

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

**UNCTAD**



**Cross-border Trade  
in the Pre- and  
Post-Pandemic  
Environment**  
Evidence from  
Malawi, the United  
Republic of Tanzania  
and Zambia



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## ABBREVIATIONS

|               |  |
|---------------|--|
| <b>CBTA</b>   | Cross-border trade association                     |
| <b>COMESA</b> | Common Market for Eastern and Southern Africa      |
| <b>EAC</b>    | Eastern and Southern African Community             |
| <b>MSMEs</b>  | Micro-, small and medium-sized enterprises         |
| <b>PACRA</b>  | Patent and Company Registration Agency (Zambia)    |
| <b>SADC</b>   | Southern African Development Community             |
| <b>SDG</b>    | Sustainable Development Goal                       |
| <b>STR</b>    | Simplified Trade Regime                            |
| <b>UNCTAD</b> | United Nations Conference on Trade and Development |
| <b>UNECA</b>  | United Nations Economic Commission for Africa      |

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## TABLE OF CONTENTS

|  |            |
|--|------------|
| <b>ABBREVIATIONS.....</b>  | <b>III</b> |
| <b>TABLE OF CONTENTS.....</b>  | <b>IV</b>  |
| <b>1. INTRODUCTION.....</b>  | <b>1</b>   |
| <b>2. OVERVIEW AND BACKGROUND: UNCTAD TRAINING ACTIVITIES.....</b>   | <b>2</b>   |
| 2.1 METHODOLOGY OF THE IMPACT ASSESSMENT.....  | 3          |
| <b>3. RESULTS OF THE IMPACT ASSESSMENT.....</b>  | <b>4</b>   |
| 3.1 IMPACT OF THE TRAINING PROGRAMME ON PARTICIPANTS' FAMILIARITY WITH<br>TRADE RULES, CUSTOMS PROCEDURES AND TRADER RIGHTS AND OBLIGATIONS..... | 4          |
| 3.2 IMPACT OF THE TRAINING PROGRAMME ON THE ENHANCED USE<br>OF OFFICIAL BORDER POSTS.....  | 6          |
| 3.3 IMPACT OF THE TRAINING PROGRAMME ON INSTILLING CONFIDENCE<br>IN CONDUCTING A BUSINESS USING OFFICIAL BORDER CROSSINGS.....                   | 7          |
| 3.4 IMPACT OF THE TRAINING PROGRAMME ON ADAPTING THE BUSINESS MODEL.....   | 7          |
| 3.5 IMPACT OF THE TRAINING PROGRAMME ON BUSINESS REGISTRATION.....   | 8          |
| 3.6 IMPACT OF COVID-19 ON CROSS-BORDER TRADE.....  | 8          |
| 3.7 IMPACT OF THE TRAINING PROGRAMME ON THE UNDERSTANDING OF COVID-19 MEASURES.....  | 9          |
| 3.8 IMPACT OF THE TRAINING PROGRAMME ON DEVISING NEW STRATEGIES.....   | 9          |
| 3.9 PROMINENT ACTORS AT THE REGIONAL AND NATIONAL LEVELS<br>AND UNCTAD'S COMPARATIVE ADVANTAGE.....  | 10         |
| 3.10 SUPPORT NEEDED BY SMALL-SCALE AND INFORMAL CROSS-BORDER TRADERS<br>FROM UNCTAD, CROSS-BORDER TRADE ASSOCIATIONS AND THE GOVERNMENT.....     | 10         |
| <b>4. CASE STUDIES.....</b>  | <b>13</b>  |
| 4.1 MAGGIE KAMCHACHA, MALAWI.....  | 13         |
| 4.2 GLADYS NGWENYAMA, ZAMBIA.....  | 15         |
| 4.3 MARY MWEEMBA, ZAMBIA.....  | 16         |
| 4.4 REHEMA HANDICRAFTS, UNITED REPUBLIC OF TANZANIA.....   | 17         |
| 4.5 CHRISTINE KING'OLA, KENYA.....   | 20         |
| <b>REFERENCES.....</b>   | <b>23</b>  |

**LIST OF FIGURES**

FIGURE 1: KNOWLEDGE AMONG INTERVIEWEES OF TRADE RULES AND CUSTOMS PROCEDURES,  
AND TRADER RIGHTS AND OBLIGATIONS (PER CENT) ..... 5

FIGURE 2: ENHANCED KNOWLEDGE AMONG INTERVIEWEES ABOUT CROSSING THE BORDER..... 6

FIGURE 3: EXTENT OF INTERVIEWEES' UNDERSTANDING OF COVID-19 RULES (PER CENT)..... 9

**LIST OF TABLES**

TABLE 1: SAMPLE DISTRIBUTION OF THE INTERVIEWS ACROSS THE THREE COUNTRIES..... 3

TABLE 2: REGIONAL SIMPLIFIED TRADE REGIMES IN PLACE..... 4

## 1. INTRODUCTION

This report was prepared by UNCTAD's Trade, Gender and Development Programme. It provides an overview of the results of an impact assessment of capacity-building activities conducted by the United Nations Conference on Trade and Development (UNCTAD) in Malawi, the United Republic of Tanzania and Zambia aimed at small-scale and informal cross-border traders, mainly women. Interventions were carried out as part of two projects: the Development Account project "Informal Cross-border Trade for the Empowerment of Women, Economic Development, and Regional Integration in Southern and Eastern Africa", implemented during 2016-2019, and the Development Account project "Global Initiative towards post-Covid-19 Micro, Small and Medium Enterprises sector", implemented during 2020-2021.

The assessment refers specifically to the capacity-building activities carried out in November-December 2019 and February 2021 at selected border posts. It

is based on the findings of interviews conducted with former training participants, and an online survey of government officials and representatives of cross-border trade associations (CBTAs) who were involved in the planning and delivery of UNCTAD training programme. To complement the analysis and findings of the impact assessment, the report also relies on previous analytical work carried out by UNCTAD since the inception of the activities in 2016. By analysing the information collected from different categories of stakeholders, the report presents an original picture of informal and small-scale cross-border trade in the pre-and post-pandemic environment.

The next section provides an overview of UNCTAD's capacity-building activities on cross-border trade carried out during 2016-2021. Section 3 then presents the results of the impact assessment. Section 4 presents four case studies illustrating the impact of training activities on women cross-border traders.

## 2. OVERVIEW AND BACKGROUND: UNCTAD TRAINING ACTIVITIES

During 2016–2019, the UNCTAD Trade, Gender and Development Programme, Division on International Trade and Commodities implemented the project entitled “Informal Cross-border Trade for the Empowerment of Women, Economic Development, and Regional Integration in Southern and Eastern Africa.” The project was comprised of a range of activities, including training workshops, research, policy dialogues, surveys, interviews, and focus group discussions with stakeholders.<sup>1</sup> Since this assessment relates only to capacity-building, the report will focus on those activities.

Between 11 November and 2 December 2019, five training workshops for small-scale and informal cross-border traders, especially women, were conducted at three border posts: Mwami/Mchinji (Zambia-Malawi), Nakonde/Tunduma (the United Republic of Tanzania and Zambia) and Songwe/Kasumulu (Malawi and United Republic of Tanzania). A total of 151 trainees participated in the activities.

Each training workshop lasted six days and was divided into two components. The first dealt with trade rules, customs procedures and traders’ rights and obligations; the second focused on developing/strengthening entrepreneurship skills based on the EMPRETEC methodology developed by UNCTAD.<sup>2</sup>

The main objectives of the UNCTAD training programme were to:

- Familiarize traders with trade rules and customs procedures applied at the borders, and with their rights and obligations when crossing the borders

- Build or strengthen traders’ entrepreneurship skills in areas such as detecting business opportunities, setting goals for their businesses, improving the efficiency and quality of their activities, etc.
- Introduce traders to the process and benefits of formalizing their businesses.

UNCTAD developed three country-specific guides tailored to Malawi, the United Republic of Tanzania and Zambia to provide detailed and practical information to traders about the requirements to cross the border.<sup>3</sup> The guides were the basis for the first component of training activities. The EMPRETEC manual for low-literacy entrepreneurs was used for the second component.

In response to the pandemic and its devastating impact on micro-, small- and medium-sized enterprises (MSMEs), a broad United Nations inter-agency project was launched in 2020 under the title “Global Initiative towards post-Covid-19 Micro, Small and Medium Enterprises sector.” The project’s objectives were to strengthen the resilience of MSMEs, mitigate the economic and social impact of the global COVID-19 crisis, and strengthen the contribution of MSMEs to implementation of the United Nations Sustainable Development Goals (SDGs).

