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INTRODUCTION

Informal cross-border trade is defined as trade in legitimately produced goods and services that escapes the regulatory framework established by the government, thereby avoiding certain tax and regulatory burdens. These goods and services may be traded by (1) informal (unregistered) traders operating entirely outside the formal economy and passing through unofficial routes, or by (2) formal (registered) traders who fully or partially evade trade-related regulations and duties. For trade in goods, partial evasion of customs duties by passing through official border posts involves illegal practices of under-invoicing (i.e. reporting a lower quantity, weight, or value of goods to pay lower import tariffs), misclassification (i.e. falsifying the description of products so that they are misclassified as products subject to lower tariffs), misdeclaration of the country of origin, or bribery of customs officials (Lesser and Moisé-Leeman 2009; Ama *et al.* 2013).

Informal cross-border trade has been a major feature of African economic and social landscapes dating back to the colonial era. While it is difficult to precisely assess the magnitude of such trade due to lack of consistent measurement tools and accurate data, estimates suggest that it continues to play a large role in Africa. In the Southern African Development Community (SADC), for example, informal cross-border trade is estimated to amount to US$17.6 billion per year, i.e. 30 to 40 per cent of total regional trade. In West Africa, informal cross-border trade accounts for 20 per cent of GDP in Nigeria and 75 per cent of GDP in Benin (UNCTAD 2013a; Koroma *et al.* 2017).

Informal cross-border trade supports livelihoods, particularly in remote rural locations. It creates jobs, especially for vulnerable groups such as poor women and unemployed youth, and it contributes to food security in that it largely features raw agricultural products and processed food items. Allowing cross-border traders to flourish, grow, and gradually integrate into the formal economy would boost trade and the private sector, in turn supporting growth and development, while increasing governments' revenues and therefore their ability to provide public goods (World Bank 2014a; Manjoko and Ranga 2016).

Though informal cross-border trade most often goes unreported by customs agencies, it nevertheless represents a large portion of overall imports and exports. At certain border posts, estimates suggest that small-scale trade eclipses formal trade in both value and volume. Goods (mostly agricultural products) are carried across borders by hand, bicycle, taxi, or bus for sale in local markets. Each consignment is typically small, but thousands of individual traders cross borders daily, and in some places multiple times per day, to buy and sell goods, leading to high volumes overall.

A key feature of informal cross-border trade is that most traders are women, and for these women such trade is often their main or even only source of income (Titeca and Célestin 2012; World Bank 2012; Lesser and Moisé-Leeman 2009; Perberdy and Rogerson 2000; Macamo 1998; Muzvidziwa 1998; Perberdy and Crush 1998). According to UN Women (2010), women constitute about 70 per cent of the informal cross-border traders in the SADC region. The female predominance in informal cross-border trade is often attributed to women's time and mobility constraints, as well as to their limited access to productive resources and support systems, making such trade one of the few options available to them to earn a living (Mbo'o-Tchouawou *et al.* 2016). Women who are informal traders typically have no or limited primary education and rarely have had previous formal jobs. If married, they seldom receive contributions from their husbands to start business operations. A large proportion of women informal traders are heads of single-parent households and may rely exclusively on trade for their own subsistence and that of their children (Spring 2009).

Even though women play a critical role in cross-border trade, they often benefit only marginally from their trading activity due to a number of factors, including policy, institutional, cultural, economic, and regulatory issues (Ityavayar 2013). African cross-border traders, especially women, are constrained by such issues as high duty and tax levels, poor border facilities, cumbersome bureaucracies, lengthy clearance processes, weak governance at the border, lack of understanding of the rules, and corruption. Moreover, cross-border traders face other difficulties before even reaching the borders, such as problems with registering their businesses, securing capital and assets, or increasing the quality and quantity of the products they trade. Similarly, gender norms restricting women's mobility, access, and control over resources and decision-making within the household impact how much women and men benefit from trading activities.

This report focuses on cross-border trade in three selected countries: Malawi, the United Republic of Tanzania, and Zambia. These countries were selected because of the critical role and transformative potential of cross-border trade for their economic growth, regional integration, and economic empowerment of women. The analysis is put in the context of the regional trade agreements that apply to the three countries and has a strong focus on the specificities of female cross-border traders. The report first briefly summarizes the economic profiles of Malawi, the United Republic of Tanzania, and Zambia. It then presents informal cross-border trade flows among the three countries, as well as the profiles of cross-border traders and the characteristics of the products they trade. The core of the report deals with the barriers faced by cross-border traders at the border and the supply-side obstacles that hinder their growth opportunities. The report concludes with policy recommendations on how to further use cross-border trade for the benefit of women, regional integration, and inclusive growth.

1. Economic and trade profiles

1. ECONOMIC AND TRADE PROFILES

This section presents the main economic indicators of Malawi, the United Republic of Tanzania, and Zambia. It subsequently describes the trade flows among the three countries and the relevant tariff regimes. These tariff regimes are provided by the rules of the regional economic groups to which these countries participate, namely the SADC, the Common Market for Eastern and Southern Africa (COMESA), and the East Africa Community (EAC).

1.1 BASIC ECONOMIC INDICATORS

The three neighbouring countries of Malawi, the United Republic of Tanzania, and Zambia are classified as least-developed countries. In 2016, their GDP per capita in constant 2010 prices was US$481.50, US$867, and US$1,627, respectively.[1] Malawi and Zambia have the smaller populations (18.1 million and 16.6 million, respectively), while the United Republic of Tanzania is the most populous country (55.6 million). In all three countries, the majority of the population lives in rural areas. The United Nations Development Programme's 2015 Human Development Index (HDI) ranks Malawi 170th, the United Republic of Tanzania 151st, and Zambia 139th out of 188 countries.[2] The first two countries fall into the lowest category of human development, while Zambia is in the medium category. The Gender Inequality Index (GII) ranked Malawi, the United Republic of Tanzania, and Zambia 145th, 129th, and 124th, respectively, in 2015. The GII indicates that in each of these countries gender inequality is responsible for more than a 50 per cent loss in human development (UNDP 2016a).[3]

Figure 1 illustrates the sectoral composition of the economy in the three countries. Three observations are instructive. First, services contribute the largest share of GDP in all three countries, consistent with the average for sub-Saharan Africa.[4] Second, in the United Republic of Tanzania and Zambia, the industrial sector share of GDP (27 and 37 per cent, respectively) is higher than the sub-Saharan Africa average (24 per cent). It is important to note, however, that in these two countries the industrial sector is dominated by extractive activities, so the contribution of manufacturing is limited.[5] Finally, agriculture plays a small role in Zambia (6.5 per cent of GDP), while the economic contribution of agriculture in Malawi and the United Republic of Tanzania is considerable, and larger than the sub-Saharan Africa average.

Malawi has experienced economic volatility since the 2008/2009 global financial crisis. Between 2013 and 2015, average annual GDP growth varied between 0 and 6.5 per cent. Agriculture accounts for almost 90 per cent of exports, with heavy dependence on tobacco (WTO 2016a). As shown in figure 2, agriculture is the main source of employment in the country, especially for women. In 2017, agriculture accounted for 90 per cent of total female employment, and 80 per cent of total male employment. Services employment remains limited despite its large contribution to GDP; the share

1 The data are from the World Bank's World Development Indicators database, available at http://databank.worldbank.org/ (accessed in March 2018).

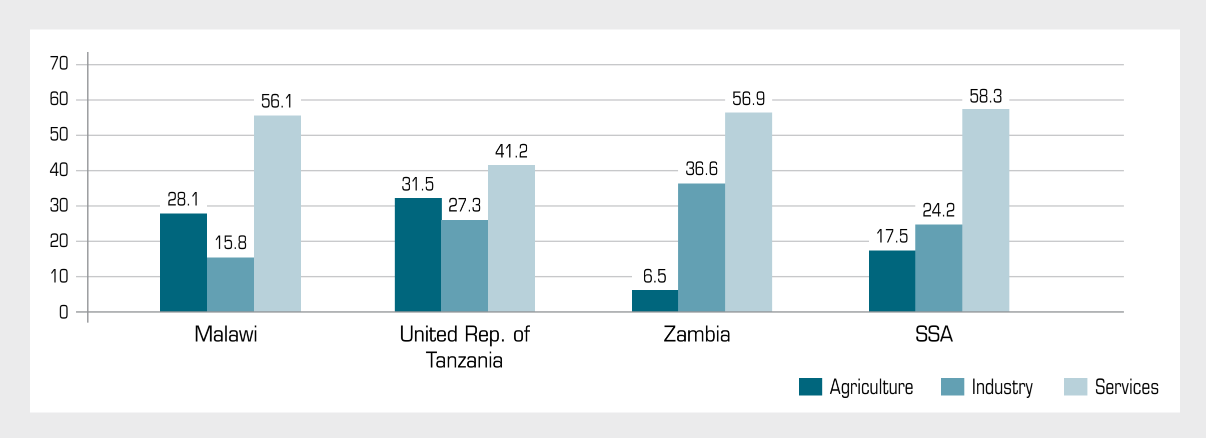
2 The HDI is a summary measure of average achievement in key dimensions of human development: having a long and healthy life, being knowledgeable, and having a decent standard of living. The value of the HDI lies between 0 (the lowest level of human development) and 1 (the highest level of human development). For more information on the HDI, see http://hdr.undp.org/.

3 The GII reflects gender-based disadvantage in three dimensions: reproductive health, empowerment, and the labour market. It ranges between 0, where women and men fare equally, and 1, where women fare as poorly as possible in all measured dimensions. The GII can thus be interpreted as a percentage loss to potential human development due to gender inequality.

4 Sectoral composition figures show the share of value added by each sector to a country's GDP. According to the World Bank's World Development Indicators database (http://databank.worldbank.org/; accessed in March 2018) value added measures the net output of a sector after adding up all outputs and subtracting intermediate inputs. Deductions for depreciation of fabricated assets or depletion and degradation of natural resources are not part of the calculation of value added.

5 Manufacturing constitutes only about one-fifth of the industrial sector in the United Republic of Tanzania and Zambia, according to the World Bank's World Development Indicators database (http://databank.worldbank.org/; accessed in March 2018).

