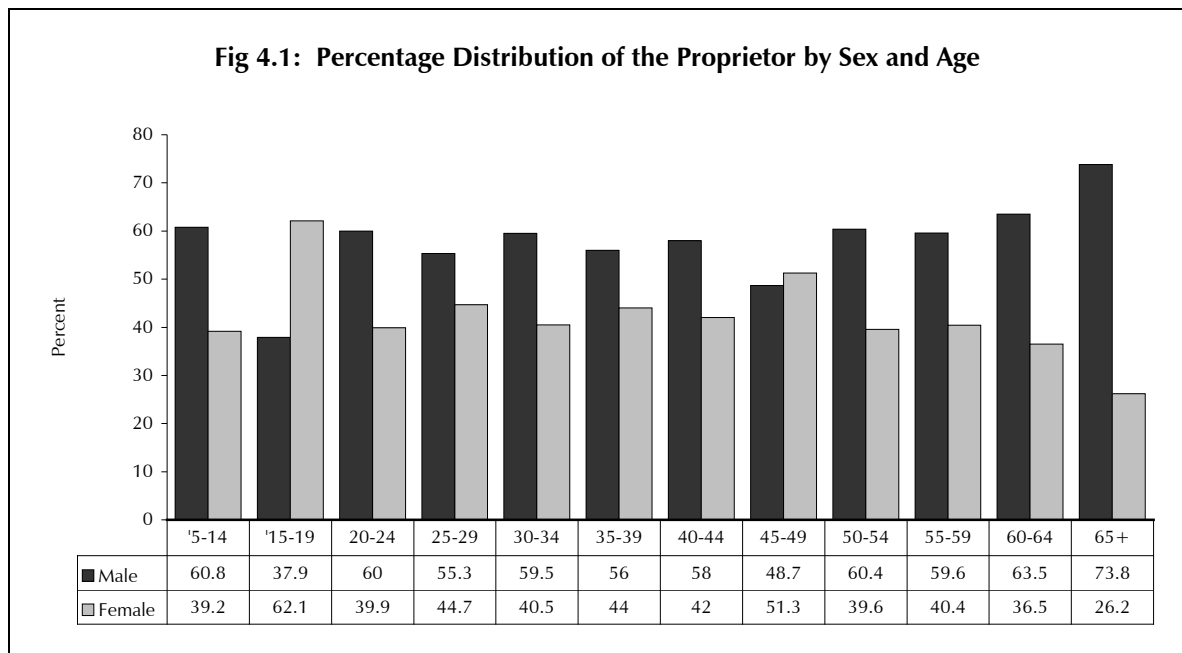
In the age group 15-19 years the table shows that 62.1 percent of enterprises were operated by females as compared to 37.9 percent operated by their male counterparts. In the 45-49 years age bracket the results show 51.3 percent of the enterprises were female operated while 48.7 were operated by males.

The table also shows that there were more males than females who were proprietors of enterprises in the rural areas, accounting for 66.4 percent males compared to 33.6 percent female proprietors. In contrast in the urban areas, more females were reported to be proprietors, 54.7 percent compared to 45.3 percent for their male counterparts.

Table 4.1: Percentage Distribution of the Proprietor by Sex, Age and Enterprise, Zambia, 2002 - 2003

Residence/ Age Group	Male	Female	Total	Total Number of Enterprises
Zambia	57.5	42.5	100	618,877
<i>Rural</i>	66.4	33.6	100	358,385
<i>Urban</i>	45.3	54.7	100	260,492
5-14	60.8	39.2	100	1,642
15-19	37.9	62.1	100	13,857
20-24	60.0	39.9	100	60,158
25-29	55.3	44.7	100	111,228
30-34	59.5	40.5	100	130,797
35-39	56.0	44.0	100	91,371
40-44	58.0	42.0	100	66,222
45-49	48.7	51.3	100	50,532
50-54	60.4	39.6	100	30,537
55-59	59.6	40.4	100	20,646
60-64	63.5	36.5	100	17,723
65+	73.8	26.2	100	24,164

Fig 4.1: Percentage Distribution of the Proprietor by Sex and Age



4.2 Marital Status of the Proprietor

Table 4.2 shows the distribution of the proprietor by marital status of the business owner. The survey results indicate that majority of the proprietors were married, 74 percent, followed by those that had never married before at 9 percent. The table further reveals that very few of the business owners were on separation with only 1.8 percent having reported being on separation.

Table 4.2: Percentage Distribution of the Proprietor by Marital Status and Enterprise Zambia, 2002 – 2003