The UNCTAD Trade, Gender and Development Programme was responsible for the trade and gender component of the project. Its interventions replicated the training activities for informal and small-scale cross-border traders carried out in 2019. More specifically, four training workshops were held from 1 to 15 February 2021 at the Mwami/Mchinji, Nakonde/Tunduma

<sup>1</sup> Under the analytical component, a study was published in February 2019 examining the characteristics of cross-border trade and the impact of cross-border trade activities on poverty alleviation, food security and women’s empowerment in Zambia, Malawi, and the United Republic of Tanzania (UNCTAD 2019). The policy dialogue component included the publication of an advocacy document presenting policy recommendations to facilitate cross-border trade and make it more beneficial for traders, especially women traders, and for their communities and countries. The recommendations were mainly addressed to policymakers in the three countries. The policy dialogue component also featured a one-day workshop held in Dar es Salaam in December 2019 with policymakers and representatives of CBTAs and other relevant groups to validate the policy recommendations proposed by UNCTAD and report on training activities. The project started in mid-2016 and ended in December 2019.

<sup>2</sup> EMPRETEC is an UNCTAD programme to promote the creation of sustainable, innovative and internationally competitive small- and medium-sized enterprises.

<sup>3</sup> The guides covered the following issues: trade rules, simplified trade regimes, rules of origin, documentation requirements, and taxes and other charges. English and Swahili versions of the Traders’ Guides developed for the United Republic of Tanzania and Kenya are available from UNCTAD at <https://msme-w.unctad.org/cluster/enabling-entrepreneurship-policies-and-skills-facilitation> (accessed 21 November 2021).



and Songwe/Kasumulu border posts. The training workshops included two components, one devoted to trade rules and customs procedures and another to entrepreneurship development. New training features were introduced to respond to the project's overall objective to strengthen the resilience of MSMEs and mitigate the impact of the health crisis on them. These features focused specifically on COVID-19-related border requirements as well as possible strategies to make businesses more resilient to the COVID-19 crisis and better able to recover from it.<sup>4</sup> A total of 131 traders participated in the four training workshops.

## 2.1 METHODOLOGY OF THE IMPACT ASSESSMENT

The impact assessment of the project's capacity-building activities was based on a two-pronged approach using both interviews and a survey. The findings were supplemented by information readily available at the borders and by the results of previous analytical work conducted by UNCTAD.

The first part of the assessment strategy relied on a series of interviews targeting informal and small-scale cross-border traders who participated in the training workshops organized by UNCTAD between 2019 and 2021 in Zambia, Malawi and the United Republic of Tanzania. Interviews were designed to gain a more in-depth understanding of the impact of the capacity-building activities on the objectives of the training programme. In total, nine workshops were held between 2019 and 2021 with 282 attendees, including informal

and small-scale cross-border traders, mainly women, as well as representatives of CBTAs.

A quantitative sample of 25 Zambian and Malawian participants and 35 Tanzanian participants was selected randomly from among the pool of trainees. With support from the trainers who had facilitated the workshops, UNCTAD conducted interviews telephonically with those 60 participants across the three countries between June and July 2021 (table 1). The qualitative results of those interviews were collected and analysed and are presented in the following sections of the report.

**Table 1: Sample distribution of the interviews across the three countries**

| Year of capacity-building activity | United Republic of Tanzania | Zambia | Malawi | Total interviews |
|------------------------------------|-----------------------------|--------|--------|------------------|
| 2019                               | 8                           | 13     | 9      | 30               |
| 2021                               | 9                           | 12     | 9      | 30               |
| <b>Total participants</b>          | 17                          | 25     | 18     | 60               |

Source: Prepared by the authors.

The second part of the assessment entailed conducting an online survey of government officials and representatives of CBTAs who had been involved in the design and implementation of the training sessions held in 2019 and 2021. Out of 53 officials and CBTA representatives contacted by UNCTAD, 25 agreed to participate in the survey.<sup>5</sup>

<sup>4</sup> The overall activities of the UNCTAD Trade, Gender and Development Programme, which joined the project in September 2020, include (i) an assessment of previous capacity-building activities on cross-border trade; (ii) development of new training material for informal and small-scale cross-border traders, especially women, tailored to selected countries and translated in local languages; and (iii) delivery of four training sessions in the United Republic of Tanzania and Kenya. The overall project will end in March 2022.

<sup>5</sup> Respondents included a sample of representatives from governments and associations including the Zambia Revenue Authority, Tanzania Revenue Authority, Malawi Revenue Authority, Zambia Ministry of Trade and Commerce, Zambia Department of Immigration, Tanzania Tunduma Town Council, Tanzania Kyela District Council, Zambia Permanent Mission in Geneva, the United Republic of Tanzania Permanent Mission in Geneva, Zambia Compulsory Standards Agency, Zambia Police, Malawi Informal Cross-Border Traders Association, Zambia Informal Cross-Border Traders Association, and the COMESA Informal Cross-Border Traders Association.

### 3. RESULTS OF THE IMPACT ASSESSMENT

The results of the assessment are based on the following components involving the impact of the training programme on participants:

- Familiarity with trade rules, customs procedures and trader' rights and obligations
- Enhanced use of official border posts
- Confidence in conducting businesses using official border crossings
- Ability to adapt the business model
- Willingness to register the business
- Awareness of COVID-19 measures
- Ability to devise new trade strategies

The assessment also covered the following issues:

- Impact of COVID-19 on cross-border trade
- Prominent actors at the regional and national levels and UNCTAD's comparative advantage
- Support required by small-scale and informal cross-border traders from UNCTAD, CBTAs and the government.

#### 3.1 IMPACT OF THE TRAINING PROGRAMME ON PARTICIPANTS' FAMILIARITY WITH TRADE RULES, CUSTOMS PROCEDURES AND TRADER RIGHTS AND OBLIGATIONS

UNCTAD research has highlighted that most of the informal and small-scale cross-border traders in the three countries studied, particularly women traders, are often unable to identify the rules that apply to trade across borders.<sup>6</sup> Specifically, this involves their knowledge of the trade rules of the (i) Common Market for Eastern and Southern Africa (COMESA) and its simplified trade regime (STR); (ii) Eastern and Southern African Community (EAC) and its STR; and (iii) Southern African Development Community (SADC) and its related Trade Protocol (table 2). Navigating the different trade regimes that apply under the three regional groupings is proving challenging for many cross-border traders

who, as a result, use informal routes to conduct their businesses.

**Table 2: Regional simplified trade regimes in place**

| Country                     | Trade regime in place           |
|-----------------------------|---------------------------------|
| Malawi                      | COMESA STR, SADC Trade Protocol |
| United Republic of Tanzania | EAC STR, SADC Trade Protocol    |
| Zambia                      | COMESA STR, SADC Trade Protocol |

Source: Prepared by the authors.

Note: COMESA: Common Market for Eastern and Southern Africa; EAC: Eastern and Southern African Community; SADC: Southern African Development Community; STR: Simplified trade regime.

One of the objectives of the training activities, therefore, was to equip informal and small-scale cross-border traders, particularly women, with knowledge and understanding of these trade rules and customs procedures and their rights and obligations as traders. The assessment results revealed that following their training experience, most participants were familiar to varying degrees with the main features of all three trade rule processes and were aware of their rights and obligations at the border.

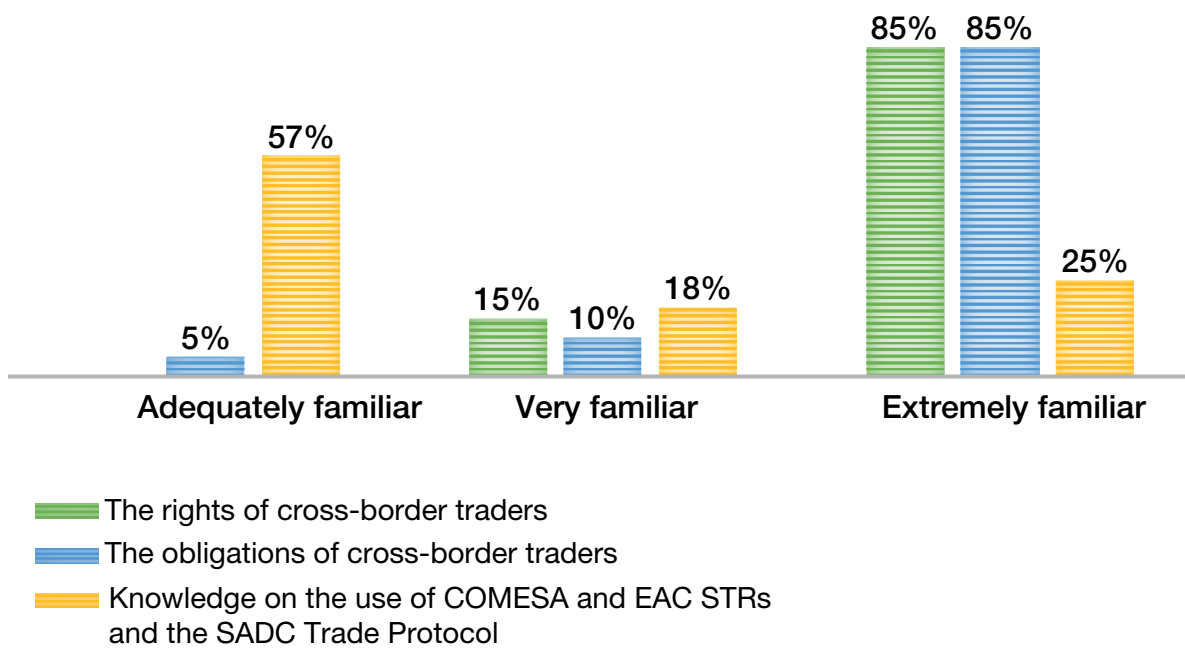
The quantitative results from the interviews with past trainees illustrate that 85 per cent of respondents were *extremely familiar* with their rights, while 15 per cent were *very much familiar* with their rights. Furthermore, relating to whether they had a better understanding of their obligations, 85 per cent stated that they were *extremely familiar* with their obligations, while 10 per cent indicated that they were *very much familiar* and 5 per cent indicated that they were *adequately familiar*.