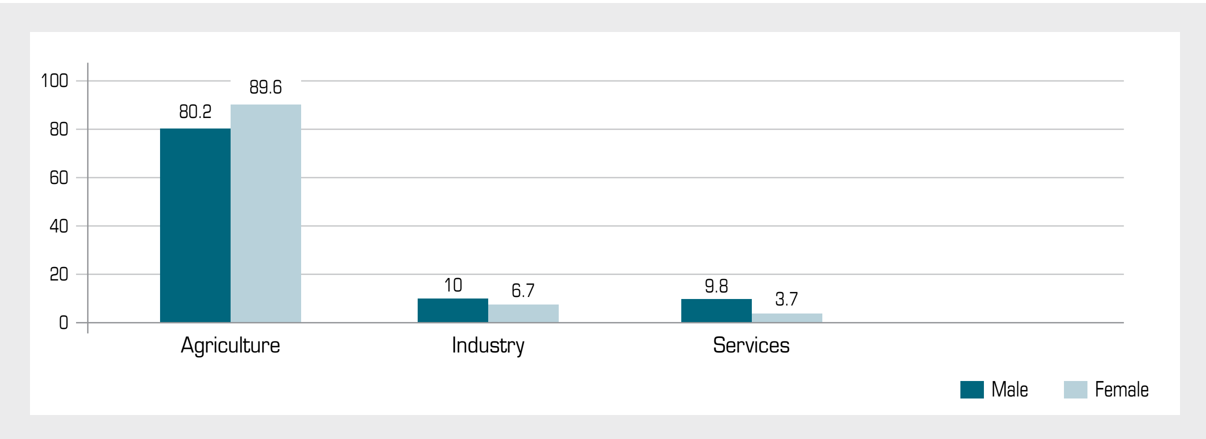
Figure 1. Sectoral composition of GDP in Malawi, the United Republic of Tanzania, and Zambia, 2016 (per cent shares)



Source: World Bank, World Development Indicators database, available at http://databank.worldbank.org/ (accessed in March 2018).

Note: SSA: sub-Saharan Africa.

Figure 2. Employment distribution by economic activity and sex in Malawi, 2017 (per cent)



Source: ILOSTAT database, available at https://www.ilo.org/ilostat (accessed in March 2018).

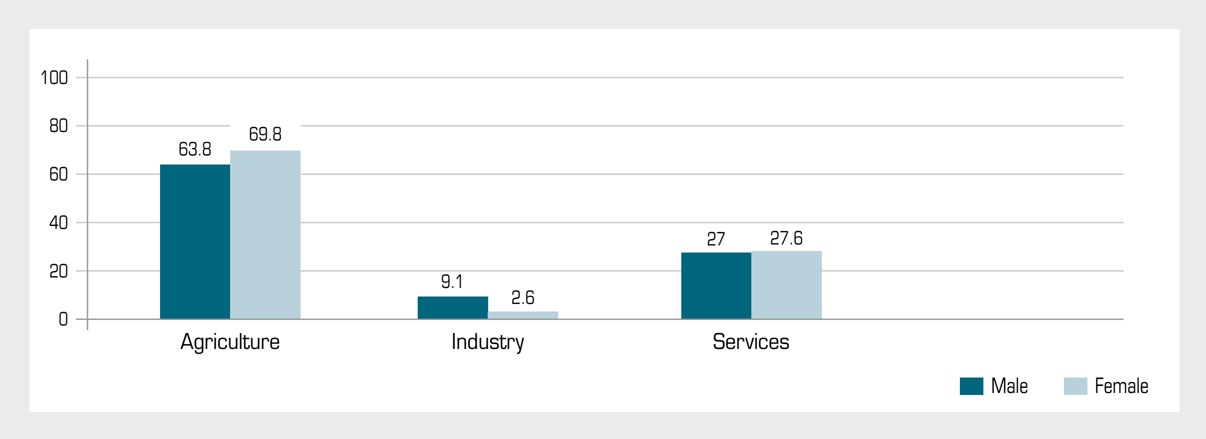
Note: Employment distribution figures are based on International Labour Organization (ILO) estimates.

of services in female employment was only around 4 per cent in 2017 compared to the average of 34 per cent for sub-Saharan Africa.

The United Republic of Tanzania has been one of the fastest-growing countries in Africa in recent years, with annual average GDP growth of around 7 per cent between 2013 and 2015. This economic performance could be the result of the structural changes that have started to transform the country into a market economy and increased the share of industry and services in economic activity. However, agriculture continues to be the main source of livelihood and income, accounting for 85 per cent of the country's exports. Figure 3 shows that in 2015 agriculture generated 70 per cent of female employment and 64 per cent of male employment. In contrast to the case of Malawi, in the United Republic of Tanzania women hold a slightly higher share of their employment in services (28 per cent) than men (27 per cent). Consistent with the cases of Malawi and Zambia, the industrial sector in the United Republic of Tanzania is the most male-dominated.

In Zambia, economic growth has been quite strong, with annual average GDP growth of 5 per cent between 2013 and 2015. Agriculture accounts for 86 per cent of exports in the country. As shown in figure 4, agriculture is also the main source of employment in Zambia,

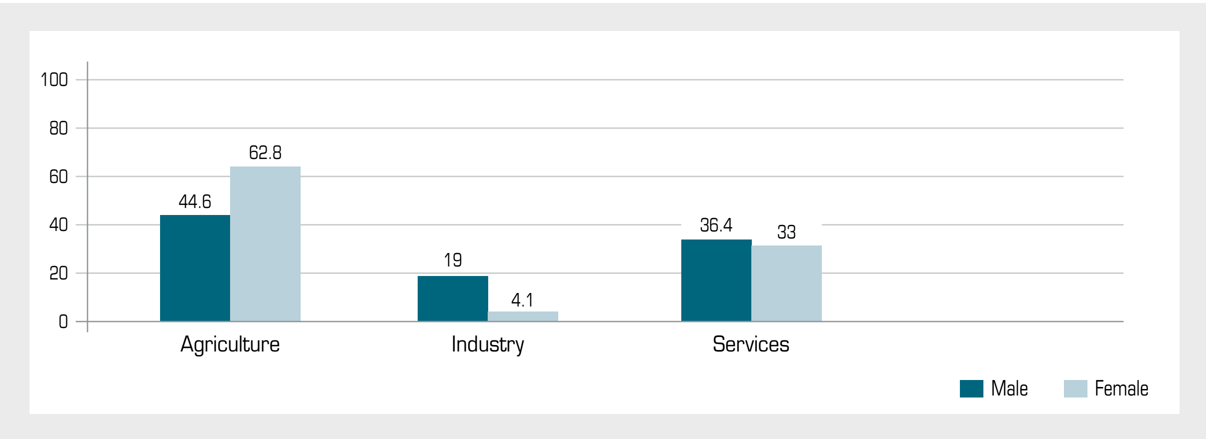
Figure 3. Employment distribution by economic activity and sex in the United Republic of Tanzania, 2017 (per cent)



Source: ILOSTAT database, available at https://www.ilo.org/ilostat (accessed in March 2018).

Note: Employment distribution figures are based on International Labour Organization (ILO) estimates.

Figure 4. Employment distribution by economic activity and sex in Zambia, 2017 (per cent)



Source: ILOSTAT database, available at https://www.ilo.org/ilostat (accessed in March 2018).

Note: Employment distribution figures are based on International Labour Organization (ILO) estimates.

particularly for women. In 2017, agriculture accounted for 45 per cent of total male employment and 63 per cent of total female employment. Industry accounted for a large share of employment for men (19 per cent), above the sub-Saharan Africa average (13 per cent). While most women in the industrial sector are employed in manufacturing, mining and quarrying are the main sources of industrial employment for men.

1.2 TRADE FLOWS

All three countries have significantly increased their trade openness over time.[6] In 2016, the trade share of GDP was 74 per cent in Zambia and 78 per cent in Malawi, much higher than the sub-Saharan Africa

6 Openness to trade is the value of exports plus imports as a percentage of GDP. A low ratio for a country does not necessarily imply protectionism against foreign trade, but it may be due to geographic remoteness. The figures are based on the World Bank's World Development Indicators database for exports and imports of goods and services (as a share of GDP), available at http://databank.worldbank.org/; (accessed in May 2018).

average of 60 per cent. The value for the United Republic of Tanzania was much lower, at 42 per cent.[7]

Trade flows in these three countries follow the international pattern of commodity-dependent regions. In all three countries, exports are dominated by primary products. In particular:

- Unmanufactured tobacco is the top export commodity of Malawi, and accounted for 43 per cent of Malawi's total exports in 2016.
- Gold is the top export commodity of the United Republic of Tanzania and represented 33 per cent of total Tanzanian exports in 2016.
- Copper is the main export commodity of Zambia, accounting for 68 per cent of Zambian exports in 2016.[8]

In both Zambia and Malawi exports are highly concentrated, with both countries relying on a single commodity as the main source of their exports revenue.[9] Export concentration is lower in the United Republic of Tanzania.

Petroleum oils rank among the top five import products in all three countries.[10] Overall, the import structure of these countries is more diversified compared to exports. Imports primarily come from South Africa, China, and India. In contrast, exports are not as geographically concentrated.

1.3 COMPARATIVE ANALYSIS OF DIRECT TRADE FLOWS AMONG THE THREE COUNTRIES

Trade flows among the three countries account for relatively small shares of their total exports. This is not surprising given their small economies and trade capacity. Malawi, as the smallest economy among the three, has a relatively larger share of its exports with the United Republic of Tanzania and Zambia (see annex 1, table A1.1).

Table 1 presents the main export products in the bilateral trade among these countries. The top three products among the three countries do not show a similar pattern with the ones exported to the world, except for Zambia. Similar to the patterns for exports to the world, tobacco and maize were the two major export products of Zambia to Malawi in 2016, while copper and maize were the two top exports to the United Republic of Tanzania. Hence, primary products account for the bulk of Zambia's exports to the other two countries.[11]

Malawi's top export products to the United Republic of Tanzania in 2016 were resource-based manufactures such as sugar, oil seeds, and simply worked wood, which account for more than 60 per cent of its bilateral exports. Oil seeds are the top export of Malawi to Zambia, followed by resource-based (fertilizers) and low-technology (construction equipment) manufactures.