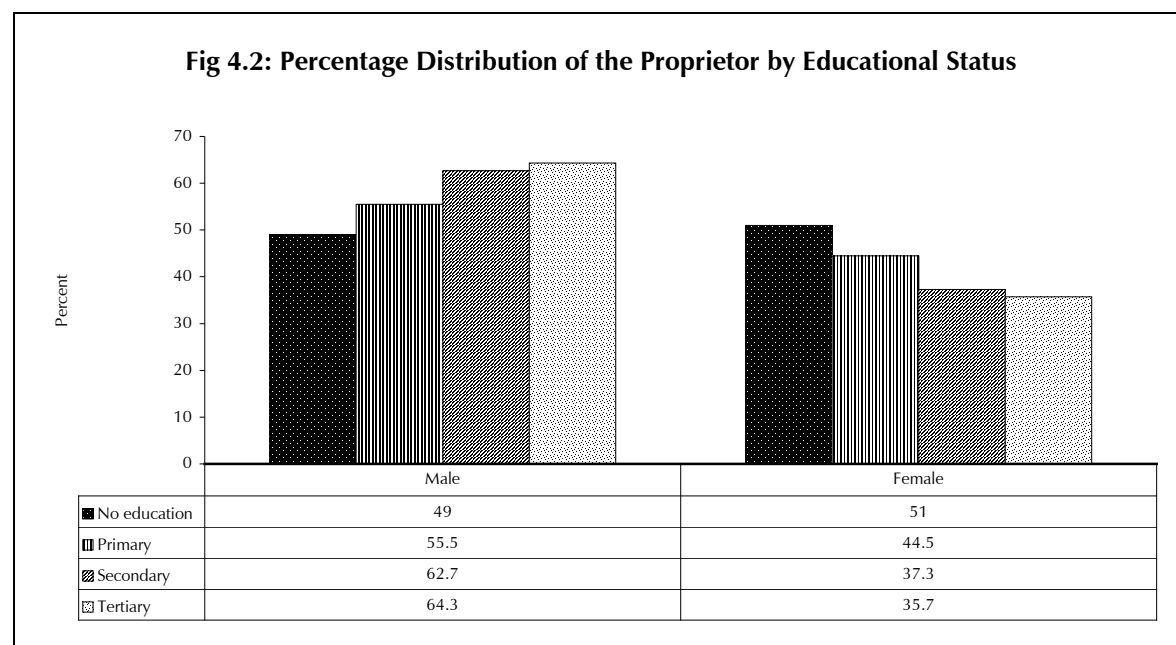
Age Group	Marital Status					Total
	Never Married	Married	Separated	Divorced	Widowed	
Zambia	9.0	74.0	1.8	7.2	8.0	100
5 - 14	94.1	5.9	0.0	0.0	0.0	100
15 - 19	48.5	49.5	1.5	0.4	0.0	100
20 - 24	30.8	64.5	0.6	4.2	0.0	100
25 - 29	15.9	74.2	1.9	6.3	1.7	100
30 - 34	5.1	79.3	1.4	8.0	6.1	100
35 - 39	2.5	78.6	2.6	6.5	9.8	100
40 - 44	2.4	79.7	1.4	8.6	8.0	100
45 - 49	0.5	73.1	2.3	8.7	15.4	100
50 - 54	0.7	72.3	0.5	12.8	13.7	100
55 - 59	2.5	65.9	0.0	12.3	19.3	100
60 - 64	0.0	64.8	2.1	8.2	24.9	100
65+	0.0	71.7	5.2	2.5	20.5	100

4.3 Education Status of the Proprietor

Table 4.3 shows the percentage distribution of the proprietor by educational status. The table shows that out of the 618,877 business owners, 74,800 were reported to have no formal education. Sex differentials indicate that a large proportion of both male and female had no education, accounting for 49 percent and 51 percent respectively. In addition the table indicates that 55.5 percent for male proprietors had attained primary education as compared to 44.5 percent of female owners. Out of the 19,089 business owners that had attained higher education, 64.3 percent were male while only 35.7 percent were female.

Table 4.3: Percentage Distribution of the Proprietor by Educational Status

Educational Level	Male	Female	Total	Total number of enterprises
Zambia	57.5	42.5	100	618,877
<i>Educational Level</i>				
None	49	51	100	74,800
Primary	55.5	44.5	100	312,178
Secondary	62.7	37.3	100	212,810
Tertiary	64.3	35.7	100	19,089



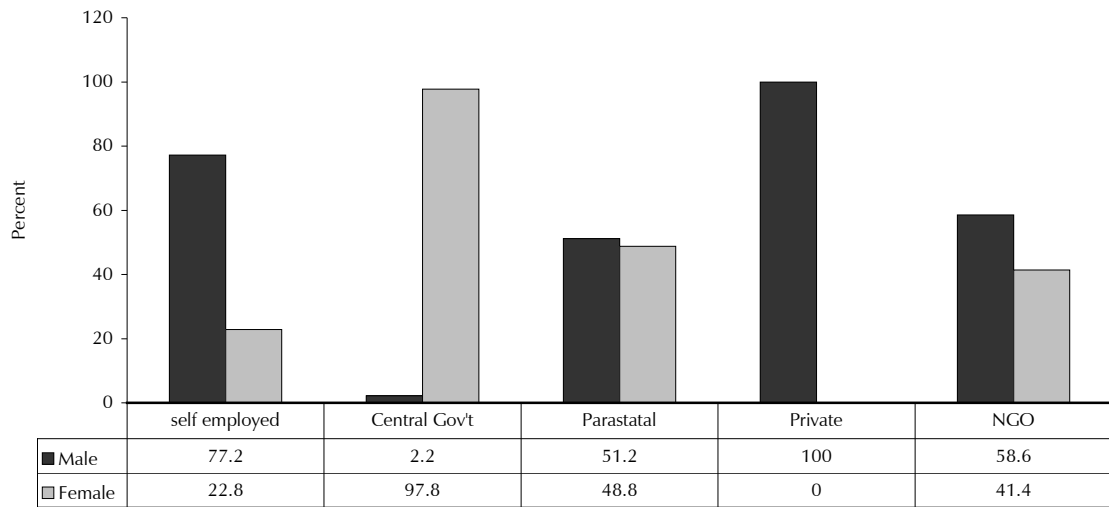
4.4 Employment Status of Proprietors

Table 4.4 shows the percentage distribution of proprietors by their employment status. The majority of proprietors (412,413) were working as self-employed workers. Out of these 77 percent were male while 22.8 were female. The Central Government employed 145412 business owners representing about 98 percent of female business owners and 2 percent male proprietors. The Private sector was predominantly male domain. All business owners captured in this sector (100 percent) were men.