Finally, on the question about their knowledge about using the main trade instruments of the three trading blocs – i.e. the SADC Trade Protocol and the STRs of COMESA and EAC – 25 per cent indicated that they were *extremely familiar* with the main features of these

<sup>6</sup> Borderline: Women in informal cross-border trade in Malawi, the United Republic of Tanzania and Zambia available at [https://unctad.org/system/files/official-document/ditc2018d3\\_en.pdf](https://unctad.org/system/files/official-document/ditc2018d3_en.pdf)

trade instruments, 18 per cent indicated that they were *very much familiar*, and 57 per cent said that they were *adequately familiar*. Figure 1 summarizes the findings from the interviews.

**Figure 1: Knowledge among interviewees of trade rules and customs procedures, and trader rights and obligations (per cent)**



Source: b Prepared by the authors.

Note: COMESA: Common Market for Eastern and Southern Africa; EAC: Eastern and Southern African Community; SADC: Southern African Development Community; STR: Simplified trade regime.

The qualitative data from the interviews reveal additional insights. Responses indicated that the new awareness about trade rules and traders' rights and obligations has helped traders become more effective cross-border traders. Notably, they acquired knowledge about the Common List of Products under COMESA and the EAC STRs, enabling them to benefit from these instruments put in place to facilitate small-scale cross-border trade.

Another useful piece of information mentioned by participants was that they had become aware that, while crossing the borders, they had to separate their personal belongings from their business goods. This would allow them to benefit from the "personal tax rebate," with no duties imposed on their personal goods. Finally, some anecdotal evidence from interviewees provides further insights on the impact of the training activities.

*"I have been robbed several times by porters while going through unofficial routes, beaten by police, paid bribes, and even suffered abuse by improper body inspection. But now my motivation to use official posts is very high following the positive outcomes resulting from knowing my duties and rights as a trader and putting them into practice. I now trade in a secure environment."*

– Informal cross-border trader, United Republic of Tanzania

Further insights from Tanzanian respondents revealed that training participants had become familiar with duties and taxes due at the border. This knowledge contributed to their decision to trade using the formal

border posts. In addition, they had realized that paying whatever fee had been established according to the rules was less than what they would spend paying bribes, a common feature of crossing borders informally. Overall, the quantitative and qualitative results from the interviews indicate that the training programme had the desired impact.

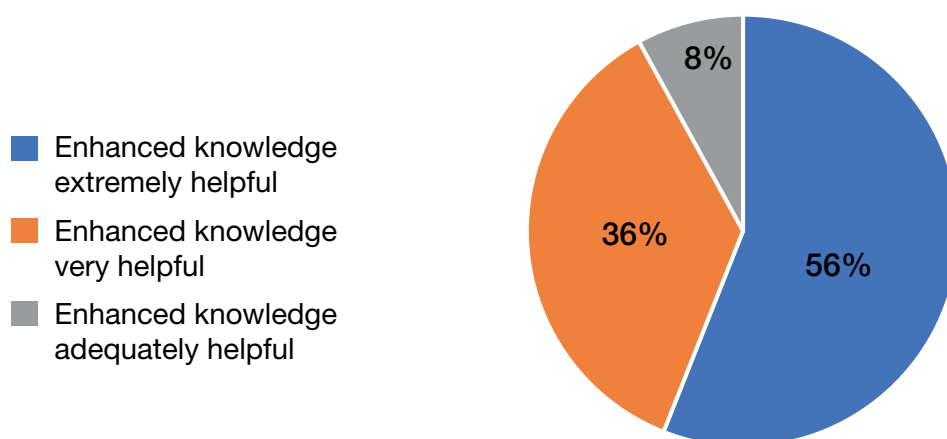
The results from the interviews with traders were analysed together with interviews from the online survey of government border officials and CBTA representatives. In the online survey, 40 per cent of respondents found UNCTAD training activities *extremely useful*, and 60 per cent found it *very useful*. All of the online survey participants stated that the UNCTAD training programme had proved beneficial to the traders by strengthening their knowledge of the rules applied at the border. These results align with UNCTAD's analytical findings that many cross-border

traders engage in informal trade because they are unaware of their rights and obligations and of trade rules and procedures, including existing schemes such as STRs designed to facilitate their businesses.

### 3.2 IMPACT OF THE TRAINING PROGRAMME ON THE ENHANCED USE OF OFFICIAL BORDER POSTS

The second purpose of the interviews was to assess how the knowledge that participants acquired during the training activities helped them use official border posts to conduct their businesses. The results reveal that 56 per cent of respondents found the new knowledge *extremely helpful* when crossing the border, 36 per cent indicated it was *very helpful*, and 8 per cent indicated that it was *adequately helpful* (figure 2).

Figure 2: Enhanced knowledge among interviewees about crossing the border



Source: Prepared by the authors.

Further qualitative data from the interviews illustrated trainees' enhanced familiarity with requirements at the border. Some respondents indicated that they made sure to carry all necessary documents when heading to the border. This resulted in a much easier and faster process to cross. Some trainees reported that they rely on the services of Trade Information Desk Officers to fill out documents such as the STR forms. Overall, trainees' enhanced knowledge of border rules and procedures helped them spend less time clearing their products and increased their willingness to trade formally, with beneficial implications for their personal security and the security of their merchandise.

Because of their enhanced knowledge and understanding of border rules and procedures, some traders indicated that they were no longer afraid to deal with border officials. Such responses coincide with the results of the survey of government officials and CBTA representatives showing that, as a result of the training programme, cross-border traders were more knowledgeable and better informed about border rules and procedures.

Indeed, 96 per cent of the online survey respondents had observed behavioural changes in the traders who participated in UNCTAD training programme, while 4 per cent could not identify any change. Some of the observed positive changes were increased knowledge of border procedures and more willingness to use

official border posts and make truthful declarations of the merchandise to be taken across the border.

Some customs officials at the Tanzanian borders noted that the number of women carrying small consignments through official border posts had been increasing steadily. In addition, CBTA representatives from Malawi reported that some traders were now insisting on getting receipts once they had paid taxes on their products. Other customs officials from the United Republic of Tanzania and Zambia noted reduced instances of smuggling in certain border areas due to the increased use of formal routes. Moreover, some officials from the Zambian Standards Agency reported increased compliance with STR requirements.

Overall, the survey results indicate a shift in the mindset of some traders toward trading formally. However, officials also noted that only a minority of traders had the opportunity to participate in capacity-building activities, and perhaps the traders who did so were those already prone to switch to more rule-complying behaviours.

### 3.3 IMPACT OF THE TRAINING PROGRAMME ON INSTILLING CONFIDENCE IN CONDUCTING A BUSINESS USING OFFICIAL BORDER CROSSINGS

An additional objective of the interviews was to evaluate the confidence levels of informal traders in using official border posts after they had participated in UNCTAD training programme. Of the 60 participants surveyed, 92 per cent indicated that they were *extremely confident* to conduct their businesses through official border posts, while 8 per cent indicated that they felt *very confident* to do so.

Qualitative data from trainees' interviews revealed that some traders had started putting into practice the new knowledge acquired through the training programme. Some traders reported positive results in terms of increased profits, a larger clientele, and the ability to offer a more diversified range of products. Findings from the interviews further indicate a positive correlation between increased knowledge about border rules and procedures, and growth in confidence in using official border posts. Before the training programme, many traders had insights about how to trade informally – for example, how to bypass the border posts altogether, how to use borders improperly through such methods

as making incorrect declarations on the value or origin of the goods, or how to circumvent the rules through bribes. The training programme encouraged informal traders to become more confident using the official border posts. Indeed, many respondents highlighted that doing business according to the rules proved to be simpler and less expensive than circumventing the rules.