7 See annex 2 for a discussion of the tariff profiles of the three countries.

8 The figures in this section have been calculated by the UNCTAD secretariat based on the UNCTADStat database, available at http://unctadstat.unctad.org/EN/ (accessed in May 2018).

9 Zambia and Malawi had merchandise export concentration indices of 0.66 and 0.42, respectively, in 2014, while that index was 0.32 for the United Republic of Tanzania. The merchandise import concentration indices were 0.09 for Malawi and 0.11 for the United Republic of Tanzania and Zambia, according to UNCTADStat database, available at http://unctadstat.unctad.org/EN/ (accessed in May 2018). As the index value gets closer to 1, it indicates a higher degree of concentration of exports or imports on a few products. An index value closer to 0 means that exports or imports are more homogeneously distributed among different products.

10 In 2015, the import share of petroleum oils was 5 per cent in Malawi, 8 per cent in Zambia, and 14 per cent in the United Republic of Tanzania.

11 The classification of products by technological categories is based on the Lall classification, according to which primary products refer to agriculture and mining products; resource-based manufactures refer to agro-based and other resource-based products; low-technology manufactures refer to textiles, garment, footwear, etc.; medium-technology manufactures refer to automotive, process, and engineering products; high-technology manufactures refer to electronic and electrical, etc. products; and unclassified products refer to commodities and transactions not elsewhere specified (Lall 2000).

Table 1. Top three export products and their share in each country's total bilateral trade in 2016

		Top three export products of:		
		Malawi	United Republic of Tanzania	Zambia
TRADE PARTNER	Malawi	–	Glass (8 per cent); fruits and nuts (7 per cent); lime, perfumery, cosmetics (6.6 per cent)	Tobacco, unmanufactured (43 per cent); maize (15 per cent); lime, cement, etc. (6 per cent)
	United Republic of Tanzania	Sugar, molasses and honey (29 per cent); oil seeds and oleaginous fruits (20 per cent); wood simply worked (15 per cent)	–	Maize (23 per cent); copper (16 per cent); oil seeds and oleaginous fruits (12 per cent)
	Zambia	Oil seeds and oleaginous fruits (23 per cent); civil engineering equipment (9.5 per cent); fertilizers (8 per cent)	Residual petroleum products, n.e.s. (22 per cent); made-up articles of textile materials, not elsewhere specified (11 per cent); vegetables (9 per cent)	–

Source: UNCTAD calculations based on the UNCTADStat database, available at http://unctadstat.unctad.org/ (accessed in May 2018).

The top export products of the United Republic of Tanzania to the other two countries in 2016 were also mainly resource-based and low-technology manufactures. Fruits and nuts were the only primary products, ranking second in the exports to Malawi. The other top export products to Malawi included glass and perfumery. Residual petroleum products were the top exports of the United Republic of Tanzania to Zambia, followed by low-technology manufactures and vegetables.

Some of the goods formally traded among the three countries, mainly agricultural and food products, are also traded informally (see section 2.2).

1.4 TARIFF PROFILES

Malawi, the United Republic of Tanzania, and Zambia are members of three overlapping regional trade agreements (see box 1). Malawi and Zambia are members of COMESA and SADC. The United Republic of Tanzania is a member of the EAC and SADC. Therefore, the applied tariff regimes among the three countries follow either COMESA or SADC regulations, which means that:

- All imports from Zambia enter the United Republic of Tanzania duty-free.
- Most Malawian imports receive duty-free treatment in the United Republic of Tanzania. Sugar, molasses, and honey are the only exceptions. They are, however, the main import products from Malawi (representing 27 per cent of total imports from Malawi in 2015), imported at a cost of US$4.5 million. The United Republic of Tanzania applies a simple average 5 per cent tariff rate to these items.
- Almost all imports from the United Republic of Tanzania enter Malawi duty-free. Two items are exceptions and dutiable, namely heavy petroleum oils, with a simple average applied tariff of 2.5 per cent, and lighting fixtures, with a simple average applied tariff of 0.18 per cent. Both products represent an insignificant share of imports from the United Republic of Tanzania. As an exception to the duty-free flow of goods, Malawi applies a simple average 1.39 per cent tariff on cut paper, board, and other articles that represented 4.2 per cent of all imports from the United Republic of Tanzania in 2015.
- Almost all imports from the United Republic of Tanzania enter Zambia duty-free. Three items fall under a non-zero preferential rate, namely tea and mate, with a simple average applied tariff of 12.5 per cent; animal feed, with a simple average applied tariff of 0.83 per cent; and articles of apparel, with a simple average applied rate of 0.69 per cent. All of the items represent an insignificant value in total imports from the United Republic of Tanzania. Despite the zero preferential

Box 1. Regional economic communities

Common Market for Eastern and Southern Africa (COMESA)

With 19 member states, COMESA is the largest regional economic organization in Africa. The members are Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Eswatini (formerly Swaziland[12]), Ethiopia, Kenya, Libya, Seychelles, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Uganda, Zambia, and Zimbabwe. COMESA was formed in December 1994, and a free trade area was established in 2000 following a period of progressive intra-COMESA trade liberalization. Under the COMESA free trade area, member countries can benefit from duty- and quota-free market access for goods that meet the agreed upon rules of origin, i.e. goods must be produced within the region, or the value added of the good produced in the member states must be at least 35 per cent of the ex-factory cost. Three countries are not members of the free trade area, namely Eritrea, Eswatini, and Ethiopia. Currently COMESA is under the procedure of gradually finalizing preparations for a customs union. Other COMESA initiatives include the Regional Customs Bond Guarantee Scheme, the COMESA Simplified Trade Regime, the COMESA Yellow Card Scheme, and the COMESA Protocol on Trade.

East African Community (EAC)

The treaty establishing the EAC entered into force in July 2000 following its ratification by the original three partner states: Kenya, the United Republic of Tanzania, and Uganda. Rwanda and Burundi acceded to the EAC Treaty in June 2007. South Sudan became a full member in August 2016. The aim of the EAC is to strengthen economic, social, and political integration among partner states. The EAC's integration efforts envisage several phases, including the establishment of a customs union, common market, monetary union, and ultimately a political federation (EAC 2011). Currently the EAC operates as a customs union, which was launched in 2005 and became fully operational in January 2010. The customs union includes a common external tariff on imports from third countries, duty-free trade between the member states in accordance with EAC rules of origin, and common customs procedures. The Protocol on the Establishment of the EAC Common Market entered into force on 1 July 2010, in line with the provisions of the EAC Treaty. It provides for "Four Freedoms," namely the free movement of goods, labour, services, and capital. Reforms to implement the EAC Common Market have progressed at a different pace in different member countries. While legal compliance with the requirements of the Customs Union and the Common Market Protocol is on track, full and timely implementation has yet to be attained (World Bank and East African Community Secretariat 2016).

Southern African Development Community (SADC)

The various phases of SADC regional integration included the establishment of a free trade area in 2008, a customs union in 2010, a common market in 2015, a monetary union in 2016, and an economic union in 2018. The realization of these targets, however, is lagging behind the scheduled targets; as of 2018, SADC has only achieved the formation of a free trade area. Thirteen of the 16 SADC member states participate in the free trade area – Botswana, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Seychelles, United Republic of Tanzania, Zambia, and Zimbabwe. The remaining members (i.e. Angola, Comoros, and the Democratic Republic of the Congo) are not yet participating in the free trade area. SADC trade facilitation initiatives include the Single Administrative Document for customs declarations, coordinated border management (one-stop border posts), and a trade-related facility. The bloc also agreed on a reporting and resolution mechanism related to non-tariff barriers to intra-community trade as well as a common framework for sanitary and phytosanitary measures and technical barriers to trade measures.

12 Swaziland officially changed its name to Eswatini on 19 April 2018.

Table 2. Preferential tariff rate averages for Malawi, 2015 (per cent)

Malawi	COMESA FTA, Botswana, Mozambique, Zimbabwe		COMESA non-FTA		SADC (excluding South Africa)		SADC - South Africa	
	Simple average tariff	Duty-free in per cent	Simple average tariff	Duty-free in per cent	Simple average tariff	Duty-free in per cent	Simple average tariff	Duty-free in per cent
All products	0	100	3.46	36	0.01	100	4.57	69
Agricultural products	0	100	4.62	29	0.01	100	7.21	52
Non-agricultural products	0	100	3.26	37	0.01	100	4.11	72

Source: World Trade Organization Tariff Analysis Online, available at http://tao.wto.org/ (accessed in February 2017).

Note: Common Market for Eastern and Southern Africa; FTA: free trade agreement; COMESA: SADC: Southern African Development Community.

rate, Zambia applies effective tariff rates of 6.25 per cent for glassware; 12.5 per cent for non-alcoholic beverages and veneer & plywood; and 20 per cent for arms and ammunition. However, these items represent less than a 1 per cent share of imports from the United Republic of Tanzania.

Most trade among the three countries is free of tariffs. The few items to which tariffs apply are not those traded informally (see section 2). As will be explained in the following sections of this report, tariffs are not the reason why traders opt for informality.

Tables 2, 3, and 4 present the preferential tariff profiles of the three countries based on their respective regional agreements. They clearly show that trade between the three countries is essentially liberalized, which indicates that it is not the presence of tariffs that drives traders toward informal trade (even though traders may not be aware of the tariff values). As will be explained in section 3, it is instead the complexity of trade rules that is a major contributor to informal cross-border trade.[13]

The non-preferential tariff profiles of the three countries are characterized by the absence of tariff binding for more than two-third of tariff lines, consistent with the typical trends of developing countries.[14] The absence of binding provides flexibility for autonomous increases in rates and therefore makes the tariff regimes rather unpredictable. A description of the three countries' non-preferential tariff profiles is presented in annex 3.

13 This includes, for example, rules of origin. Goods traded informally include goods that are not produced locally, but are imported from foreign countries. This means that the preferential regional trade rules do not apply to these goods.