Table 4.4: Percentage Distribution of the Proprietor by Employment, Zambia, 2002 – 2003

Employment Status	Male	Female	Total	Total number of enterprises
Zambia	57.5	42.5	100	618877
<i>Self employed</i>	77.2	22.8	100	412,413
<i>Central Gov employee</i>	2.2	97.8	100	145,412
<i>Parastatal Employee</i>	51.2	48.8	100	37,369
<i>Private Sector Employee</i>	100.0	0.0	100	170
<i>NGO Employee</i>	58.6	41.4	100	6,007

Fig 4.3: Percentage Distribution of the Proprietor by Sex and Age



5 INFORMAL SECTOR EMPLOYMENT

5.0 Introduction

The lack of specialist skills, non-requirement of large capital investment and the ease with which businesses can be established without being subjected to registration, control and taxation, all lead to increased scope for informal sector employment.

The employed population comprises persons who performed some work or conducted business, for pay, profit or family gain. Informal sector employment was defined as employment where the employed persons were not entitled to paid leave, pension, gratuity and social security and worked in an establishment employing [5 persons or less]. All the three requirements had to be fulfilled in order to classify a person as working in the informal sector.

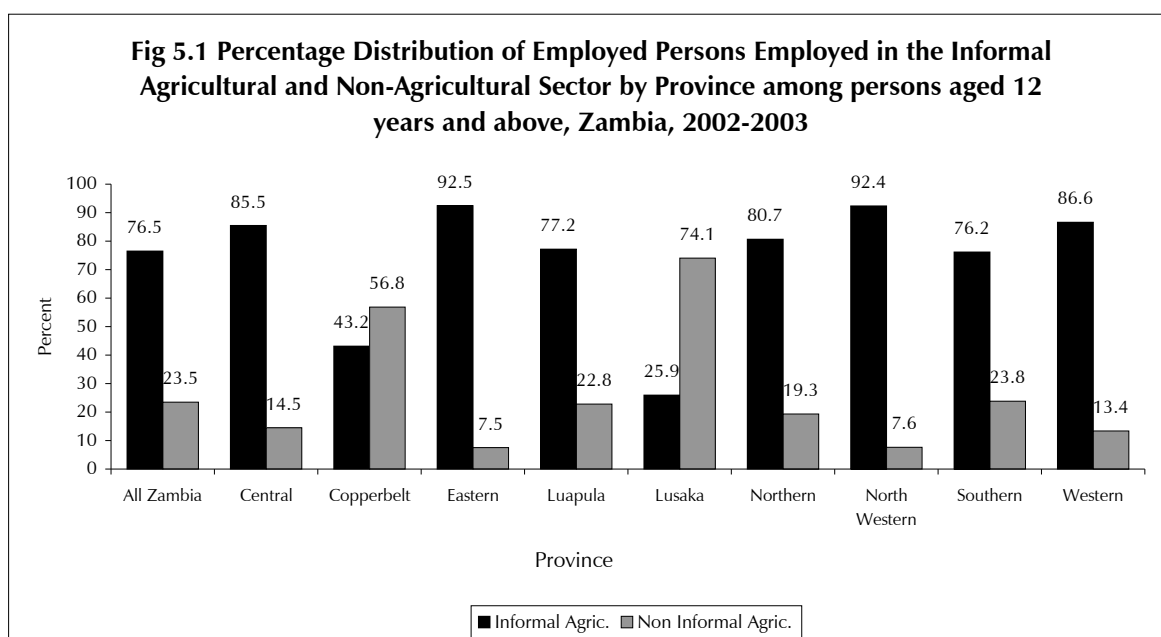
5.1 Employment

Table 5.1 shows the agricultural and non-agricultural informal sector employment. The table shows that among those employed in the informal sector, 77 percent were in informal agricultural sector, while 23 percent were in informal non-agricultural sector. The results further show that they were more males than females employed in the informal non-agricultural sector. Generally, persons living in the urban areas were more often in informal non-agricultural sector employment than those residing in rural areas, 81 percent as compared to 11 percent, respectively.

Table 5.1: Percentage Distribution of Employed Persons in the Informal Agricultural and Informal Non-Agricultural Sector by Sex, Rural/Urban, Stratum and Province, 2002 - 2003

Sex/Residence/ Stratum /Province	Sector of employment				Persons 12 years and above employed in the informal sector
	Informal Agriculture		Informal Non Agriculture		
	Number of Persons	%	Number of Persons	%	
Zambia	2,235,520	76.5	685,810	23.5	2,921,330
Male	986,774	70.6	409,939	29.4	1,396,713
Female	1,248,746	81.9	275,871	18.1	1,524,617
Rural	2,132,666	89.3	254,913	10.7	2,387,579
Urban	102,854	19.3	430,897	80.7	533,751
Small scale	2,056,064	91.0	202,595	9.0	2,258,659
Medium scale	29,878	93.1	2,221	6.9	32,099
Large scale	1,343	93.0	101	7.0	1,444
Non Agric	45,381	47.6	49,996	52.4	95,377
Low cost	90,894	19.7	371,530	80.3	462,424
Medium cost	8,769	22.2	30,741	77.8	39,510
High cost	3,191	10.0	28,626	90.0	31,817
Central	294,801	85.5	49,920	14.5	344,721
Copperbelt	123,730	43.2	162,961	56.8	286,691
Eastern	518,551	92.5	42,178	7.5	560,729
Luapula	222,487	77.2	65,570	22.8	288,057
Lusaka	54,168	25.9	155,199	74.1	209,367
Northern	365,832	80.7	87,428	19.3	453,260
Northern Western	187,655	92.4	15,526	7.6	203,181
Southern	218,429	76.2	68,403	23.8	286,832
Western	249,867	86.6	38,625	13.4	288,492

Among the provinces, Lusaka Province had the highest proportions of persons engaged in non-agricultural informal sector employment, accounting for 74 percent, while North-Western Province had the lowest, with 8 percent. The highest number of non-agricultural informal sector employment was found in low cost areas, accounting for about 371,530 persons.