### 3.4 IMPACT OF THE TRAINING PROGRAMME ON ADAPTING THE BUSINESS MODEL

Interviews also aimed to evaluate whether trainees had adapted their business models due to their participation in UNCTAD training sessions: 96 per cent of respondents stated that they had adapted their business model, while 4 per cent indicated they had not.

Results from the qualitative data indicate that many respondents used a simple activity tool for business planning that had been shared with them during the training activities. This activity tool entailed traders to set goals, single out the activities needed to accomplish them, and set a time frame for their completion. Moreover, traders had to identify people who needed to be involved and record costs. Most respondents indicated that the training programme helped them improve their businesses and enhanced their financial management skills.

For example, a trader from Malawi running a small milk business reported that she had become rigorous in keeping records of all her business costs (e.g. buying, collection, processing and distribution). However, when the COVID-19 pandemic hit, her business suffered, and so did her revenues. She then put into practice the knowledge acquired during the UNCTAD training programme. After reviewing all her expenses, she found that milk procurement and collection costs represented the largest share of overall costs, while distribution represented the second highest. A clear idea of the cost of each activity enabled her to restructure her business and save it.

Interviewees from Zambia indicated that bookkeeping helped them run their businesses by monitoring costs and benefits. To implement this, they started using a receipt book and issuing receipts to customers for all transactions. Still, a few respondents indicated that they had not yet decided whether to adopt a new business

model. Overall, however, the qualitative interviews show that the training programme had a positive impact on the way traders run their businesses. These results coincide with the online survey findings: 88 per cent of government and CBTA respondents indicated that the training sessions were a *very effective* tool in this field, while 12 per cent stated that they were *somewhat effective*.

### 3.5 IMPACT OF THE TRAINING PROGRAMME ON BUSINESS REGISTRATION

Trading informally affects the ability of traders to access the benefits of formal business. It is estimated that a substantial share (30 to 40 per cent) of Africa's regional trade is informal and that four times as many cross-border traders are likely to be operating outside the formal economy than within it (UNCTAD 2019). As a result, an additional objective of the interviews was to assess whether the trainees had considered registering their businesses and, if not, to learn the reasons for not doing so. The quantitative results from the interviews revealed that 80 per cent of respondents were considering registering their businesses, while 20 per cent were not planning to do so.

*"I never compromise on having my valid border pass, having receipts for the goods I am trading and filling out proper customs forms. To my surprise, by being transparent, I realized that on some goods I pay very small amounts compared to what I used to pay when I was concealing the merchandise and paying bribes to some officials."*

*– Informal cross-border trader, Malawi*

Some respondents did register their businesses. For example, some trainees from Zambia registered their businesses under the "small business" category and, as a result, were able to open an account at a local bank. Some informal cross-border traders said they registered their businesses with the local district council, which

was confirmed by local district council officers in the United Republic of Tanzania and Zambia.

Further information from the qualitative data highlights several reasons for traders not going ahead with businesses registration. Some respondents indicated that the small size of their businesses could not accommodate the financial burden of registration. This is couched in the perception that once a business becomes formal and starts growing, it attracts heavy taxation, despite being in its infancy. Hence, keeping the business informal is a way to escape pressure from tax authorities. Other respondents said that they had no time available to go through the registration process, or that they needed to build up their business capital before going formal.

### 3.6 IMPACT OF COVID-19 ON CROSS-BORDER TRADE

The qualitative results from the assessment indicate that most cross-border trade businesses were negatively affected by COVID-19. Many reasons were mentioned, including lockdowns, social distancing measures, supply chain disruptions, a shrinking number of clients, and increased business operation and travel costs due to the need to comply with the new measures (e.g. proof of a negative PCR test when crossing the border). In Zambia, total lockdown entailed border closures, with only commercial trade for essential commodities allowed, which excluded most small-scale businesses. As a result, prices for goods and services escalated and, in some instances, doubled. Products such as Irish potatoes, rice, fish, kapenta and groceries were among the most affected. Respondents indicated that the number of clients declined from the pre-COVID-19 average of 50 customers per day to 10 per day due to clients' inability to afford soaring prices. Moreover, many traders, and especially women traders, reported economic losses due to goods that had gone unsold and, in many cases, gone to waste because they were perishable. Some traders highlighted that people who could afford it were stockpiling agricultural and food items. All these shortcomings resulted in a sharp reduction of incomes for traders and their households. This in turn led to, among other things, the need to reduce the number of meals eaten per day from three to two and, in the worst cases, to one.

While some traders kept their businesses going, though at a level far below the pre-pandemic period and

suffering from a cash crunch, others indicated that they had to close their businesses partially or completely. For example, in Zambia, five respondents said they had partially shut down their businesses because of low cash flow, border closures and declining clientele. Three respondents indicated that they had completely shut down their businesses. Among the worst affected respondents were those who traded in kitchenware appliances, blankets and other beddings.

Moving to the results of the survey administered to border officials and CBTA representatives, 80 per cent of respondents confirmed that cross-border traders had been negatively impacted by the pandemic to a significant or very significant extent, while 16 per cent found a moderate negative effect, and 4 per cent indicated only a minor negative effect.

The findings are in line with research by UNCTAD and other institutions confirming that the pandemic negatively affected cross-border trade businesses. In addition, the findings point to severe shortages of essential goods in border areas deriving from the combined effects of border closures and stockpiling, with consequent risks of food insecurity and increased poverty (TradeMark East Africa 2021; Southern African Trust 2021; Zarrilli and Linoci 2020; Zarrilli 2021).

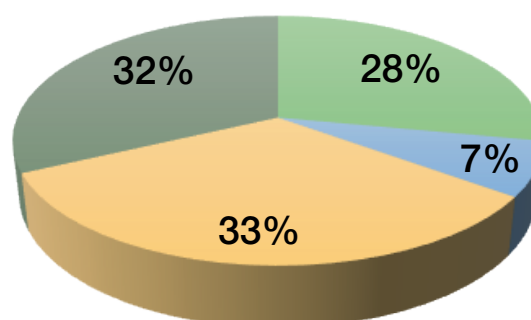
### 3.7 IMPACT OF THE TRAINING PROGRAMME ON THE UNDERSTANDING OF COVID-19 MEASURES

As indicated in the previous section, the COVID-19 pandemic and the resulting social distancing measures, border closures, and border requirements strongly impacted small-scale cross-border trade. UNECA (2020) reports that over 42 countries in Africa introduced either complete or partial lockdowns in 2020.

UNCTAD, therefore, expanded the training programme delivered in 2021 by adding a new component with a twofold purpose: to share information related to the new border measures, and to support traders in making their businesses resilient to the crisis. Against this backdrop, the interviews evaluated the extent to which UNCTAD interventions had been effective. The results, shown in figure 3, revealed that 32 per cent of respondents had acquired an *extremely good understanding* of COVID-19 related rules, 33 per cent showed a *very good understanding*, and 7 per cent an *adequate understanding*. For some participants the question was not applicable because they had been trained in 2019, prior to the pandemic.

Figure 3: Extent of interviewees' understanding of COVID-19 rules (per cent)

- Not applicable
- Adequate understanding
- Very good understanding
- Extremely good understanding



Source: Prepared by the authors.

Qualitative data indicated that the training sessions helped trainees not only adhere to the new measures but to be proactive. For example, some respondents said that they encouraged their customers to wear masks and wash their hands, and, in some cases, provided masks if customers did not have them. Others said that they kept a bucket of water and soap at the entrance of their premises. Overall, the qualitative responses indicate that the training programme had enhanced cross-border traders' understanding of COVID-19 rules and measures.

### 3.8 IMPACT OF THE TRAINING PROGRAMME ON DEVISING NEW STRATEGIES

Qualitative data reveal that the training programme helped traders devise innovative strategies to respond to the new business environment. The interview results show that some traders turned to digital tools to continue their businesses, including Facebook, Instagram, WhatsApp groups, and online platforms. They used these tools both to establish networks to

advertise their products, and to buy and sell products online, including by making payments online. Some of the main goods sold on the virtual platforms are ladies' and men's shoes, ladies make-up kits, and men's trousers and shirts. These findings confirm those emerging from UNCTAD research: digital solutions can support the survival and even the growth of cross-border trade, and can prove particularly beneficial to women traders. Keeping businesses running is a pressing issue considering the economic instability and widespread unemployment resulting from the COVID-19 pandemic (Zarrilli and Lopez 2020).

Other interview respondents indicated that they were forced to explore new business opportunities once cross-border trade was no longer viable in order to provide enough income for them and their families. One alternative some of them pursued was farming. By minimizing operational costs, using proper bookkeeping, planning, and providing customer care, some respondents indicated that they had managed to diversify to other businesses. Some said they had turned to selling locally produced goods instead of relying on imports. For example, they were selling masks, sanitizers and aprons, which were in high demand and could be sourced locally. Other respondents reported that they had established home delivery services, while others had opened makeshift structures to sell their products, especially food items for which demand was still high. Sourcing locally provides a lifeline to many cross-border trade businesses, but it deprives traders of the benefits of buying products abroad at the best quality and price, including taking advantage of the favourable exchange rate (Zarrilli and Linoci 2020; Zarrilli 2021). However, the interviews indicated that the training programme equipped traders with new skills to manage their businesses, allowing them to continue earning at least some income despite the pandemic.