14 Tariff binding refers to the commitment to not increase a rate of duty beyond an agreed-upon level.

Table 3. Preferential tariff rate averages for Zambia, 2015 (per cent)

Zambia	COMESA FTA, Angola, Democratic Republic of the Congo		COMESA non-FTA (excluding the Democratic Republic of the Congo)[a]		SADC (excluding South Africa)		SADC - South Africa	
	Simple average tariff	Duty-free in per cent	Simple average tariff	Duty-free in per cent	Simple average tariff	Duty-free in per cent	Simple average tariff	Duty-free in per cent
All products	0	100	18.07	16.5	0.6	97	0.48	97
Agricultural products	0	100	23.89	0	0.87	96	0.74	95
Non-agricultural products	0	100	15.52	22.67	0.56	97	0.44	97

Source: World Trade Organization Tariff Analysis Online, available at http://tao.wto.org/ (accessed in February 2017).

Note: COMESA: Common Market for Eastern and Southern Africa; FTA: free trade agreement; SADC: Southern African Development Community.

[a] Trade with COMESA non-FTA members is insignificant in value.

Table 4. Preferential tariff rate averages for the United Republic of Tanzania, 2015 (per cent)

United Republic of Tanzania	EAC		SADC	
	Simple average tariff	Duty-free in per cent	Simple average tariff	Duty-free in per cent
All products	0	100	0.03	100
Agricultural products	0	100	0.03	100
Non-agricultural products	0	100	0	100

Source: World Trade Organization Tariff Analysis Online, available at http://tao.wto.org/ (accessed in February 2017).

Note: EAC: East Africa Community; SADC: Southern African Development Community.

2. Informal cross-border trade: Trade flows and main players

2. INFORMAL CROSS-BORDER TRADE: TRADE FLOWS AND MAIN PLAYERS

This section provides an overview of the economic and social relevance of cross-border trade for the three selected countries and sketches the profile of individuals involved in such trade. Because of the nature of informal trade, data and information are partial and mainly come from surveys that involve a limited number of players. The section first defines the informal sectors in Malawi, the United Republic of Tanzania, and Zambia. It then describes the main economic activities carried out by the border communities in the three countries. Finally, it examines the profiles of informal cross-border traders and the main products they trade across borders.

2.1 THE INFORMAL ECONOMY

Within sub-Saharan Africa, informal employment is the main source of employment. If agriculture is excluded, informality continues to dominate employment, with a 78.8 per cent share in Central Africa, 76.6 per cent in Eastern Africa, and 87 per cent in Western Africa.[15] Informal employment is a greater source of employment for women than for men; in sub-Saharan Africa, except Southern Africa, more than 90 per cent of women work in informal employment compared to 86.4 per cent of men (ILO 2018).

Level of education and location are key factors determining whether workers are more likely to find employment opportunities in the formal or informal sectors. Those who have completed secondary and tertiary education are less likely to work in informal employment compared to workers who have either no education or have completed only primary education. Moreover, persons living in rural areas are twice as likely to work in informal employment as those in urban areas (ILO 2018). Lack of formal employment opportunities and a need for additional income to offset insufficient earnings from formal employment are some of the most common reasons behind the high prevalence of informal jobs in sub-Saharan Africa (Aikaeli and Kalinda Mkenda 2014).

In Malawi, 83.7 per cent of men and 82.4 per cent of women work in the informal sector. In Zambia, the relative figures are 81.6 per cent for men and 93.6 per cent for women. In the United Republic of Tanzania, the figures are 88.2 per cent for men and 93.1 per cent for women (ILO 2018). In all three countries, the agricultural sector absorbs around three-quarters of informal workers, and especially women.[16]

The informal sector was estimated to constitute about 43 per cent of total GDP in Africa in 2002/2003, almost equalling the formal sector (Lesser and Moisé-Leeman 2009). Trade-related activities account for a large portion of the informal sector in Africa, with most informal sector workers active in retail trade in several countries (Verick 2006). Informal cross-border trade and small-scale trade are important sources of food security for Malawi, the United Republic of Tanzania, and Zambia, as well as for the broader region. The terms “informal cross-border trade” and “small-scale cross-border trade” are often used interchangeably. For the purposes of this study, small-scale cross-border trade is defined as formal trade of small volumes of merchandise that allows traders to earn a living but provides limited opportunities for significant capital accumulation or business expansion. Goods exchanged via small-scale/informal cross-border trade are predominantly agricultural goods. This shows the critical role of informal trade in moving foodstuffs from areas of surplus to areas of shortage. This has also become a response to price volatility in global food markets and climate change, which have made food security a compelling issue in many African countries.

2.2 INFORMAL CROSS-BORDER TRADE

To examine the characteristics of informal cross-border

15 Employment in the informal economy is defined by the International Labour Organization as the sum of employment in the informal sector and informal employment found outside the informal sector. Whereas the first term is an enterprise-based concept, referring to employment in unregistered or informal firms, the second term is a job-based concept, referring to jobs of an informal nature, i.e. lacking basic social and legal protection or employment benefits. Informal employment may be found in the formal sector, informal sector, or households.

16 In the agriculture sector, the shares of women are 75.3 per cent, 74 per cent and 81.7 per cent in Malawi, the United Republic of Tanzania, and Zambia, respectively (ILO 2018).

traders – given the general paucity of data – this report relies on the findings of desk research, online surveys of civil society organizations, and interviews and focus group discussions conducted by the United Nations Conference on Trade and Development (UNCTAD) in October 2017 during its visits at the border crossings addressed by project activities, namely Tunduma/Nakonde (United Republic of Tanzania/Zambia), Songwe/Kasumulu (Malawi/United Republic of Tanzania), and Mwami/Mchinji (Zambia/Malawi).[17]

In 2017, UNCTAD administered an online survey to associations of cross-border traders and entities working with cross-border traders in the three countries at stake.[18] Most associations surveyed have well-established local chapters at the borders, including at the three crossing points under examination. Because of their direct interaction with large numbers of small-scale and informal traders across local chapters, the associations surveyed are well positioned to provide exhaustive information about traders' profiles and trading patterns, which allows for some generalizations. The results of UNCTAD's online survey may thus be regarded as roughly representative of informal cross-border trade trends in the region.[19]

The results of UNCTAD's online survey indicate that among the main reasons why women engage in small-scale and/or informal cross-border trade are to supplement family income (100 per cent of responses), source products that can be obtained more easily across the border (88 per cent), sell products that allow higher gains across the border (76 per cent), and because of the proximity of traders' residence to villages and markets in neighbouring countries rather than in their home country (71 per cent). In addition, 60 per cent of respondents believe that informal cross-border trade businesses require little start-up resources (60 per cent) and provide quick and easy gains (56 per cent), and 47 per cent believe that informal cross-border trade is the only livelihood option since no alternative source of income is available in the area. Some responses also note that such trade usually represents a good alternative for women because, due to prevailing social norms, women are typically not expected to engage in larger businesses.

According to the vast majority of respondents, the commodities most often traded informally by women include groceries, fresh fruit and vegetables, new clothes and shoes, household items, second-hand clothes and shoes, and meat and fish products. Blankets, bed sheets and curtains, and processed food items such as dried fruit or juices are also commonly traded. Fewer respondents indicated that electrical items, handicrafts, or furniture are among the list of goods often traded by women.

Goods are typically sourced from informal markets (78 per cent of responses), wholesalers (67 per cent), smallholder farmers (56 per cent), and retailers (53 per cent). Among respondents, 26 per cent indicated that the goods are self-produced by the traders themselves. The main outlets for the goods imported by female informal cross-border traders include other sellers in informal markets (71 per cent), their own shop or stall (59 per cent), and personal networks such as family members and friends (59 per cent). Among respondents, 47 per cent indicated that traders sell their goods door to door or to retailers.

Most women who participated in the UNCTAD

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17 See annex 4 for details on the geographical location of each border.

18 Respondents included a sample of 17 representatives of the following entities: Malawi Union for the Informal Sector (MUFIS); Malawi Economic Justice Network (MEJN); Women's Hope for Change, Malawi; Malawi Cross Border Traders Association; Grow Movement, Malawi; Malawi National Association of Business Women; Community Initiative for Social Empowerment (CISE), Malawi; Tanzania Trade Development Authority (TanTrade); Tanzania Women Chamber of Commerce (TWCC); Tanzania Savings and Credit Cooperatives for Women Entrepreneurs; Dar es Salaam Corridor Secretariat; Zambia Cross Border Traders Association; Zambia Federation of Associations of Women in Business; Federation of East and Southern African Road Transport Associations (FESARTA); the East African Women in Business Platform (EAWiBP); and the Eastern African Subregional Support Initiative for the Advancement of Women (EASSI). Survey results available upon request from the authors.

19 The services provided by the associations surveyed are mainly comprised of training and counselling, including through information desks, and to a lesser extent lending and microfinance, as well as a broader range of services such as Internet access, advocacy and lobbying platforms, building linkages with relevant authorities and entities, and ultimately security services at the border aimed at protecting traders from abuse and harassment.

interviews and focus group discussions[20] at the three border crossings pointed to a number of reasons why they engage in cross-border trade. First and foremost, cross-border trade activities are the only source of income for most of the women interviewed and provide them with essential earnings. Being able to sustain their business activities is of critical importance, as it enables them to actively contribute to the subsistence and well-being of their families, including by covering school fees for their children. A significant proportion of the female cross-border traders interviewed are single mothers or widows, or have been abandoned by their husbands.

Lack of local employment and livelihood opportunities also explains why women turn to self-employment and, in border regions, cross-border trade. In addition, traders who aim to expand their activities beyond the saturated local markets where many businesses of the same nature proliferate seek opportunities for diversification across the border. For many traders, cross-border business generally provides more profits than buying/selling locally. Moreover, the quality of the merchandise available in neighbouring countries is often considered higher.

Small-scale traders typically rely on a very small amount of capital that barely enables them to sustain their business and generally does not allow them to cover the costs associated with formal trade. The heavy bureaucratic hurdles and obstacles encountered at the border – namely, harassment and corruption to which small traders (particularly women) are often subject – play a major role in discouraging formalization. Language may also represent a considerable barrier for traders. Official documentation about requirements and procedures is usually available only in English and thus inaccessible to traders who are only able to communicate in local languages.

Across all the borders examined, one of the main challenges reported by female traders is uncertainty about border procedures and the role of the competent authorities. Most of them report that they are not clear about the requirements of trading within the law, available schemes to make their trade easier, or applicable duties. It is common to hear complaints about high custom duties even when intra-regional trade is duty-free and taxes levied usually concern value-added tax (VAT) and excise duties, in addition to customs processing fees. In fact, due to a lack of information, some women traders continue to pay tariffs even when trade is duty-free. There appears to be little understanding not only about the applicability of custom duties and the VAT, but also about the differences between the two.

