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

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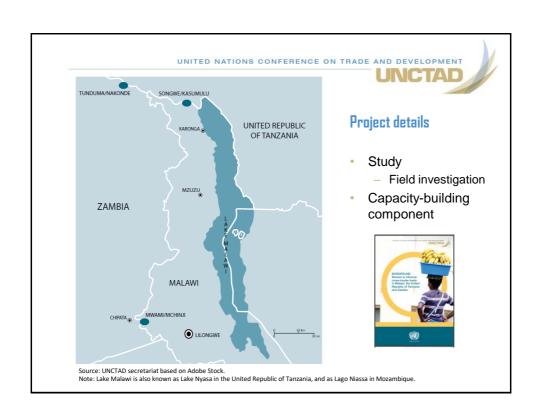
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Mariangela Linoci Trade, Gender and Development Programme, DITC







Characteristics of ICBT



Unrecorded business transactions undertaken across borders (under-declaring, misclassifying or under-invoicing)



 $ICBT \rightarrow small scale trade: Small transactions, subsistence traders with limited possibilities to scale up their business$



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

| Country or region | Documents to export (number) | Time to export (hours) | Cost to export (US\$) | Documents to import (number) | Time to import (hours) | Cost to import (US\$) |
|---------------------------------|------------------------------------|------------------------------|-----------------------------|------------------------------------|------------------------------|-----------------------|
| Malawi | 11 | 153 | 585 | 12 | 110 | 305 |
| United Republic of Tanzania | 7 | 192 | 1,435 | 11 | 642 | 1,725 |
| 7amhia | 7 | 216 | 570 | 8 | 192 | 555 |
| COMESA | 7 | 213 | 781 | 9 | 255 | 1,076 |
| EAC | 8 | 137 | 542 | 10 | 338 | 1,066 |
| SADC | 7 | 220 | 938 | 8 | 215 | 836 |
| Sub-Saharan Africa | 8 | 197 | 812 | 9 | 253 | 991 |
| South Asia | 8 | 137 | 559 | 10 | 222 | 993 |
| East Asia and the Pacific | 6 | 130 | 534 | 7 | 142 | 564 |
| Middle East and North Africa | 6 | 141 | 721 | 8 | 222 | 860 |
| Latin America and the Caribbean | 6 | 119 | 638 | 7 | 148 | 805 |
| OECD | 4 | 15 | 186 | 4 | 13 | 141 |

Source: UNCTAD calculations based on the World Bank's 2018 Doing Business indicators (World Bank 2018a).



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

Supply-side obstacles of female informal traders



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



Poor levels of education:

traders often have poor reading, writing, and counting skills



Limited access to ICT can hamper access to valuable price and product information



Limited access to finance 80% of traders use informal sources



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



Access to land and productive resources determines women's

productivity and the chances to transition into higher-value tasks



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



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)



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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