### 3.9 PROMINENT ACTORS AT THE REGIONAL AND NATIONAL LEVELS AND UNCTAD'S COMPARATIVE ADVANTAGE

Finally, the survey of government officials and representatives from CBTAs assessed UNCTAD's comparative advantage in the region compared to that of other prominent actors. Most respondents indicated that many organizations at the national and regional levels were involved in different activities

with small-scale traders. At the regional level, they cited COMESA, SADC, the International Organization for Migration, Southern African Trust, Open Society Initiative for Southern Africa, National Initiative for Civic Education, and the EAC Secretariat that worked in partnership with several countries. At the national level, actors included trade ministries, revenue authorities, chambers of commerce and CBTAs. Some respondents noted that trade associations had been highly effective and influential in organizing and coordinating traders' participation in the training programme. In this regard, the Tanzania Women Chamber of Commerce was mentioned as a good example, though it was also noted that increased funds would make the chamber more effective.

Most survey respondents indicated their belief that UNCTAD has a comparative advantage. Specific examples of the noteworthy value of UNCTAD's interventions included the broad spectrum of issues addressed in the training sessions, ranging from entrepreneurship strategies to trade issues to new COVID-19-related developments. In addition, they noted that UNCTAD activities were based on solid knowledge of cross-border trade-related issues and, in particular, an in-depth understanding of the specific difficulties faced by women traders. Moreover, UNCTAD's training activities involved even very small traders who usually are not targeted by capacity-building activities.

### 3.10 SUPPORT NEEDED BY SMALL-SCALE AND INFORMAL CROSS-BORDER TRADERS FROM UNCTAD, CROSS-BORDER TRADE ASSOCIATIONS AND THE GOVERNMENT

A final component of the assessment sought to determine the types of further support that cross-border traders would need from UNCTAD, their respective governments and CBTAs:

#### UNCTAD

- Most of the survey and interview participants indicated that it would be helpful if UNCTAD could provide regular training activities on trade-related issues (e.g. capacity-building on border procedures) for small-scale traders. This could be conducted twice a year in collaboration with government border officials. Other respondents



suggested organizing regional workshops targeting MSMEs to share country experiences and challenges and provide training sessions on trade-related issues. Yet others indicated that UNCTAD training programme should be replicated and/or offered at other border crossings, mainly where STRs are in force, as is the case for Mwanza and surrounding districts in the United Republic of Tanzania.

- In addition to regular training activities on trade-related issues, respondents indicated the need for capacity-building activities focusing on financial literacy and business management.
- Respondents indicated that UNCTAD could provide training activities to help micro and small businesses overcome the challenges deriving from the pandemic by providing ideas and sharing experiences on how traders, especially women, could continue conducting their businesses under the new conditions.
- Respondents suggested that UNCTAD could collaborate with CBTAs and further strengthen their capacity to work effectively in their respective countries, including by providing funding to run their offices. Indeed, CBTAs highlighted that lack of funds impair their ability to maintain their offices and provide quality services to members. As a result, membership has been declining. In addition, UNCTAD could assist countries where CBTAs have not yet been set up. For example, there is no CBTA in the United Republic of Tanzania, and the Tanzania Trade Development Authority (TAN-Trade) collaborates with trade desks in local governments to deal with cross-border issues.<sup>7</sup> Lack of an organization fully devoted to cross-border trade issues implies that traders do not have a place to meet and get information and, even more importantly, they do not have an institution representing them and presenting their concerns. Finally, UNCTAD could provide support (including finance) to CBTAs to establish trade information desks at the borders to inform traders about the trade regimes in force under the different regional groupings (SADC, EAC and COMESA).
- One respondent suggested that UNCTAD share the Traders' Guide with the CBTAs in digital format to facilitate its dissemination. This would make the guide a reference point and a source of information for traders. Respondents further suggested developing a website for small-scale traders to provide information on trade and other issues.
- Respondents suggested that any further training activity should either be conducted by a national who can speak the local language or engage the services of an interpreter to ensure that all trainees can follow the presentations and participate in the practical exercises.
- It was suggested that UNCTAD and other United Nations agencies, such as the international Trade Centre and the United Nations Development Programme, establish joint programmes to assist women traders in setting up MSME groups.
- Some respondents indicated the need to hold training sessions to enhance traders' capacity to improve the appeal of their products and comply with export market requirements.
- Some respondents indicated that UNCTAD could assist in establishing consultative mechanisms involving all stakeholders, private actors and government authorities. Such mechanisms would facilitate the development of policies that support and promote small-scale cross-border trade, including addressing the non-tariff measures affecting exported products.

### Government

The survey highlighted that cross-border traders expect more interventions from the government. Enhanced access to markets and finance, digitization, and support to improve productivity were mentioned as priority areas. Additional measures needed to revive cross-border trade include:

- Enhancing access to credit and establishing women's empowerment funds (e.g. by setting up COVID-19 funds to help revitalize cross-border trade businesses).

<sup>7</sup> While there is no formal CBTA in the United Republic of Tanzania, there is the Tanzania Women Chamber of Commerce, which is very active in women entrepreneurship activities. See <https://www.twcc-tz.org/> (accessed 18 November 2021).

- Providing marketing support through the organization of trade fairs and business visits in the border countries.
- Improving access to technology. Due to the pandemic and related movement restrictions, many cross-border traders were unable to continue their businesses. Trading online could provide an option. For this to happen, traders need to be trained on buying and selling online, using electronic money/cashless payment systems, etc. Governments could improve traders' technical skills by offering free online training courses and materials. Such interventions would help cross-border traders transition to new technologies, resume business operations and expand business channels.
- Undertaking tax interventions that support cross-border trade, including tax reductions, tax refunds and tax credits for informal traders who resolve to register their businesses.

#### *Cross-border trade associations*

Respondents indicated that they expected CBTAs to provide support for them to, among others, handle challenges at the border, facilitate setting up business networks, organize training activities, and ease the delivery of border passes. Additional measures suggested included the following:

- CBTAs could link small traders to micro-finance institutions and lobby for the development of

products suitable for their businesses. Access to capital is critical to traders, but respondents reported extremely limited access to formal credit in their respective countries. Access to credit was highlighted as a particular critical issue for women traders. Hence, linking traders with micro-finance institutions would provide a good option if those institutions were willing to develop products adapted to cross-border traders' unstable business cycles and other shortcomings related to the small size of their businesses, or to hurdles affecting women in particular, such as lack of collateral.

- CBTAs could liaise with the government to provide traders who cross the border regularly with passes/cards that have extended validity or could be used several times to spare traders the costs of buying border passes every time they travel. For example, the temporary border pass given by Tanzania Immigration is meant for single-use, which means a trader must buy it daily or every time she/he crosses the border.
- CBTAs could advocate for the development and strict enforcement of policies that address gender-based violence at the border and impose heavy sanctions on perpetrators.
- CBTAs could promote better collaboration between traders and border authorities through forums and dialogues.

## 4. CASE STUDIES

### 4.1 MAGGIE KAMCHACHA, MALAWI

Maggie Kamchacha is a Malawian cross-border trader from Karonga who conducts her business at the Songwe/Kasumulu border between Malawi and the United Republic of Tanzania. She has been an informal trader since 2018. Before starting her business, Ms. Kamchacha was a government employee in Lilongwe. In 2018, she moved to Karonga to work for a non-governmental organization. Towards the end of the year, when her contract was not renewed, she decided to establish a business in Karonga, which she named Cristal Waters Creation. One of Ms. Kamchacha's main business objectives was to open a shop for electric home appliances. The business idea came up after seeing that there was market demand in Karonga for electronic home appliances, as local residents who needed them would usually travel to the capital of Lilongwe, about 600 km away, to buy them.

#### Trading informally

Ms. Kamchacha started her business selling small radios, solar appliances, simple music systems and other accessories around the city market. She mainly bought her merchandise from neighbouring Kyela in the United Republic of Tanzania. She did not register her business with the Registrar General in Malawi and did not hold a business license.

"I would acquire a border pass in Karonga and travel to Kyela to buy electronic items and accessories," she explained. "I would pass through the official border post with a small amount of merchandise for customs inspection and payments, while the rest would be with the border porters who would cross through unofficial routes/informal paths. I would then use the customs receipts and papers related to declared goods to transport both consignments to Karonga."

Such practices, however, were neither successful nor sustainable. Ms. Kamchacha recalls that she lost her merchandise on numerous occasions due to robberies by border porters who claimed that customs officials had seized the goods. In addition, very often she had no option other than to bribe officers at all five inspection roadblocks on the way from Kyela to Karonga to be able to reach her destination. As a result, her business suffered. She said that she was only making enough to



Maggie Kamchacha posing with her wares in her shop. ©UNCTAD

feed her family and nothing else. She ran her business in this way for a little over a year.