Finally, despite being engaged in cross-border trade for six to 10 years in many cases, most female traders report being trapped in the same nature and scale of activities, with very limited opportunities for higher value addition, diversification, or capital accumulation. Cross-border trade has in many cases been a family business for generations, often inherited from mothers.

2.2.1 The United Republic of Tanzania

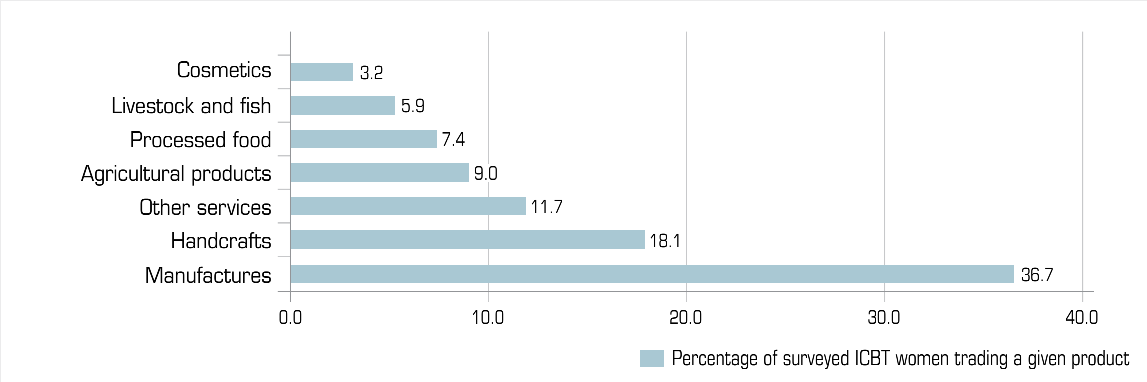
The United Republic of Tanzania is a major trade hub for neighbouring countries, and even more so for the landlocked countries of Malawi and Zambia. The port of Dar es Salaam is an important outlet for manufactured goods imported from China, which make up a significant share of products traded informally across borders. The informal economy (called *Machinga*) constitutes about 40 per cent of GDP. Most women own informal businesses and work as food, fruit, and vegetable vendors, or engage in running small restaurants, hair-dresser services, etc. It is estimated that revenue losses in the country due to non-taxation of goods in the informal sector amount to between 35 and 55 per cent of total tax revenue (Mwakisale and Magai 2015).

The border crossings of focus for this report in the United Republic of Tanzania – Tunduma and Kasumulu – are located in the Mbeya region in the southern highlands. Due to its fertile soil and favourable climatic conditions, Mbeya is regarded as the grain basket of the country, and is the largest producer of maize, rice, bananas, beans, and potatoes. Based on UNCTAD's field findings, a large proportion of the agricultural commodities traded by informal cross-border traders are grown in Mbeya.

Small-scale trade at Tunduma and Kasumulu is mostly local and informal. According to an analysis by UN Women (2012) at several locations in the United Republic of Tanzania, including five major border

20 Each focus group was comprised of about 25 people, most of whom were women selected from among cross-border traders. Each group was presented with the same set of questions, and group participants were free to answer the questions while the interviewers were taking notes.

Figure 5. Types of goods and services traded by female informal cross-border traders in the United Republic of Tanzania, 2012 (per cent)



Source: Compiled by the UNCTAD secretariat based on sample findings in UN Women (2012).

Notes: Figures refer to a sample of 188 women interviewed in five border areas between the United Republic of Tanzania and its neighbouring countries of Rwanda, Uganda, Burundi, and Kenya. Manufactures include textiles, beverages, alcohol, soap, cooking oil, and medicines; handcrafts include batik, baskets, and tailored garments; other services include hair dressing and mobile phone-based money transfer and micro-financing services (M-Pesa); livestock and fish includes milk, meat and eggs. ICBT: informal cross-border trading.

points,[21] women traders mostly operate informally (58 per cent). UNCTAD's closer observation and focus group discussions conducted with small-scale traders at the border of Tunduma/Nakonde bordering Zambia, and at Songwe/Kasumulu bordering Malawi, confirmed this trend.

As regards the average profile of Tanzanian female informal cross-border traders, women of all ages engage in these activities. The largest share of them (39 per cent) are between 31 and 40 years old, followed by those in the 41–50 year-old age group (27 per cent). Marital status is also an important factor: 70 per cent of interviewed traders who are involved in informal cross-border trade are married, while the remaining 30 per cent is equally distributed among single, divorced, or widowed women. This may suggest that these trade activities are a more accessible option for women who have the support of a spouse who, for instance, acts as a guarantor for obtaining business loans (UN Women 2012). On the other hand, field information collected by UNCTAD at Tunduma and Kasumulu also indicates that cross-border trade is for many women an instrument of economic empowerment that gives them sufficient independence from their husbands.

Field information collected by UNCTAD at the borders of Tunduma and Kasumulu suggests that informal trade flows typically include rice, maize, vegetables, sugar, plastic products, and new and second-hand clothes (see box 2). As the most recent studies indicate, both manufacturing and agricultural products are traded informally in small consignments. Many women operate across borders as informal food vendors, known locally as *mama-lishe*. Maize flour is also among the products traded informally from the United Republic of Tanzania to Zambia, whereas products such as sugar and timber, which are abundant in Zambia, are exported to the United Republic of Tanzania. Despite their abundance in the Mbeya region, rice and maize are also imported informally from Malawi due to considerably lower prices there.

Findings by UN Women (2012) summarized in figure 5 provide some indication of the types of goods and services commonly traded by female informal-cross border traders in the United Republic of Tanzania. Over 36 per cent of them reported trading mainly manufacturing products, followed by hand-made items (18 per cent), mixed services such as hairdressing and mobile phone-based micro-financial services (12 per cent), and raw agricultural goods (9 per cent). Processed foods (7 per cent), livestock, and fish and related products (6 per cent) are also among traded items. Due to the seasonality of certain products, it is

21 UN Women surveys were conducted on a sample of 188 female informal traders.

Box 2. The business of second-hand clothes

In the United Republic of Tanzania, the second-hand clothing and shoes business, also known as *salaula*, is of special interest as part of the informal sector. Much of the population in the country, and broadly in East Africa, sources its clothing needs from informal traders of second-hand clothes and footwear. New and second-hand clothing represent a large share of goods traded informally in sub-Saharan Africa. In 2015, East Africa alone imported US$151 million worth of second-hand clothes and shoes, in large part from Europe and the United States (Katende-Magezi 2017).

The United Republic of Tanzania's 3 per cent share of global imports of second-hand clothing and shoes, mostly from the United States of America and the United Kingdom of Great Britain and Northern Ireland, places the country among the top 15 importers in the world, and as the leader within the East African Region (Katende-Magezi 2017). Katende-Magezi (2017) also point out that second-hand clothing and shoes represent one of the United Republic of Tanzania's re-exports, since small-scale traders from Malawi and Zambia travel to the United Republic of Tanzania to participate in bale auctions and resell the merchandise in their countries. The livelihoods of many women traders are tightly linked to this economic activity.

In March 2016, partner states of the East African Community (EAC) agreed on a complete phase-out of imports of used clothes and footwear by 2019 to protect the development of domestic textile industries. The ban would be introduced gradually and implemented through a progressive increase of tariffs on imported used garments (Calabrese *et al.* 2017). Health concerns have also been raised to argue that imports of second-hand clothes are negatively impacting the development of countries in sub-Saharan Africa.

The phase-out has led to higher tariffs in combination with the provision of incentives to local garment industries in some countries. In 2016, Uganda raised an environment levy on second-hand clothing and shoes from 15 to 20 per cent, while in 2018 Rwanda increased its import duties from US$0.20 per kilogram of used clothes to US$5 per kilogram, taking the strongest stand in the EAC push against second-hand clothing and shoes (Kuwonu 2018). In 2016, the United Republic of Tanzania doubled import tariffs from US$0.20 to US$0.40 per kilogram (McPhaden 2018). Kenya will not be able to meet the 2019 deadline to impose a full ban on second-hand clothing and shoes imports due to the lack of internal capacity to meet the domestic demand for second-hand clothing, and to export demand for its textiles (Kuwonu 2018).

Since the United Republic of Tanzania is also re-exporting its second-hand clothing and shoes, the ban may have a significant impact on other countries as well, including Zambia and Malawi, which are not EAC partner states and have not introduced similar measures to date. The ban raises concerns with respect to the loss of livelihood opportunities, especially for women, as well as regarding the availability of affordable clothing for the poorest segments of the population. Moreover, it may put at risk these countries' position vis-à-vis the African Growth and Opportunity Act (AGOA), since the restrictions imposed by Rwanda, Uganda, and the United Republic of Tanzania on United States exports of used garments may erode the countries' alignment with AGOA's eligibility criteria and prompt a withdrawal of AGOA benefits.

common for female traders to diversify their business and hence engage in multiple trading activities across borders (UN Women 2012).

2.2.2 Zambia and Malawi

Zambia and Malawi informally trade with each other in large quantities. According to Njiwa *et al.* (2012), about 40 per cent of the US$7 million in trade at three major Zambian borders is informal, and most of that trade actually takes place with Malawi.[22]

At the Mwami/Mchinji border dividing Zambia and Malawi, Njiwa *et al.* (2012) find that informal trade is especially high. They estimate that informal trade is

22 Borders surveyed include Chirundu (Zambia/Zimbabwe), Victoria Falls/Livingstone (Zambia/Zimbabwe) and Mwami/Mchinji (Zambia/Malawi).

Table 5. Socio-economic characteristics of traders at the Mwami/Mchinji border, 2012

Border town	Sex (per cent)		Average age	Years in informal cross-border trade	Number of dependents
	Male	Female			
Mwami (Zambia)	31.3	68.8	41.8	11.2	5
Mchinji (Malawi)	55	45	34	5.6	5.8

Source: Compiled by UNCTAD based on Njiwa (2012).