5.2 Age Distribution of Persons Working in the Non Agricultural Informal Sector by Sex

Table 5.2 shows the age distribution of persons working in the non-agricultural informal sector. The results show that there were more male employees in the informal sector than were females: 60 percent males compared to 40 percent females. The results also showed that generally the older men were increasingly more likely to be engaged in informal activities than their female counterparts. The highest proportion of males engaged in the informal sector were those aged above 65 years, at 74 percent, while the lowest proportion of females in the informal sector were those aged between 12 and 14 years.

Table 5.2: Proportion of Employed Persons in the Non Agricultural Informal Sector by Age Group, 2002 - 2003

Age Group	Sex				Persons 12 years and above employed in the informal sector
	Male		Female		
	Number of Persons	%	Number of Persons	%	
<i>Zambia</i>	409,939	59.8	275,871	40.2	685,810
12 - 14	2,671	78.9	714	21.1	3,385
15 - 19	16,120	46.7	18,408	53.3	34,528
20 - 24	59,731	61.7	37,016	38.3	96,747
25 - 29	73,981	58.5	52,504	41.5	126,485
30 - 34	77,400	60.1	51,446	39.9	128,846
35 - 39	60,455	62.4	36,387	37.6	96,842
40 - 44	37,490	57.3	27,938	42.7	65,428
45 - 49	22,853	52.0	21,085	48.0	43,938
50 - 54	22,119	64.8	12,029	35.2	34,148
55 - 59	11,305	63.9	6,375	36.1	17,680
60 - 64	11,357	62.4	6,855	37.6	18,212
65 +	14,457	73.9	5,114	26.1	19,571

5.3 Educational Levels of Persons working in the Non Agricultural Informal Sector

Table 5.3 shows the proportion of employed persons in the Non-Agricultural Informal Sector by their highest educational level attained. The results show that there were generally more males than females who had attained higher educational levels. About 72 percent of all persons working in Non Agricultural Informal Sector, whose highest educational level was between grades 10 and 12 were males while 28 percent were female. Of all persons with degrees, 69 percent were males while females accounted for 21 percent.

Table 5.3: Proportion of Employed Persons in the Non-Agricultural Informal Sector by the Highest Educational Level Attained, 2002- 2003

Educational Level Attained	Sex				Persons 12 years and above employed in the informal sector 12 years and
	Male		Female		
	Number of Persons	%	Number of Persons	%	
<i>Zambia</i>	409,939	59.8	275,871	40.2	685,810
<i>None</i>	284	100.0			284
<i>Grade 1-7</i>	182,831	53.7	157,848	46.3	340,679
<i>Grade 8-9</i>	94,572	59.5	64,254	40.5	158,827
<i>Grade 10-12</i>	108,563	72.2	41,887	27.8	150,449
<i>A level</i>	9,283	63.7	5,289	36.3	14,572
<i>Degree</i>	14,406	68.6	6,594	31.4	20,999

5.4 Employment Status of Persons Working in the Non-Agricultural Informal Sector

Table 5.4 shows the employment status of persons in the non-agricultural informal sector. In most of the sectors, males were more dominant than their female counterparts. Most of those employed in the informal sector were self-employed accounting for an estimated 462,192 persons. The proportion of self-employed males was higher (56 percent) than that of self-employed females (44 percent). An estimated total of 75,000 private sector employees were engaged in the informal sector. Of these, 73 percent were males while 27 percent were females. Fifty-three percent of all household workers or domestic servants were male with females accounting for 47 percent. There were proportionately more females (62 percent) engaged in unpaid family work than they were males (38 percent).

Table 5.4: Employment Status of Employed Persons in the Non-Agricultural Informal Sector, 2002 – 2003

Employment Status	Sex				Persons 12 years and above employed in the informal sector
	Male		Female		
	Number of Persons	%	Number of Persons	%	
<i>Zambia</i>	409,939	59.8	275,871	40.2	685,810
<i>Missing</i>	1,043	52.5	945	47.5	1,988
<i>Self employed</i>	260,138	56.3	202,054	43.7	462,192
<i>GRZ employee</i>	3,897	56.6	2,984	43.4	6,881
<i>L.Govt Employee</i>	254	80.9	60	19.1	314
<i>Parastatal employee</i>	1,265	73.6	453	26.4	1,718
<i>Private sect. employee</i>	55,404	73.3	20,196	26.7	75,600
<i>NGO Employee</i>	1,196	61.7	741	38.3	1,937
<i>Employer</i>	335	44.4	420	55.6	755
<i>Household employee</i>	28,029	52.9	24,995	47.1	53,024
<i>Unpaid fam. worker</i>	7,829	37.6	12,996	62.4	20,825
<i>Piece worker</i>	47,506	85.1	8,324	14.9	55,830
<i>Other</i>	3,043	64.1	1,703	35.9	4,746

5.5 Occupation of Persons working in the Non-Agricultural Informal Sector

Table 5.5 shows the occupation status of employed persons in the non-agricultural informal sector. The Sales related occupations were the most predominant occupations accounting for an estimated total of 217,000 persons of whom 59 percent were females and 41 percent were males. The second most common occupations were the Agricultural, Forestry and Fisheries related occupations with about 183,000 persons, with males being predominant in these occupations, accounting for 73 percent while females accounting for 27 percent. The least common occupations in the Non Agricultural Informal Sector were the Clerical and related occupations with an estimated 6,546 persons of whom 58 percent were males.