#### UNCTAD capacity-building activities

In 2019, Ms. Kamchacha applied to attend an UNCTAD border training session through the Karonga Chapter of the Cross-border Trade Association of Malawi. She said the six-day training programme was transformative and instructive.

*"After learning and practicing the entrepreneurial skills during the training, I was transformed inside out. The first thing I did after the training was a self and business diagnosis to know what I was doing right or wrong and the way I was running my business."*

Ms. Kamchacha decided to apply what she had learned during the training programme to her business. She set a one-year-goal plan divided into quarterly plans. The plan called for increasing her sales revenue by diversifying her offerings to include products in demand by the middle- and upper-class market, and registering her business and obtaining a business license. She developed a step-by-step programme of action to reach her goals.

### **Journey to formalization**

Ms. Kamchacha registered her business with the Registrar General in 2019 and obtained a business license to start operating as a formal business. She realized that registration came with benefits such as legal protection, access to government finance packages and other business incentives. In January 2020, she reached the goal of diversifying her products by including television sets, music appliances and refrigerators, which she imported from the United Republic of Tanzania. In terms of preparation to cross the border, she made sure to have a valid border pass and sufficient cash to buy the goods she needed before embarking on her travel. She also made use of the knowledge she had acquired during the component of the training programme devoted to trade rules and customs procedures. She asked customs officials about the applicable tax rates and duties for the goods she would buy and bring back to Malawi. Her initial expectation was that customs officials would not be helpful. To her surprise, they were cooperative and provided her with the additional information she needed beyond what was posted at the border.

Once she had bought her goods, Ms. Kamchacha passed through the official border posts to return to Karonga. She filled in the declaration form and other customs form, and realized that the amount of taxes and other duties she had to pay for crossing the border legally was far less than what she used to pay to informal agents when using the unofficial routes. In addition, the clearance process was carried out smoothly, without any abuse, bribes or loss of merchandise. Ms. Kamchacha also realized that the knowledge she had acquired during the training programme about the rules of origin could be useful for her business. She noted, for example, that electrical appliances originating from China or the United Arab Emirates fetched higher duties than appliances originating from the United Republic of Tanzania or other member countries of the Southern African Development Community (SADC). That knowledge prompted her to source her goods

more efficiently, giving preference to goods originating from the SADC countries in order to benefit from the rules of the SADC Trade Protocol for products manufactured in the region.

### **Diversification**

To expand her sources of supply, Ms. Kamchacha started travelling to South Africa to buy electrical appliances manufactured there, including televisions, refrigerators, cooking stoves and musical items. Importing products in Malawi from South Africa was not as expensive as she had anticipated. Moreover, the goods could benefit from the SADC Trade Protocol, being manufactured in the region.

*“Within six months, my business sales revenues had soared by 70 per cent from the original figures in 2019. My then small business had gradually expanded into a large business. I attribute this growth to the life-changing training offered by UNCTAD. To me, there is a clear positive correlation between the willingness to put the behavioural changes and the understanding of trade rules and procedures in practice and business growth. The more you apply them, the more your business will grow”.*

### **Mitigating the impact of COVID-19**

The COVID-19 pandemic negatively affected many businesses, including Cristal Waters Creation. Due to national lockdowns and the closure of the borders, particularly South African borders, Ms. Kamchacha’s business stopped growing, her clientele shrank, and income losses mounted rapidly. To counteract it, she implemented some of the suggestions that had been discussed at the UNCTAD training sessions:

- Further diversification. At the beginning of 2021, Ms. Kamchacha diversified the business to foodstuffs, including beef (e.g. cut beef, meatballs, beef sausages, etc.), all sourced

locally. The foodstuff business has been growing fast since the onset of the pandemic.

- Online procurement. In response to the border closures with South Africa, Ms. Kamchacha started ordering and selling electrical appliances online. Thus far, the business has been successful.

#### Overview of future plans

Ms. Kamchacha used her ability to adapt her business model to online trading to save her enterprise from the negative repercussions of the pandemic. Looking forward, she is investing in building an online market and supply chain system that will allow her business to survive and thrive in the current environment.

## 4.2 GLADYS NGWENYAMA, ZAMBIA

Gladys Ngwenyama is a 38-year-old cross-border trader from Zambia who operates at the Mwami/Mchinji border post between Zambia and Malawi. She has been an informal cross-border trader for the past 10 years. During this period, she has been trading in women's apparel, including Chitenje fabrics, clothes and other accessories. She buys her products from Malawi and sells them in Chipata, Zambia. Her business is currently operating with a working capital of 50,000 kwacha (around US\$3,150) that she has built up over the years.

#### Trading informally

Until recently, Ms. Ngwenyama had never registered or considered registering her business with the Zambian Patent and Company Registration Agency (PACRA). Since the start of her activities over a decade ago. She thought that registering a business was only for large companies, not for small ones like hers. All of her business transactions were informal. To buy the goods to sell in a market stall in the Kapata market in Chipata, Gladys relied on informal routes to cross the Mwami/Mchinji border, known as *Zalewa*, which means "to avoid." However, because of the absence of security on those informal routes, Ms. Ngwenyama remembers occasions when her goods were confiscated by customs border patrols, including once when they seized her merchandise worth 20,000 kwacha (approximately US\$1,060). On another occasion while using the *Zalewa* route, she was caught by the patrol and had to pay a fine of 15,000 kwacha (approximately US\$940) to cross the border, an



*A stall displaying african print fabrics at a Flea Market.*  
©Nyasha Musawani

amount equivalent to the value of the goods she was carrying. She did not receive any receipt proving the payment of the fine or its fairness, and she could not complain to anyone since her business was informal. Ms. Ngwenyama also said that she would pay bribes equivalent to 5,000 kwacha (approximately US\$300) to carry out her business. She continued to run her business informally until the beginning of 2021.

#### UNCTAD capacity-building activities

Ms. Ngwenyama is a member of the Zambian Cross-border Trade Association. In February 2021, she attended the UNCTAD training sessions held in Chipata for informal and small-scale traders operating at the Mwami/Mchinji border. She said that the programme was helpful because it provided the opportunity to learn

about trade rules and procedures applied at the border. Before this training experience, her knowledge about those rules and procedures was based on rumours and stories shared by other informal cross-border traders, premised on the view that the best option was to avoid any official crossing route.

UNCTAD training programme demystified this assumption. First, when attending the training sessions, Ms. Ngwenyama noted that border officials, including customs, immigration and police officers, were in the same conference hall as cross-border traders. Second, she noted that the training sessions were conducted in clear and straightforward language, clarifying the distinct roles of officials and traders. She said that the session focusing on traders' rights and obligations was a particular eye-opener for her since she was not aware of these matters. Moreover, she became familiar with the simplified trade regime (STR), a new trade tool for her. The six-day training programme made Ms. Ngwenyama, consider changing her way of trading.

#### **Journey to formalization**

Ms. Ngwenyama decided to put into practice what she had learned through the training programme. As a first step, she approached PACRA to register her business under the name of Upendi General Dealers. The business registration process was smooth, in part because during the training participants had been asked to go to PACRA and obtain business registration information, including the various steps to follow to register.

Registration allowed Ms. Ngwenyama to open a business bank account in Chipata. She started collecting and keeping records of all business transactions, one of the recommendations made at the training sessions.

As a second key step, she stopped using informal routes and started crossing at official borders. She noted that the training programme made this possible because one of assignments was to collect information from customs and immigration officials about customs procedures. As a result, she was able to visit the border and become familiar with procedures and processes. Ms. Ngwenyama concluded that, overall, crossing the border through official border posts was a better option than using the informal crossings because it was less expensive and the costs were transparent

and predictable. Moreover, she realized that she could benefit from the STR established by the Common Market for Eastern and Southern Africa.

#### **Diversification**

As a result of the training programme, and particularly the entrepreneurship component, Ms. Ngwenyama decided to diversify her business and start selling apparel for weddings as well as party decorations and accessories, since the demand for weddings was still high despite the pandemic. The new business does not involve any cross-border trade and is an addition to the original cross-border trade business.

#### **Mitigating the impact of COVID-19**

Like most other cross-border trade, Ms. Ngwenyama's business was not spared from the effects of COVID-19. She indicated that her business suffered from declining sales and a significantly reduced number of clients, which is what led her to open her new business related to weddings.

### **4.3 MARY MWEEMBA, ZAMBIA**

Mary Mweemba is a 50-year-old Zambian cross-border trader conducting business at the Nakonde/ Tunduma border between the United Republic of Tanzania and Zambia. She has been operating as an informal cross-border trader for the past 15 years. She trades in rice, beans, sweet potatoes and groundnuts. She can count on a working capital of 60,000 kwacha (approximately US\$3,770) built up over the years. She sells her goods sold to wholesale distributors who in turn sell them to institutions like boarding schools and hospitals.