US$2.9 million per month vis-à-vis US$1.7 million in formal trade. About 20,000 to 30,000 small-scale traders cross at that border on a monthly basis, 10,000 to 15,000 of whom pass through informal routes. Among the surveyed borders, Mwami/Mchinji has the largest number of informal trade flows, with the highest share of small-scale informal trade as well as the highest share of small-scale formal trade among the three borders (37 per cent). This may also be explained by the absence of natural boundaries (such as rivers or lakes), which makes the overall border environment highly porous.

The data collected at Mwami/Mchinji highlight that women account for most informal cross-border trade on the Zambian side (69 per cent of all informal cross-border traders), whereas men are the majority on the Malawian side (55 per cent). Table 5 also identifies differences between the two border towns with respect to the average age of traders and the number of years they have been operating in informal cross-border trade. Mchinji has a younger group of informal traders (34 years old on average versus 42 years old in Mwami) who have engaged in informal cross-border trade for fewer years than their counterparts across the border in Zambia (6 versus 11 years), suggesting that traders in Malawi are newer to the business of informal cross-border trade. In contrast, Mwami shows the highest average age and highest number of years in informal cross-border trade out of all the border towns that were surveyed.

According to Njiwa *et al.* (2012), the Zambian side of the border at Mwami has a higher number of formal small-scale traders than the Mchinji border in Malawi. This is likely due to more stringent measures enforced in Malawi, de facto discouraging formalization of small-scale trade. Reasons cited by traders for avoiding Malawian customs include limitations to the amount of foreign currency allowed out of the country and the presence of numerous police checkpoints.

According to UNCTAD's findings, the Malawian side of the Songwe/Kasumulu crossing point, bordering the United Republic of Tanzania, constitutes one of the poorest districts among those examined. Female informal cross-border traders in Karonga, at about 50 kilometres from the border, have limited livelihood opportunities and for most of them informal trade constitutes the sole source of earnings in addition to subsistence farming. Competition from cheap products imported from China is especially preponderant in Malawi, posing additional pressures on female-owned small businesses.

The Southern Africa Migration Programme (SAMP) conducted a major regional survey in 2007/2008 across the SADC to provide insights into the nature of informal cross-border trade and the profile and activities of informal traders within the region.[23] The survey investigated trading patterns, what types of goods were traded, and the origin of those goods and where they were sold. It monitored 20 border crossings across eight countries, including Malawi and Zambia,[24] and interviewed a representative sample of 4,500 traders.[25]

The survey showed that about 42 per cent of all border crossers were traders, most of whom were small entrepreneurs pertaining to two main categories: (i) those who cross the borders to buy items to resell in their home countries, and (ii) those who cross the

23 SAMP is an international network of organizations founded in 1966 that provides research, policy advice, and training on development and migration issues.

24 Borders surveyed in Malawi and Zambia include Songwe (Malawi/United Republic of Tanzania); Mwanza and Dedza (Malawi/Mozambique); Livingstone (Zambia/Zimbabwe); Nakonde (Zambia/United Republic of Tanzania); and Chililabombwe (Zambia/Democratic Republic of the Congo).

25 Countries surveyed include Botswana, Eswatini, Lesotho, Malawi, Mozambique, Namibia, Zambia, and Zimbabwe.

borders to sell goods purchased in their home countries (SAMP 2015). Very few traders (13 per cent in total) engage in two-way trade (i.e. both buying and selling).

As shown in table 6, most informal cross-border traders travel across the border to purchase goods for resale in their home countries. About 37 per cent of traders carry goods to sell in the destination country. Informal traders' purchasing behaviour shows that they contribute significantly to the broader formal economy, particularly in Malawi; goods are more commonly sourced from formal wholesalers and retailers (mainly supermarkets) than from the informal market. In only 1 or 2 per cent of cases are goods sourced from commercial or smallholder farms. This shows that informal traders do contribute to the formal economy, for instance by paying the VAT in the country where they purchase their goods.

In Malawi, the largest proportion of traders (65 per cent) own a shop or a market stall where they sell imported goods, whereas in Zambia traders typically sell to friends or family networks (39 per cent), to informal markets (30 per cent), and in their own shop or stall (29 per cent). UNCTAD's field findings confirmed this trend: a large proportion of the female traders interviewed in Mchinji, Chipata (one of the largest cities in Zambia and about 20 kilometres from the Mwami/Mchinji border), and Nakonde sell their goods at their own shop or market stall.

UNCTAD's field observations highlighted that the United Republic of Tanzania is a major source of both agricultural and manufactured products for Zambian and Malawian informal cross-border traders. The availability and variety of products is usually larger in the United Republic of Tanzania, the prices are more affordable, and the quality is higher. This is the case, for example, of fabrics, locally known as *chitenge*, which are mainly produced in the United Republic of Tanzania and widely used in Malawi, where there are only a few factories and they tend to be uncompetitive. Goods such as second-hand clothes, kitchen utensils, and electric appliances can also be sourced more easily and at a better price in shops in the neighbouring United Republic of Tanzania. This is mainly due to the strategic importance of Dar es Salaam as a major trade hub for imports from non-African countries, and to the extremely fertile Mbeya region, where most of the primary commodities imported into Zambia and Malawi originate.

Malawian traders cross the border into the United Republic of Tanzania and Zambia mainly to purchase manufactured goods and agricultural or fish products that are not available locally or that are cheaper across the border. According to UNCTAD's field observations,

Table 6. Traders' selling behaviour, 2007/2008 (percentage of traders)

		Country		
		Malawi	Zambia	Regional average[a]
Purpose of journey	Bringing back goods to sell	60	58	68
	Taking goods to sell	37	37	31
Type of outlet where goods were bought	Wholesaler	64	53	39
	Retailer	41	16	36
	Informal market	16	40	18
	Commercial farm	1	–	6
	Smallholder farm	1	2	3
Outlets for imported goods	Own shop or stall	65	29	37
	Seller in informal market	12	30	21
	Door to door	16	6	16
	Friends/family networks	17	39	25
	Retailers and shops/restaurants	15	14	6

Source: Compiled by the UNCTAD secretariat based on findings by SAMP (2015).

Note: Percentages may add up to more than 100 per cent, as respondents provided multiple answers.

[a] *Regional average refers to the countries surveyed (Botswana, Lesotho, Malawi, Mozambique, Namibia, Eswatini, Zambia, Zimbabwe).*

products usually sourced by Malawian traders across the border include kitchen utensils, peanut butter, confectionary products, meat or fresh fish, fabrics, and animal feed. Goods are mainly sourced from local shops or markets in Zambia and in the United Republic of Tanzania and sold to retailers in Malawi door-to-door or in traders' own shops and market stands. Informal exports of goods from Malawi into the United Republic of Tanzania or Zambia appear to be occasional at both the Kasumulu and Mchinji borders, except for unrecorded outflows of staples like maize, which occur regardless of the export ban regularly put in place by Malawian authorities to mitigate risks of food security.

In Zambia, the goods most commonly traded by female traders are agricultural products (including rice and beans), fish, and second-hand clothes. Women traders from Nakonde and Chipata may in some cases travel all the way to Lusaka to source their products, but most often they source them across the border in the United Republic of Tanzania, where there is a greater of abundance of agricultural goods.

Informal trade of second-hand clothes is of key importance at the Mwami/Mchinji border. Second-hand clothes do not originate in the region and are hence subject to import duties. This makes used garments very common among the products that are traded informally, as confirmed by the Zambia Revenue Authority. Field findings of focus group discussions conducted by UNCTAD also show that a large proportion of the Zambian female traders interviewed purchase their second-hand clothes in Malawi and sell them at market shops in Chipata. As far as small-scale formal trade at this border is at stake, goods imported through formal channels from Malawi include dried fish, processed soya beans (which have the reputation of being tastier and cheaper than local ones), pesticides, soft drinks, and cut flowers.

As shown in table 7, nearly half of the goods traded by Malawian traders come from South Africa (which appears to be the case as well for the other countries surveyed), followed by China and other SADC or COMESA countries. In Zambia, Chinese items make up a small proportion of goods traded informally, which is more in line with regional trends, whereas goods originating in SADC or COMESA constitute the largest share.

Table 7. Characteristics of products traded informally, 2007/2008 (percentage of traders)

		Malawi	Zambia	Regional average[a]
Type of goods imported to home country	Groceries	18	19	33
	Fresh fruit and vegetable	7	14	16
	Meat/fish/eggs	0.3	8	10
	Electrical goods	20	4	6
	Furniture	1	1	1
	Household goods	23	8	11
	New clothes/shoes	38	22	21
	Second-hand clothes/shoes	0	16	5
	Handicrafts	0.3	3	3
	Other	24	16	16
Country where goods were produced	South Africa	49	1	42
	Other SADC and COMESA countries	17	31	23
	China	24	4	7
	Other	8	19	5
	Don't know	3	44	14

Source: Compiled by the UNCTAD secretariat based on findings by SAMP (2015).

Note: Percentages may add up to more than 100 per cent, as multiple answers were provided. COMESA: Common Market for Eastern and Southern Africa; SADC: Southern African Development Community.

[a] Regional average refers to the countries surveyed (Botswana, Eswatini, Lesotho, Malawi, Mozambique, Namibia, Zambia, Zimbabwe).

3. **Simplified** trade regimes

3. SIMPLIFIED TRADE REGIMES

This section examines the measures that specifically apply to small-scale trade through simplified trade regimes (STRs) and other trade-facilitating mechanisms. These provisions have been developed as a result of the complexity of the official trade regime in the three countries under consideration. Table 8 compares the requirements for trade and the applied national systems of the three countries.[26] The difficulty, complexity, and incompatibility of these national systems help explain why small-scale traders opt for unofficial trade.[27]

3.1 SIMPLIFIED TRADE REGIMES FOR SMALL-SCALE TRADERS: POLICY AND PRACTICE

To respond to the challenges of aligning informal trade with official regulations, several countries in sub-Saharan Africa have introduced specific trade facilitation measures at the regional level, which are the STRs. The development of STRs aligns with Article VIII General Agreement on Tariffs and Trade of the World Trade Organization (WTO) and the provisions of the Revised Kyoto Convention for the Simplification and Harmonization of Customs Procedures of the World Customs Organization.