Table 5.5: Occupation of Employed Persons in the Non-Agricultural Informal Sector, 2002 - 2003

Occupation	Sex				Persons 12 years and above employed in the informal sector
	Male		Female		
	Number of persons	%	Number of persons	%	
Zambia	409,939	59.8	275,871	40.2	685,810
Missing	1,243	52.2	1,139	47.8	2,382
Workers not else classified	3,498	80.1	868	19.9	4,366
Administrative, managerial	7,154	72.2	2,748	27.8	9,902
Professional, technical and related	18,111	74.1	6,343	25.9	24,454
Clerical and related	3,805	58.1	2,741	41.9	6,546
Service	46,682	50.2	46,322	49.8	93,004
Sales	88,644	40.8	128,426	59.2	217,070
Agriculture, forestry, fisheries	133,227	72.6	50,227	27.4	183,454
Production and related	107,575	74.4	37,057	25.6	144,632

5.6 Relationship to the Head of the Household where persons working in the Informal Sector live

Table 5.6 shows the relationship to the head of the household for persons employed in the non-agricultural informal sector. The majority of persons engaged in the Non Agricultural Informal Sector were the heads of households. An estimated 407,560 persons were heads of households and were engaged in the Non Agricultural Informal Sector, 79 percent of these were male heads while 21 percent were female heads of households. The second largest category of persons engaged in the Non Agricultural Informal Sector was spouses. An estimated total of 145,000 spouses were engaged in the informal sector, 97 percent of whom were females. Parents were the least most likely persons to be engaged in the informal sector.

Table 5.6: Relationship to the Head of Household for Persons Employed in the Non-Agricultural Informal Sector, 2002 - 2003

Relationship to Head	Sex				Persons 12 years and above employed in the informal sector
	Male		Female		
	Number of Persons	%	Number of Persons	%	
Zambia	409,939	59.8	275,871	40.2	685,810
Head	322,419	79.1	85,142	20.9	407,561
Spouse	4,289	3.0	140,756	97.0	145,045
Own child	42,360	61.0	27,061	39.0	69,421
Step Child	1,727	77.4	503	22.6	2,230
Grand Child	4,718	62.3	2,855	37.7	7,573
Brother/Sister	11,586	72.4	4,427	27.6	16,013
Niece/Nephew	7,129	72.7	2,679	27.3	9,808
Brother/Sister in law	4,692	73.3	1,709	26.7	6,401
Parent	60	15.5	328	84.5	388
Parent in law	482	44.8	595	55.2	1,077
Other relative	3,439	80.7	820	19.3	4,259
Maid/Nanny/House Servant	1,955	24.2	6,120	75.8	8,075
Non Relative	5,083	63.9	2,876	36.1	7,959

5.7 Industry of Employment of Persons working in the Informal Sector

Table 5.7 shows the distribution of employed persons in the informal sector by the kind of economic activity they are engaged in. The results show that the majority of individuals were engaged in trade. An estimated total of 258,000 persons were engaged in retail trade. This industrial sector was dominated by females who accounted for 56 percent of all persons in the sector with males accounting for 44 percent. The second most predominant sector of employment was agriculture with an estimated 114,000 persons most of whom were males (63%). A considerable number of individuals (54,000) were working in private households while another 45,000 persons were engaged in fisheries. The least common sector was Research and Development, which was exclusively male.

Table 5.7: Industry of Employment for Persons Employed in the Non-Agricultural Informal Sector, 2002 - 2003

