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Borderline: Women in Informal Cross-border Trade in Malawi, the United Republic of Tanzania and Zambia

Presentation by

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Borderline: Women in Informal Cross-border Trade in Malawi, the United Republic of Tanzania and Zambia

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Project details

• Study
  – Field investigation
• Capacity-building component

Source: UNCTAD secretariat based on Adobe Stock.
Note: Lake Malawi is also known as Lake Nyasa in the United Republic of Tanzania, and as Lago Niassa in Mozambique.
Characteristics of ICBT

- Unrecorded business transactions undertaken across borders (under-declaring, misclassifying or under-invoicing)
- ICBT → small scale trade: Small transactions, subsistence traders with limited possibilities to scale up their business
- Estimated 30 - 40% of total regional trade
- An estimated 70% of ICBTs in Sub-Saharan Africa are women
- Food items and livestock account for the bulk of informal exports: ICBT key for food security
- Source of employment and livelihood for the poor in border areas: often the only option to generate income

Why informality? -1-

- Costly, rigid and burdensome customs procedures:
  - Multiple fees and taxes at border posts, undue tariffs even when trade is duty free, low transparency
  - customs documentation, SPS, inspection requirements, duplication of functions among agencies, immigration procedures
- Lack of trade facilitation - COMESA, EAC, and SADC some of the lowest indicators compared to other regions (fig.); lack of harmonization of standards; overlapping operations at the border

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Why informality? -2-

- **Lack of awareness of rights and responsibilities**: e.g. regarding trade facilitation measures such as STR, or regarding applicable duties etc.

- **Lack of storage, market infrastructure or other facilities at borders**: post-harvest facilities; sleeping facilities; street selling as only option etc.

- **Small start-up capital**: is usually not sufficient to register a business and sustain a formal activity

- **Corruption and insecurity**: Female traders vulnerable to GBV - bribes / sexual favors demanded by customs officials to avoid arrest or confiscation of goods

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**Supply-side obstacles of female informal traders**

- **Lack of organization**: Only a minority of cross-border traders is organized through associations or cooperatives

- **Limited access to ICT**: can hamper access to valuable price and product information

- **Poor transport for access to markets**: majority use bus or shared taxis, a significant proportion on foot

- **Lack of scale and low productivity**: goods generating low profits; lack of value added; lack of diversification

- **Poor levels of education**: traders often have poor reading, writing, and counting skills

- **Limited access to finance**: 80% of traders use informal sources

- **Access to land and productive resources**: determines women’s productivity and the chances to transition into higher-value tasks

- **Time poverty and the domestic burden**
The Simplified Trade Regime

- Mechanism to support small-scale traders → STR simplifies trade procedures and reduces the costs of trading across borders

**Where:**
- COMESA
- EAC
- SADC under negotiation
- At some borders between RECs negotiated on bilateral basis by countries

**How:**
- Trade duty free
- Threshold of 2,000 US$
- Common List of eligible products
- Simplified Certificate of Origin + Simplified Customs Form (declaration form)

**Reasons for low uptake of STR:**
- Awareness & capacity
- Common lists limited/updated
- Documentary requirements still heavy: SPS, import/export permits, licenses...
- Processing fee: $1 and higher
- Low threshold
- Arbitrary enforcement
- Limited presence of TIDOs (STR transactions went down when TIDOs remained underfunded)

Policy recommendations

- Coordinated policies at the national and regional levels
  - Strengthening mutual recognition of standards and harmonizing STRs across regions
  - Tailoring positive experience of OSBP to CBT (one-stop window; fast-track clearance systems; pedestrian lane...)

- NTFC: mainstreaming gender & trade issues and ensure gender balance (36% of members are female – UNCTAD, 2017)

- Improving transparency at the border

- Improving border infrastructure and access to basic facilities

- Better tailoring of STR to the needs of small-scale traders

- Improving access to finance and reduce interest rates

- Training and awareness-raising interventions (to traders & border authorities, and facilitating their interaction)
Way forward: UNCTAD capacity-building

• Training programme focusing on:
  – Personal entrepreneurial competencies to run more successful businesses (Empretec)
  – ICBT: trade/customs rules and procedures, documentation requirements, rights and obligations

• A trader’s guide to trade rules and procedures
  – Why formalization is important: risks and costs faced by unregistered trade operators
  – Trader’s rights and obligations
  – How to use the Simplified Trade Regime

Thank you for your attention