The aim of such measures is to encourage small-scale traders to switch from informal to formal trade by lowering the costs of formal import and export procedures and easing the official trade rules. Because they are tailored to the specific needs of small-scale traders, the STRs are applicable to low-value, cross-border consignments under certain agreed thresholds that usually do not exceed US$2,000 (Lesser and Moisé-Leeman 2009).

Nevertheless, as shown in figure 6, documentary requirements usually remain in place under STRs. The documentation requested at the border always includes a simplified certificate of origin and, depending on the goods traded, it may also include an export permit for specific goods (e.g. maize in Zambia); phytosanitary/fumigation certificate; non-GMO (genetically modified organism) certificate; currency declaration form; import permit; ASYCUDA fee;[28] insurance card; and carbon tax (applicable to trucks) (World Bank 2014a, 2014b). Many such documents are costly and difficult to obtain, as they require travel to the capital city and only have a limited validity period.

Overall, while STRs are a much-needed development that provides incentives to formalize informal cross-border trade, much remains to be done. At the policy level, it is necessary to simplify and streamline requirements, and at the border management level, it is necessary to improve the quality of services offered to traders, reduce delays, enhance inter-agency cooperation, and tackle abuses.

Responses to the online survey administered by UNCTAD to cross-border traders associations suggest that there are a variety of barriers to STR uptake, as discussed in detail below and in section 4.

Both COMESA and EAC have in place a simplified trade regime, whereas the SADC Secretariat started to develop the mechanism in 2017. The following sections will look closely at the options available to informal and small-scale cross-border traders in the three regions, and will zoom in on the three target countries to assess the benefits and challenges of the STRs.

An additional feature of trade facilitation measures is the one-stop border post. Such posts are being piloted across sub-Saharan Africa to reduce the time

26 For an analysis of the trade regimes in the three countries, see the WTO Trade Policy Review for Malawi (WTO 2016a), the United Republic of Tanzania (WTO 2013), and Zambia (WTO 2016b).

27 A major source of complexity is represented by non-tariff measures (NTMs). As tariffs have fallen to historic lows, NTMs have continued to grow and at present affect some 96 per cent of global trade. Broadly defined, NTMs include all policy-related trade costs incurred from production to final consumer, with the exclusion of tariffs. For practical purposes, NTMs are categorized depending on their scope and/or design and are broadly distinguished as technical measures (sanitary and phytosanitary), technical barriers to trade and pre-shipment inspections, and non-technical measures. The latter are further distinguished as hard measures (e.g. price and quantity control measures), threat measures (e.g. anti-dumping and safeguards), and other measures such as trade-related finance and investment measures (UNCTAD 2013b). For details, see annex 3.

28 The Automated System for Customs Data (ASYCUDA) is a computerized customs management system developed by UNCTAD that covers most foreign trade procedures.

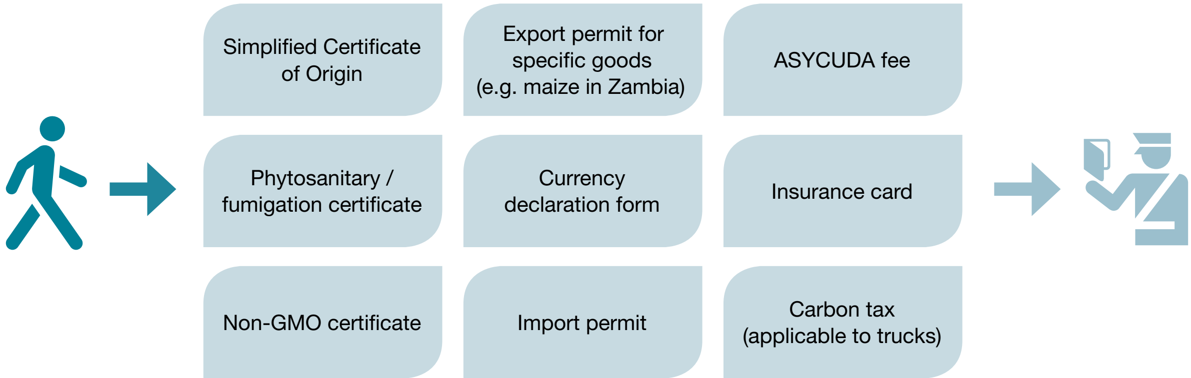
Table 8. Summary of trade requirements and non-tariff measures in Malawi, the United Republic of Tanzania, and Zambia

	Malawi	United Republic of Tanzania	Zambia
Main authorities at the border	Malawi Revenue Authority; Malawi Bureau of Standards; Police; Ministry of Health; Department of Fisheries; Department of Forestry; Department of Agricultural Research; Department of Veterinary Affairs; Department of Immigration; Road Traffic Directorate; Malawi Energy Regulatory Authority	Tanzania Revenue Authority; Tanzania Immigration; Police; Ministry of Agriculture, Food Security and Cooperatives; Government Chemist Laboratory Agency; Tanzania Food and Drug Authority; Ministry of Livestock and Fisheries; Ministry of Natural Resources and Tourism; Tanzania Bureau of Standards; Tanzania National Roads Agency; Tanzania Atomic Energy Agency	Zambia Revenue Authority; Immigration; Police; Environmental Council of Zambia; Zambia Bureau of Standards; Ministry of Agriculture; Ministry of Health; Department of Fisheries; Zambia Wildlife Authority; Zambia Council District; Zambia Medicine Regulatory Authority; Drug Enforcement Commission; Road Traffic Safety Agency
Requirements for trade	Taxpayer identification number, business license, clearing agency services (above US$700)	Certificate of incorporation/ compliance, business license	Taxpayer identification number, licensed clearing agency
Customs clearance requirements	Declaration form, declaration of value, bill of lading, supplier and shipper invoices	Import declaration form	Bill of lading, commercial invoice, customs declaration, packing list, proof of payment of customs, release order, road manifest, transit documents
Applied system	Automated System for Customs Data (ASYCUDA)	Tanzania Customs integrated System (TANCIS)	Authorized Economic Operator Mechanism, ASYCUDA World System
Non-tariff measures			
Sanitary and phytosanitary measures	Import prohibitions, trade permit, phytosanitary certificate, possible quarantine	Registration and import permit, health certificate from the country of origin, inspections, testing for radiation (food), possible quarantine, import prohibitions	Import permit, special certificates, inspection, quarantine
Technical barriers to trade	1,058 national standards, mandatory inspections, import certificate	1,485 national standards, certificate of conformity, random inspections	2,434 national standards
Non-automatic licensing, quotas, prohibitions, and quantity-control measures	Non-automatic licenses for specific products, trade permits	Trade permits for certain products under EAC regulation	Import prohibitions, non-automatic licenses for specific products
Price-control measures, including additional taxes and charges	Minimum farm-gate prices on the domestic output of key agricultural commodities, regulation of electricity and water tariffs, fuel pricing, other duties and charges, customs processing fee, excise duties, extra levies, VAT, withholding tax	Reference/indicative prices for petroleum, electricity, water, and crops regulated by marketing boards, and bus and maritime transport fares, other duties and charges, customs processing fee, excise duties, VAT	Price caps on electricity tariff, fuel price, and insurance premiums, among others, other duties and charges, customs processing fee, excise duties, VAT
Rules of origin	Non-preferential COMESA or SADC protocols	Non-preferential EAC or SADC protocols	Non-preferential COMESA or SADC protocols

Source: World Trade Organization Trade Policy Reviews (WTO 2013, 2016a, 2016b).

Note: EAC: East Africa Community; COMESA: Common Market for Eastern and Southern Africa; FTA: free trade agreement; SADC: Southern African Development Community; VAT: value-added tax.

Figure 6. Sample of certification required to exit/enter a country under the COMESA Simplified Trade Regime



Source: Compiled by UNCTAD based on World Bank (2014a, 2014b). Information refers to analysis conducted at the Mwami/Mchinji border between Zambia and Malawi.

Note: ASYCUDA: Automated System for Customs Data; COMESA: Common Market for Eastern and Southern Africa. GMO: genetically modified organism.

and cost involved in moving goods across borders through coordinated border management, also making it easier for small-scale traders to utilize formal trade channels. The functioning and implications of one-stop border posts will be discussed in section 3.2.5.

3.1.1 Common Market for Eastern and Southern Africa

COMESA introduced its STR in 2007 to streamline trade procedures at the border. The initiative became operational in 2010 (Makombe 2011).

The STR requires countries to put in place instruments and mechanisms at border areas where informal cross-border trade is significant in order to encourage the formalization of informal cross-border trade. To date, only 10 COMESA members – Burundi, Democratic Republic of the Congo, Ethiopia, Kenya, Malawi, Rwanda, Sudan, Uganda, Zambia, and Zimbabwe – have taken steps to implement the STR. Small-scale consignments of eligible goods can be exempted from duty and subject to a simplified certificate of origin as long as their value is below a certain eligibility threshold.[29] Processing fees have also been considerably reduced, and are now set at US$1 (WTO 2016a).

The COMESA STR has three components: (i) a common list of approved products; (ii) a simplified customs document; and (iii) a simplified certificate of origin. The list of products is jointly agreed upon by member states with shared borders based on goods that are commonly traded by small-scale traders. In line with COMESA rules of origin, eligible goods should be either entirely produced within the COMESA area, or the value of any foreign material should not exceed 60 per cent of the total cost of all materials, or the value added of the good produced in the member states should be at least 35 per cent of the ex-factory cost. Goods must display a reference number corresponding to the exporting license of the manufacturer/producer (COMESA 2002). For qualifying consignments, small-scale traders are required to complete a simplified customs document[30]

29 In 2011, this threshold was raised from US$500 to US$1,000, and it is currently set at US$2,000 at most COMESA borders.

30 The simplified customs document includes details about the exporter and the importer, a description of the goods, and revenue information.

and a simplified certificate of origin,[31] which are first submitted to the designated issuing authority in the exporting member state for authentication and lastly to the customs authorities in the importing member state for final clearance. The simplified certificate of origin is issued at the border posts to enable traders located in remote areas to benefit from the regime.