*Outdoor market food stall. ©UNCTAD*

### Trading informally

Since starting her business, Ms. Mweemba had always operated it informally, until recently. She did not register the business with PACRA because of its small size and fear of heavy taxation that would impact business profitability and survival. As she bluntly put it, “the taxman is an enemy to the business and should be avoided at all costs.”

After she was introduced to cross-border trade, she learned tactics from friends and fellow cross-border traders to avoid police, immigration and customs officers and get her goods across the border using informal routes. Once, however, while crossing using an informal route, she ran into customs officials who confiscated her goods worth about 20,000 Zambian Kwacha (approximately US\$1,060). Even then, Ms. Mweemba did not consider turning to formal trade.

### UNCTAD capacity-building activities

Ms. Mweemba ultimately recognized that she knew little about trade rules and procedures and, by extension, her rights and obligations. In 2019, she attended UNCTAD training sessions held in Chipata for cross-border traders using the Nakonde/Tunduma border. She said the training programme was the first opportunity for her to get acquainted with a number of business and trade rules. For example, she was unaware of the regional arrangements, and she had never even heard about the simplified trade regime (STR).

### Journey to formalization

Following her participation in UNCTAD training programme, Ms. Mweemba was determined to implement what she had learned and decided to switch the way she operated her business. As a first step, she registered her business at PACRA under the name of Jacinth Enterprises. She said that registering was easy because one of the practical assignments during the training workshop was to collect registration information from PACRA. She also opened business and personal bank accounts in Nakonde in order to separate her personal expenditures from business transactions, and she put in place a cashbook system to issue and record all business receipts. Finally, Ms. Mweemba decided she was ready to use official borders for her crossings. She said she was pleasantly surprised by what she encountered: “The procedures and processes at the official border posts were much easier and simpler than I thought.”

Ms. Mweemba learned that she could benefit from the Common Market for Eastern and Southern Africa STR because the goods she was trading were included in the STR Common List. Moreover, thanks to the training programme she realized that the goods would be duty-free.

### Mitigating the impact of COVID-19

Ms. Mweemba’s business was negatively affected by the COVID-19 pandemic and the closure of the borders. For example, she could no longer cross the border to buy beans in Mbeya in the United Republic of Tanzania, a key component of her business. As a result, she decided to diversify and opened a stationery business in addition to continuing her cross-border activities.

### Overview of future plans

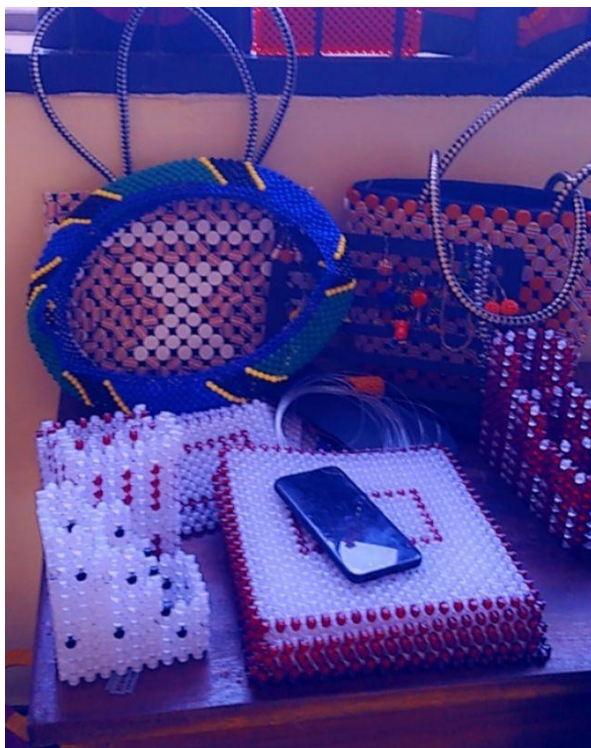
Ms. Mweemba indicated that she had plans to expand her business and open a business branch in another district. She highlighted that having a formal business would open new opportunities, such as selling her goods directly to institutions like boarding schools and hospitals.

## 4.4 REHEMA HANDICRAFTS, UNITED REPUBLIC OF TANZANIA

Rehema Handicrafts is a business established in January 2020 and run by four Tanzanian partners: Rehema Kalisa, Tulinagwa Mwangupili, Mariam Mwakamisa and Tulimbumi Korosso. The business revolves around producing and selling handicrafts, including beads and other beads products, batiks, tie and dye cloth, decorated leather sandals, and beaded ladies accessories such as earrings, necklaces and rings.

Before joining the partnership, Ms. Korosso operated a sole proprietorship that she had started in 2016 after leaving formal employment. She designed and made beaded ladies handbags, purses, table mats, and ladies accessories, and used tie and dye and batik materials to make ladies’ and men’s attire. Her main customers were locals from Kyela, Mbeya and Dar es Salaam in the United Republic of Tanzania, and some clients from Malawi.

Ms. Kalisa ran her own handicraft business established in 2015 in Mbeya before joining the partnership. She was selling handicrafts, including table mats, necklaces, and ladies’ handbags and purses. She was also a



Rehema Handicrafts – beaded handbags and table mats  
©UNCTAD

handicraft teacher, training women to make handicrafts and decorations using beads. In 2016, she moved her business to Kyela to target tourist hotels in Kyela, Mbeya, Dar es Salaam and Arusha. In Kyela, she met Ms. Korosso, one of her trainees. In 2017, Ms. Kalisa further expanded her business to Kigali, Rwanda.

Before joining the partnership, Ms. Mwangupili owned a business in Kyela that she had established in 2017, selling ladies clothes and handbags and women's, men's and children's shoes that she bought in Malawi. In addition, she ran a décor business where she designed decorations for ceremonies and events using traditional articles. Ms. Mwangupili used social media platforms to advertise and market her products, and she was getting orders from various parts of the United Republic of Tanzania.

For her part, before joining the partnership, Ms. Mwakamisa operated a business that she had established in 2015 selling all types of stationery, printing, and computer accessories. Ms. Mwakamisa joined the partnership after attending a Rehema Handicrafts workshop in 2020.

To date, the four partners still run their respective activities along with the partnership business that operates as a separate entity.

### UNCTAD capacity-building activities

The first three partners, Ms Kalisa, Ms. Mwangupili and Ms. Korosso, attended UNCTAD training sessions in 2019, while Ms. Mwakamisa, who joined the partnership later, participated in the workshop held in 2021. After the three partners attended the 2019 training sessions, they decided to meet every three weeks to share experiences and discuss the challenges each was encountering in business. It soon became evident that it would be hard for them to achieve their respective goals operating independently. Since they were operating in similar sectors, they decided to combine their resources and skills and jointly explore new business avenues, building on what they had learned during the training programme.

### Journey to formalization

Following the decision to form a partnership, the women decided to register the business at the district level. In addition, they developed a business strategy: they would work on their own respective businesses four days a week, devote two days a week to the partnership, and hire an employee who would work for the partnership business on a full-time basis. During the two days a week dedicated to the partnership, the women held meetings to:

- Review their short- and long-term goals and make the necessary adjustments.
- As the basis for future decisions, review all business transactions, including production, purchases and sales, using bookkeeping skills acquired through the UNCTAD training session on business creation.
- Set daily, weekly and monthly goals for the partnership.
- Develop plans for marketing.

Following the registration of the business, the partners decided to open a shop in the Kyela city centre. When the business started growing, the Kyela district council took note and encouraged the partners to apply for a government grant, as the district council had a fund reserved for entrepreneurs working as a group. The application was successful, and the partners received a grant of TZS 12 million (approximately US\$5,200) to strengthen the business. The new injection of



funds enabled the partners to increase their range of products offered and undertake fresh marketing efforts to reach clients in neighbouring Mbeya and across the border in Karonga, Malawi. The business also received support from the District Commissioner, who encouraged his guests and visitors to pass by the shop because he thought it was an exemplary example of local entrepreneurship. In July 2020, the partners were sponsored by the Kyela district administration to attend exhibitions in Mbeya, followed by training activities on how to make quality handcrafts.

### Diversification

Since its inception, the business partnership has been thriving, attracting both local and foreign customers, mainly from Malawi, Zambia and Rwanda. The women have been proactive in taking their products to Malawi, in particular to the Karonga district, where they can be sold at good prices. Drawing on what they learned from the UNCTAD training programme, the partners now feel confident using official border posts, better understand their obligations and rights, and are not afraid to seek assistance from customs officials.

*“The training has been very fruitful, empowering us with entrepreneurial skills. It brought to light the issues of trade rules and procedures on cross-border trade, a topic that is largely misunderstood by informal traders.”*

The partners also indicated that they now understand how the Southern African Development Community Trade Protocol applies when crossing to Malawi, so they always remember to carry valid border passes, fill in the necessary declaration and payment forms, and hold certificates of origin delivered by the Tanzania Chambers of Commerce, Industry and Agriculture.