Industry of Employment	Sex				Persons employed 12 years and
	Male		Female		
	Number of Persons	%	Number of Persons	%	
Zambia	409,939	59.8	275,871	40.2	685,810
Missing	1,243	53.5	1,082	46.5	2,325
Agriculture	72,473	63.2	42,246	36.8	114,719
Forestry	2,972	80.7	711	19.3	3,683
Fishing	44,996	99.0	441	1.0	45,437
Coal Mining	439	40.9	634	59.1	1,073
Crude petroleum	1,236	67.1	605	32.9	1,841
Metal ores	655	69.2	291	30.8	946
Other mining and quarrying	4,230	86.2	676	13.8	4,906
Food products and beverages	5,355	26.1	15,147	73.9	20,502
Tobacco products	121	100.0	.	.	121
Textiles	7,525	58.5	5,337	41.5	12,862
Wearing apparel	2,025	59.6	1,370	40.4	3,395
Tanning and dressing of leather	1,241	100.0	.	.	1,241
Wood and wood products	9,718	97.4	263	2.6	9,981
Publishing, Printing	690	93.5	48	6.5	738
Coke, refined petroleum products	577	67.5	278	32.5	855
Chemical and chemical products	504	84.8	90	15.2	594
Rubber and plastic products	203	42.6	273	57.4	476
Basic metals	148	100.0	.	.	148
Fabricated metal products	5,146	100.0	.	.	5,146
Machinery and equipment n.e.c.	632	100.0	.	.	632
Office, accounting and computing machinery	1,414	69.8	611	30.2	2,025
Furniture, manufacturing n.e.c.	5,604	100.0	.	.	5,604
Electricity, gas, water	1,997	100.0	.	.	1,997
Construction	24,060	96.1	980	3.9	25,040
Motor vehicles	6,227	99.0	66	1.0	6,293
Wholesale trade	3,001	56.9	2,276	43.1	5,277
Retail trade	113,641	44.0	144,486	56.0	258,127
Hotels, bars and restaurants	8,362	57.3	6,235	42.7	14,597
Land transport, pipeline transport	13,303	88.2	1,787	11.8	15,090
Water transport	1,343	73.8	476	26.2	1,819
Air transport	1,211	62.7	720	37.3	1,931
Other transport activity	1,188	100.0	.	.	1,188
Post and telecommunications	186	42.7	250	57.3	436
Financial intermediation	1,731	79.1	457	20.9	2,188
Other financial intermediation	711	100.0	.	.	711
Real estate activities	2,008	74.0	704	26.0	2,712
Renting of machinery and equipment	148	6.5	2,126	93.5	2,274
Computer and related activities	.	.	161	100.0	161
Research and development	39	100.0	.	.	39
Other business activities	10,129	60.5	6,609	39.5	16,738
Education	2,892	49.1	2,995	50.9	5,887
Health and social work	3,968	79.6	1,020	20.4	4,988
Sewage and refuse disposal, sanitation	1,146	100.0	.	.	1,146
Activities of membership organizations	4,473	63.1	2,616	36.9	7,089
Recreational, cultural and sporting activities	1,215	100.0	.	.	1,215
Other service activities	8,278	54.6	6,894	45.4	15,172
Private households with employed persons	29,535	54.2	24,910	45.8	54,445

Of the 685,810 persons employed in the informal sector, about 38 percent of them or 258,127 persons, were engaged in the retail trade industry. The other industries that were dominant in terms of the number of persons employed were Agriculture [17 percent], private households with employed persons [8 percent], fishing [7 percent], construction [4 percent] and business activities, bars and restaurants and land transport, each at 2 percent.

6 ECONOMIC CONTRIBUTION OF THE INFORMAL SECTOR

6.1 Introduction

Good quality national accounts are vital for economic policymaking and research. An important aspect of their quality is the extent to which they cover all economic activities. Exhaustive coverage is difficult to achieve because of the wide range of economic activities, some of which are deliberately concealed from observation by those responsible for them.

Lack of coverage causes problems for users both in terms of levels and trends. Levels of the Gross Domestic Product (GDP) and other data are downward biased, thus giving an inaccurate impression of the economy and impeding international comparability. Similarly, biases in trend estimates can be expected if the economic activities missing from the GDP grow at different rates from those included. For example it is often inferred that underground and informal sector activities are expanding at precisely the time the official economy is contracting.

There are two main handbooks in which economic activities which are not covered in the formal sector are covered and defined. These are the System of National Accounts 1993 (1993 SNA) and The Handbook for the Measurement of the Non-observed economy (NOE). Both handbooks adopted an international statistical definition of the informal sector that was adopted in 1993 by the Fifteenth International Conference of Labour Statisticians (15th ICLS) resolution concerning statistics of employment in the informal sector.

6.2 The Production Boundary

The 1993 SNA outlines two fundamental boundaries, namely the *general production boundary* and the *SNA production boundary*.

The general production boundary draws the line between economic and non-economic production. Economic production includes all activities “carried out under the control and responsibility of an institutional unit that uses inputs of labour, capital and goods and services to produce outputs of goods and services....of a kind that can be delivered or provided to other institutional units” (1993 SNA:6.15 and 6.6). For an activity to be productive in this sense, the following conditions need to be satisfied:

- *There must be a link between the activity and an institutional unit. The activity must be carried out “under the control and responsibility of an institutional unit exercising ownership rights on what is produced” (1993 SNA:6.15). For example unmanaged growth of fish stocks is outside this general boundary, where as fish farming is included.*
- *There must be marketability (resulting in outputs capable of being exchanged. This implies observance of the so called third-party criterion which states that an activity may be deemed economically productive only if it is performed by a person other than the one benefiting from it. By this criterion, basic human activities such as eating, drinking, sleeping, taking exercise, etc are excluded, where as services such as washing, preparing meals, caring for children, the sick or aged fall within this general boundary because they can be exchanged between different units (1993 SNA:6.16)*

The SNA boundary is more restricted than the general boundary. It describes the range of productive economic activities that could be included in GDP estimates. Activities included within the boundary are summarized as follows (1993 SNA:6.18):

- (a) *The production of individual or collective goods or services that are supplied to units other than their producers, or intended to be so supplied, including the production of goods and services used up in the process of producing such goods or services;*
- (b) *The own-account production of all goods that are retained by their producers for their own final consumption or gross capital formation*
- (c) *The own-account production of housing services by owner-occupiers and of domestic and personal services produced by employing paid domestic staff.*

6.3 Informal Sector Benchmark Estimates

In the national accounts estimates before 1994, the informal sector was largely excluded in the official estimates, except for agricultural informal activities. When the GDP estimates were re-based in 1994, the informal sector activities were incorporated. In the benchmark, informal sector estimates were derived based on assumptions about the relationships between the formal and the informal sectors and using data derived from the 1993/1994 Household Budget Survey (HBS). Additional data sources were the 1991 and 1993 Priority Surveys, the 1986 Labour Force Survey (LFS), the annual agricultural surveys and the 1990 Census of Population. The commodity flow balances account provided insight into the informal sector activities from which the estimates were made.