One of the partners, Ms Kalisa frequently travels to Rwanda to sell goods produced through the partnership business as well as those she produces as part of her own business. She explained that understanding the trade regimes of the different trade blocs had helped her strengthen her business. Furthermore, given that Rwanda is a member of the Eastern and Southern African Community (EAC), she became aware that

that no visa was required to move from the United Republic of Tanzania to Rwanda, only a valid passport or temporary travel document, and that under the EAC’s simplified trade regime (STR) customs procedures had been made considerably easier. The partners indicated that they do not carry consignments that exceed US\$2,000 and hold certificates of origin to be able to benefit from the STR. They said that crossing the border through the official posts and using the STR has proved to be less expensive than crossing informally, which often requires paying bribes.

### Mitigating the impact of COVID-19

The partners indicated that since their handicraft business depended significantly on customers from Malawi and Rwanda, the number of foreign clients declined when the pandemic hit. In July 2021, no customers were recorded from Malawi. Business from Rwanda improved as soon as that country relaxed some of its border measures, though due to pandemic restrictions the partners could still not travel there themselves and relied on agents who travelled by bus from Dar es Salaam to Kigali to deliver the products. Even then, since handicraft sales were very much dependent on tourism, sales remained subdued.

Seeing the adverse turn of their business, the partners decided to re-strategize and review their plans and objectives. They adjusted their production and marketing plans and decided to innovate and design products to suit the local market at all levels. The results were impressive.

*“We produced goods suitable for men, women and children such as decorated sandals, culture wrist bands worn mainly by youths, printed t-shirts, and printed cups for events. Currently, our business is booming, and sales are increasing tremendously, coupled with marketing efforts. Now we have customers from big cities like Dar es Salaam, Dodoma, Mwanza and Arusha.”*

The partners attribute their achievements to their willingness to revise their plans, set new goals, and be courageous enough to change their marketing approach. To date, they have hired three employees whom they have trained to assist in handicraft production. Ms. Mwakamisa is permanently stationed in the shop in Kyela to handle daily sales.

### Overview of future plans

Looking forward, the partners plan to expand the business and they remain optimistic that the tourism industry will come back to life once the COVID-19 pandemic is contained and the borders fully opened. They have plans to meet with the district council administration and the Tanzania Chamber of Commerce and Agriculture in Kyela to organize an exhibition in collaboration with the Cross-border Trade Association of Malawi in February 2022. That event would bring together cross-border traders from both countries and reopen market opportunities for their business. UNCTAD has indeed found that trade fairs are good opportunities to secure access to domestic and international markets, particularly for traders dealing with non-agricultural products (UNCTAD 2019). In addition, the partners are in the process of establishing a handicraft training centre for youth. Graduates from the centre will be allowed to work in groups, and the partners will advise them on quality issues and help them find a market for their products. The partners' goal is to make their business a handicraft hub in the southern regions, including Malawi and Zambia.

## 4.5 CHRISTINE KING'OLA, KENYA<sup>8</sup>

Christine King'ola is a businesswoman engaged in both cross-border trade and farming. She lives in the border town of Taveta in Kenya and owns approximately two hectares of land in the Mrabani area, where she runs a small-scale banana farm. After starting operations in 2018, Christine managed to plant more than 800 banana plants by using an irrigation system. The business was demanding, so Christine hired two full-time laborers. Her first harvest in early 2000 brought between 500 and 600 bunches of bananas. Selling the product was easy: she sold wholesale at farm-gate prices. Her main customers were traders from Mombasa, Kenya, and from the United Republic of



Christine King'ola in her banana farm. ©UNCTAD

Tanzania. In addition to bananas, Christine planted beans on a small scale and had dairy cows to sell milk and for manure to use as fertilizer.

### The COVID-19 challenge

Until March 2020 Christine's business was going well and prospects for growth were promising. By that time the farm gate price for a banana stalk had increased from KSh. 180 to KSh.200, making the business profitable. But then the COVID-19 pandemic hit. Initially it did not hurt Christine's business because daily activities continued normally. Sales to buyers from Mombasa continued, but then the closure of the border stopped sales to the United Republic of Tanzania. It was when the curfew was implemented that the situation deteriorated sharply.

"Starting in June 2020, I could not go out to market my bananas," Christine explained. "I devised a strategy to use brokers and it worked for few weeks, but then the brokers gave up because the purchasing power of customers had gone down due to the many restrictions.

<sup>8</sup> The outcomes of UNCTAD's training workshops in Kenya are not covered in this report since they took place in November 2021, after the finalization of the impact assessment. Nevertheless, Christine King'ola's experience is presented here as a valuable example of success story.

I remember looking at piles and piles of ripe banana bunches lying there rotting all over the farm, with nowhere to sell. What I already had consigned at the market was thrown away in my absence. I was disappointed and disheartened. And on top of all the other losses I had incurred, I owed transporters more than KSh. 30,000.”

As the crisis wore on, Christine struggled to find ways to move forward.

“The effects of the pandemic challenged me to go the extra mile and think about how I could make some economic use of the bananas from my farm,” she recalled. “I realized it was too soon to give up. I still had determination to grow and thrive in business.”

It occurred to Christine that by raising pigs she could use the products from banana farming and generate a reasonable income. So she sold two of her low-yielding dairy cows (and was careful to keep the high-yielding ones) and purchased four pigs – one boar and three sows.

Christine started feeding the pigs with bananas from her farm and the remains of other products. This allowed her to save money that she would have otherwise spent to buy commercial feed. She even got bananas from other neighboring farms for free. Within only a few months, by December 2020, Christine had 21 pigs.

Starting in February 2021, Christine’s situation began to turn around, starting with an increase in sales of milk up to 16 liters per day. In June, COVID-19 restrictions were eased and cross-border trade resumed at the Taveta/Holili border between Kenya and the United Republic of Tanzania, though with strict adherence to COVID-19 protocols. Finally, in August 2021, Christine’s banana business started to boom because while demand was high, supply could not keep up because many farmers had stopped working their farms. But Christine’s banana harvests had been thriving all along, and she started consigning shipments herself to Mombasa and Holili, avoiding middlemen and maximizing profits. By September she had raised more than KSh. 15,000/ in capital.

### **Business turnaround and new business direction**

With bananas fetching high prices, it was no longer cost-effective for Christine to use them to feed her pigs, so she took a bold decision to sell all the pigs and focus on banana sales. At the same time, she continued to increase her savings at a commercial bank.

With her confidence and her capital restored, Christine was able to identify several business opportunities in and outside Taveta. With her new financial muscle, she started a cross-border trade business in cereals (maize and beans), setting up a network of cereal suppliers across buyers in Taveta and Mombasa.

Today, though she still regards banana farming as her primary business, Christine operates a number of businesses successfully, with minimum capital of more than KShs. 20,000/ available at any given time. Looking back, she concedes that while the business environment during the pandemic was very difficult, she was able to overcome the challenges with creativity, discipline, persistence and hard work and emerge strong at last.

### **The initial training impact**

Christine attended the UNCTAD training workshop for cross-border traders at Taveta from 15–20 November 2021. She said that the training exceeded her expectations and noted that it brought about several changes in her entrepreneurial skills. She now approaches the business differently by carefully estimating costs and profit margins, and is proactive in identifying and exploiting new market opportunities. For example, Christine has diversified the range of cereals she trades beyond maize and beans, with a resulting increase in business income and growth. She now keeps business and financial records and collects necessary information before embarking on any new business activity, including checking sources of supplies, the customer base, prices etc. Finally, Christine says she has reaffirmed her commitment to quality: she believes that providing her customers with the best quality will move her business up the line.

Importantly, the training enhanced Christine’s understanding of customs rules and procedures, which, as she notes, “has made my business life easier.” She used to take cereals from the United Republic of Tanzania into Kenya through unofficial routes to evade taxes and duties, but had incurred many losses as a result of having to bribe officials such a police and customs officers, losing consignments to porters, and paying fines and penalties when her goods were seized by customs officials.

“The training showed me that cereals can be traded between Kenya and Tanzania duty free,” she reported. “Custom duties and other taxes charged on other products are not as high as I and other traders thought them to be.”

Christine's priority is now safety and security, and official crossing routes guarantee that. She recognizes the importance of being transparent by correctly filling out customs forms and declaring all goods, and her experience has been that truthful customs declarations have been met with fair assessments of the taxes and levies due. In addition, she now has the legal avenues available to file a complaint if she considers an assessment to be unfair.

"I am now more confident than ever in crossing the border to Tanzania and procuring goods there because I have in-depth knowledge of my rights and obligations as a small-scale cross-border trader," Christine explained. "I trust that my business has a bright future."

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