6.4 Production Account of the Informal Sector 2003

Implicitly, the current estimates of GDP contain estimates of the informal sector. Over the last decade, however, the economic structure in the country has undergone some 'metamorphosis', making the estimates of the informal sector's contribution to the total economy difficult to ascertain due to limited data.

Table 6.1: Production Account of the Informal Sector by Kind of Economic Activity, 2003

Industry	Total Cash/in-kind Goods and Services sold	Total Value of Stocks	Gross Output	Intermediate Consumption	Gross Value Added
Forestry and fishing	5,596,951,450	8,924,240,900	14,521,192,350	1,489,392,300	13,031,800,050
Mining and quarrying;					
Manufacturing	11,407,681,000	16,128,266,143	27,535,947,143	3,623,866,096	23,912,081,047
Construction	512,390,676	30,940,800	543,331,476	90,836,000	452,495,476
Trade	68,271,542,098	116,892,378,101	185,163,920,199	34,035,753,589	151,128,166,610
Hotels and restaurants	1,199,290,000	1,697,262,250	2,896,552,250	1,349,079,800	1,547,472,450
Transport and communications	2,017,628,000	1,106,839,397	3,124,467,397	1,406,967,200	1,717,500,197
Financial institutions; Real estate and business services	5,606,017,000	6,850,274,586	12,456,291,586	2,200,852,500	10,255,439,086
Community, social and personal services	3,281,033,100	4,382,504,916	7,663,538,016	1,625,908,200	6,037,629,816
Other	2,157,946,000	3,079,498,337	5,237,444,337	2,618,241,800	2,619,202,537
Total	100,050,479,324	159,092,205,430	259,142,684,754	48,440,897,485	210,701,787,269

Gross value added for non-farm household enterprises was estimated at K210,701,787,269 in 2003. The major contributor to this total gross value added was the Trade industry with 72 percent of the total value added. Manufacturing had the second largest share at 11 percent, followed by the forestry and fishing industry with 6 percent of the total value added. Real estate and business services contributed 5 percent to the total gross value added. Mining and construction had the lowest shares in terms of contribution to the gross value added.

Table 6.2: Industry Share to the total Gross Value Added, Zambia, 2003

Kind of Economic Activity	Total Cash/in-kind Goods and Services	Total Stocks	Gross Output	Intermediate consumption	Gross Value Added
<i>Forestry and fishing</i>	5.6	5.6	5.6	3.1	6.2
<i>Mining & Quarrying; Manufacturing</i>	11.4	10.1	10.6	7.5	11.3
<i>Construction</i>	0.5	0.0	0.2	0.2	0.2
<i>Trade</i>	68.2	73.5	71.5	70.3	71.7
<i>Hotels and restaurants</i>	1.2	1.1	1.1	2.8	0.7
<i>Transport and communications</i>	2.0	0.7	1.2	2.9	0.8
<i>Financial institutions; Real estate and business services</i>	5.6	4.3	4.8	4.5	4.9
<i>Community, social and personal services</i>	3.3	2.8	3.0	3.4	2.9
<i>Other</i>	2.2	1.9	2.0	5.4	1.2
Total	100.0	100.0	100.0	100.0	100.0

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RECOMMENDATIONS AND CONCLUSIONS

The non-farm informal sector results have shed some light and provided information that will allow measurement of unrecorded household enterprise activities, which will, in turn, make it possible to incorporate into the official estimates of national accounts. In order for this to be possible, informal sector surveys must be done periodically and regularly to provide information that is not readily available in formal sector surveys.

Survey results reveal that one in every four households operated a non-farm household enterprise. The informal sector is broadly characterised by the activity of enterprises engaged in the production of goods and services with the primary objective of generating employment and income to persons concerned. Private and public sector employees and their family members may be found running businesses informally mostly with the basic aim of trying to survive. An effective informal sector policy thus has to distinguish between the survival type enterprises and growth-potential enterprises and address their problems with equal priorities.

Urban areas reported a higher proportion of households with informal businesses, at 31 percent of the households, compared to 22 percent of the households in the rural areas.

This may imply that there were more people in the agricultural informal sector in the rural areas. Since most of the people rely on agriculture for their livelihood, improving agricultural product pricing and marketing will have an immediate and significant impact. Studies elsewhere have shown that there is a very strong connection between incomes earned by peasants in the rural areas and the survival and growth of local firms.

A person engaged in selling fritters, for instance, needs to look beyond the small stall where they sell their fritters to be in competition with the bigger players like those running chain fast food restaurants. These are competing for the limited purchasing power of more or less the same consumers. If the market is divided into low, middle and high-income segments, the small stall's need to attract middle-income clients is clear. If the stall loses these clients, total income available to this stall will decrease, and the poverty of the stall owner will increase to desperate levels. To keep these clients, the informal sector enterprise will need to upgrade, improve quality, diversify and formalize, i.e. become more competitive. In order to do this, the informal sector business needs a strategy. But they cannot devise this strategy, as they are unable to get an overview of the market and of consumption patterns. The Government, through its small business development programs needs to devise the strategy for the informal enterprise with the view to upgrading its performance, prospects and status. Due to limited resources, not all enterprises in all the sectors can be promoted. The question that needs to be asked is: in which sub-sectors do growth-potential small enterprises still have the possibility to expand their customer base, if they improved quality, business skills, working conditions and legal status? Survey results show that one in every two informal enterprises was reported to be in the trading industry, at 54 percent [mostly retail trade], and one in every six enterprises were reported to be in the forestry and fishing industries. Fifteen percent of the informal enterprises were engaged in the manufacturing industry, while five percent are in the community, social and personal services. The survey also reveals that beside trade, there were a lot of people employed in construction, food and beverage processing, fishing, textiles (cloth-making, mat-making), wood and wood products (carpentry), business services, bars and restaurants and road transport. Any strategy for growth will have to consider these sub sectors that employ a large number of people in the informal sector.

The survey shows that about 90 percent of the enterprises did not borrow to finance their operations. For the 8 percent who borrowed, fewer than 2 percent got credit from banks and other financial agencies, 3 percent obtained credit from family and friends, while 2 percent obtained credit from proceeds. And the findings further indicate that the major difficulty for establishing an enterprise was lack of or inadequate

credit facilities. Micro financing is one area that the Government and financial institutions need to critically look at in order to put money in people's pockets, in the case of Government, and increase their lending portfolio, in the case of financial institutions. However, the Government will have to do their part in terms of macroeconomic stability, which will in turn make the financial institutions reduce interest rates to make borrowing more attractive, as the exorbitant interest rates currently obtaining are what deters small businesses from borrowing from financial institutions.

One of the main criteria for identifying informal sector enterprises is the non-registration of the enterprise. Complicated, lengthy, and unpredictable procedures, inadequate institutional arrangements, unreasonable specifications and standards, and a multiplicity of taxes and levies, among other things, discourage entrepreneurs from formalizing their businesses. However, poor clients, lack of access to finance, poor infrastructure, unfair competition, etc., make the survival of an informal business a daily battle.

On the issue of broadening the tax base, there is need to have efficient and practical institutional arrangements for registration, licensing and tax collection, involving the Ministry of Commerce and Industry, the Ministry of Local Government, the Zambia Revenue Authority and informal sector associations and organizations. Obviously the key is registration, but this is clearly an issue that will require extensive consultation and negotiation among stakeholders to come up with the best way of increasing revenue collection and revenue sharing agreements.

APPENDICES

APPENDIX I: LIST OF PERSONNEL INVOLVED IN THE REPORT WRITING

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REPORT FORMATTING AND ILLUSTRATIONS

Perry Musenge	-	Desktop Publishing Officer
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APPENDIX II: INTERNATIONAL STANDARD INDUSTRIAL CLASSIFICATION OF ALL ECONOMIC ACTIVITIES (ISIC), Rev. 3

Tabulation Categories	Division	Description
A	Agriculture, hunting and forestry	
01		Agriculture, hunting and related service activities
02		Forestry, logging and related service activities
B	Fishing	
05		Fishing, operation of fish hatcheries and fish farms; service activities incidental to fishing
C	Mining and quarrying	
10		Mining of coal and lignite; extraction of peat
11		Extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction excluding surveying
12		Mining of uranium and thorium ores
13		Mining of metal ores
14		Other mining and quarrying
D	Manufacturing	
15		Manufacture of food products and beverages
16		Manufacture of tobacco products
17		Manufacture of textiles
18		Manufacture of wearing apparel; dressing and dyeing of fur
19		Tanning and dressing of leather; manufacture of luggage, handbags, saddlery, harness and footwear
20		Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
21		Manufacture of paper and paper products
22		Publishing, printing and reproduction of recorded media
23		Manufacture of coke, refined petroleum products and nuclear fuel
24		Manufacture of chemicals and chemical products
25		Manufacture of rubber and plastics products
26		Manufacture of other non-metallic mineral products
27		Manufacture of basic metals
28		Manufacture of fabricated metal products, except machinery and equipment
29		Manufacture of machinery and equipment n.e.c.
30		Manufacture of office, accounting and computing machinery
31		Manufacture of electrical machinery and apparatus n.e.c.
32		Manufacture of radio, television and communication equipment and apparatus
33		Manufacture of medical, precision and optical instruments, watches and clocks
34		Manufacture of motor vehicles, trailers and semi-trailers
35		Manufacture of other transport equipment
36		Manufacture of furniture; manufacturing n.e.c.
37		Recycling
E	Electricity, gas and water supply	
40		Electricity, gas, steam and hot water supply
41		Collection, purification and distribution of water
F	Construction	
45		Construction

G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods
50	Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel
51	Wholesale trade and commission trade, except of motor vehicles and motorcycles
52	Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods
H	Hotels and restaurants
55	Hotels and restaurants
I	Transport, storage and communications
60	Land transport; transport via pipelines
61	Water transport
62	Air transport
63	Supporting and auxiliary transport activities; activities of travel agencies
64	Post and telecommunications
J	Financial intermediation
65	Financial intermediation, except insurance and pension funding
66	Insurance and pension funding, except compulsory social security
67	Activities auxiliary to financial intermediation
K	Real estate, renting and business activities
70	Real estate activities
71	Renting of machinery and equipment without operator and of personal and household goods
72	Computer and related activities
73	Research and development
74	Other business activities
L	Public administration and defence; compulsory social security
75	Public administration and defence; compulsory social security
M	Education
80	Education
N	Health and social work
85	Health and social work
O	Other community, social and personal service activities
90	Sewage and refuse disposal, sanitation and similar activities
91	Activities of membership organizations n.e.c.
92	Recreational, cultural and sporting activities
93	Other service activities
P	Private Households with employed persons
95	Private households with employed persons
Q	Extra-territorial organizations and bodies
99	Extra-territorial organizations and bodies