Despite the simplified procedures, application of the COMESA STR does not exclude the requirement to obtain import and export permits for certain categories of animal and agricultural goods. Nor does it provide exemptions from border requirements regarding immigration or sanitary and phytosanitary (SPS) measures. Such measures remain an important constraint to cross-border trade. Following the 2011 COMESA Ministerial Meeting on STRs, which called for a solution to relax SPS requirements, member states launched an initiative to allow for mutual recognition of SPS measures among countries, the introduction of bilateral agreements to remove the need for SPS inspections for goods under the STR, and a limit on the SPS inspection at the country of origin for goods that are not under the STR (Government of Rwanda 2013). As of 2017, COMESA had harmonized several hundred standards, but only a few of them cover testing, sampling, or labelling. Food inspection services and laboratories are not adequate. In addition, neither a coordinated approach to SPS nor a comprehensive SPS policy have yet to be implemented (Osiemo 2017). Small-scale traders are also still liable for paying taxes such as the VAT or excise duties (Southern Africa Trust 2015).

Sample findings on the cost of exporting rice from Malawi to Zambia through the formal channel at the Mwami/Mchinji border demonstrate the notably reduced transaction costs following introduction of the STR as opposed to the normal regime prior to it (table 9). Despite the STR, however, it is estimated that Malawian small-scale cross-border traders may pay up to 62 per cent more in border costs per unit than large formal traders (World Bank 2014c). Indeed, as shown in table 9, transaction fees for goods exported from Malawi to Zambia are applied regressively on a per-ton basis. For instance, an exporter with only a two-ton load of rice or even a seven-ton load pays much more per ton than a larger exporter (e.g. a 30-ton load). The total fees for formal crossing applicable to a 30-ton load of rice at the Mwami/Mchinji border are estimated to be around US$11 per ton. In contrast, the fee applicable to small-scale traders using the STR regime, whose consignment of rice cannot exceed two tons (roughly due to the US$1,000 ceiling), is over US$50 per ton. The additional fixed costs of acquiring permits and certificates from Lilongwe (including fuel, travel, phone costs, etc.) are detailed in table 9.

Malawi and Zambia introduced the COMESA STR in 2007 (WTO 2016b; World Bank 2014a). However, it is little used in both countries. Traders operating at the border note that information and guidance on the utilization of the scheme are often unavailable and at times the necessary forms may also be unavailable at the border, impacting effective implementation of the STR.

Every month, between 20,000 and 30,000 small traders are estimated to cross through the Mwami/Mchinji border posts between Malawi and Zambia (World Bank 2014a). The value of small-scale transactions is estimated at over US$7.7 million per month, 40 per cent of which is informal. However, evidence of the low uptake of the STR is that the Zambian Revenue Authority only recorded 77 STR transactions during the period between January and October 2017 at the Mwami border.

The main factors that impede full uptake of the STR regime include:

- High costs: Although introduction of STR provides a considerable amount of savings for traders who are carrying small consignments as compared to the normal regime prior to the STR, total fees of complying with legal requirements remain prohibitive for many small-scale traders, especially those who carry out transactions of very low value (World Bank 2014a). Despite some governments' intention to reduce the processing fee to US$1 on goods eligible for STR treatment,[32] small-scale traders continue to pay higher fees that stand at around US$10 (World Bank 2014a, 2014b; Njiwa and Oldham 2011). For instance, in Malawi processing fees stand at about US$6 per invoice (World Bank 2014a).

31 The simplified certificate of origin includes a declaration by the exporter/producer/supplier stating that the goods to which the certificate refers have been produced in accordance with the COMESA rules of origin.

32 A processing fee is usually charged in order to put the data into the ASYCUDA system (Njiwa and Oldham 2011).

Table 9. Cost of formal rice exports from Malawi to Zambia at the Mwami/Mchinji border (US$ per ton)

	Two-ton		Seven-ton	30-ton
	Without STR	With STR		
Cost to exit Malawi				
Export permit (free)	–	–	–	–
Phytosanitary/Fumigation certificate	0.61	0.61	0.17	0.04
Non-GMO certificate	4.27	4.27	1.22	0.28
Certificate of origin	1.83	–	0.52	0.12
Currency declaration form processing fee (per invoice)	6.10	6.10	1.74	0.41
Clearing agent (customs entry)	37.50	–	10.71	3.33
Total costs to exit Malawi[a]	50.30	10.98	14.36	4.19
Cost to enter Zambia				
Import permit	7.50	7.50	0.29	0.29
ASYCUDA fee[a]	5.00	5.00	1.43	0.33
Insurance card	20.00	20.00	5.71	1.33
Carbon tax	9.43	9.43	4.04	1.26
Clearing agent	37.5	–	10.71	3.33
Total costs to enter Zambia[b]	79.43	41.93	22.18	6.55
Total fees for formal crossing	**129.73**	**52.91**	**36.54**	**10.74**
Estimated cost of acquiring Malawi permits				
Export permit	6.22	6.22	6.70	1.56
Phytosanitary/fumigation/Non-GMO certificate	8.05	8.05	3.59	3.59
Certificate of origin	6.22	–	1.06	1.06
Total cost including the cost of acquiring Malawi permits	**150.22**	**67.18**	**47.89**	**16.95**

Source: Compiled by the UNCTAD secretariat based on World Bank (2014a).

Note: As far as formal trade of rice is concerned, a two-ton load is about the maximum that can be carried under the simplified trade regime (STR) threshold of US$1,000 per load. The STR scheme hence does not apply to a seven-ton or a 30-ton load. GMO: genetically modified organism.

[a] ASYCUDA is a computerized customs management system developed by UNCTAD that covers most foreign trade procedures.

[b] Total costs exclude the cost of obtaining certificates within the country (e.g. fuel, transportation, phone calls, etc.)

- **High administrative burden:** In spite of the STR, a range of non-tariff barriers still continue to operate at the border and many of the requirements associated with formal trade remain in place. These include fees for border services and certificates of origin. Though the procedure is simplified, it can still appear too cumbersome for transactions of very low value.
- **Limited list of eligible goods:** The list of products that are eligible for the simplified treatment between Zambia and Malawi is still quite limited, as reported in table 10. Items that are in large demand by traders on the Malawian side of the border but that are not on the list include cooking oil, agricultural twine/cane, soaps, body lotion, pots, plastic products, and shoes (DPC & Associates 2010). Concerns have been voiced by traders about the need to regularly update the list of eligible goods. Commodities such as maize or maize meal, which constitute some of the most traded goods, are also currently not included on the STR list. To some extent, this is due to the frequent food shortages experienced in both countries, where export bans are often put in place

Table 10. List of products eligible for the simplified trade regime between Malawi and Zambia

• Live goats	• Rice	• Wood curios
• Live sheep	• Onions	• Cane chairs
• Live rabbits	• Bananas	• Animal feed
• Fresh fish (live fish is not eligible)	• Mushrooms	• Fruit juices
• Dried, salted, or smoked fish	• Sunflower seeds not for planting	• Maheu/Supa drink
• Fresh milk, yogurt, and cream	• Dried beans not for planting	• Biscuits
• Potatoes (Irish and sweet)	• Dried chick peas	• Soya pieces
• Soya beans	• Tea leaves	• Cement
• Ground-nuts	• Coffee	• Lime for whitewash
	• Sugar	

Source: COMESA (undated).

to secure national reserves in a context of rising regional demand. As a result, this contributes to an increase in informal maize exports, particularly towards countries with a maize production deficit such as the Democratic Republic of the Congo and Malawi (FEWSNet 2016; Bloomberg Markets 2016). Malawi has not updated the common list of goods eligible under the STR like other COMESA member states, and it is still using the list agreed upon in 2010. Products that informal traders would like to see on the list include soft drinks and fabric wrappers (also known as *chitenje*), which are originating goods since they are produced within the SADC or COMESA, according to UNCTAD's field findings.

- **Low threshold**. Many cross-border traders regard the threshold of US$2,000 applied in most COMESA borders to allow consignments to benefit from the STR as too low. Traders are requesting that the threshold be increased to at least US$3,000. Malawi and Zambia are currently implementing a US$2,000 threshold.
- **Goods originating from countries outside the COMESA free trade area (FTA)**. STRs do not apply to goods originating in non-FTA countries. This excludes a great deal of imported goods from China and South Africa.
- **Arbitrary implementation of the STR.** Implementation of the STR in practice is often hampered by the arbitrary application of rules and requirements by border officers.[33]
- **Limited familiarity with the STR and difficulty in accessing information about it**. As reported by Cross-border Traders Association of Malawi, many traders are not aware of the existence of the STR, or do not understand its prerequisites.[34] This may be due to the lack of visibility or information at border crossings and among border officials, which in practice renders many informal traders unable to utilize the existing simplified procedures (Afrika and Ajumbo 2012). Frequently, traders observe that information on clearance procedures and the list of eligible goods is not available, and that the required forms are not always easy to understand. For instance, at Mwami/Mchinji, documentation appears to be seldom available on the Malawian side of the border, so traders need to pick up the forms to process a consignment under the STR on the Zambian side. The description of the STR requirements is not usually available in local languages, hence complaints regarding language barriers are frequently raised by traders (UNCTAD's field findings).

33 For instance, at the Livingstone/Victoria Falls border between Zambia and Zimbabwe there have been complaints by traders about Zimbabwean border officers refusing STR treatment for goods that qualify for it (World Bank 2014b).

34 See box 3 for information on cross-border traders associations.

Box 3. Cross-border traders associations

Cross-border traders associations (CBTAs) are non-governmental bodies representing and defending the interests of small-scale traders. CBTAs are well established in both Malawi and Zambia, and local chapters are present at most borders across the countries. There is currently no similar institution operating in the United Republic of Tanzania.

CBTAs play a key role for traders because they provide useful market information. CBTAs are committed to providing training and counselling for their members on customs rules and procedures. Their activities include information desks, advocacy and lobbying platforms, and building networks with relevant authorities and entities. However, they often lack sufficient resources to carry out these tasks efficiently.

In Malawi, a CBTA was established in 1997 to share information about trade procedures. However, the financial resources to ensure its effectiveness and meaningfulness are very inadequate. The association relies mainly on membership fees, amounting to approximately US$5 annually per member. The CBTA in Malawi currently has no funds for awareness-raising activities or information or communication campaigns among its members.

The Zambian CBTA was initially supported by the Common Market for Eastern and Southern Africa (COMESA) Secretariat, but currently relies exclusively on annual membership fees, which stand at about US$11 annually per member. Membership in the Zambian CBTA also entitles traders to sell in dedicated trading centres, also known as COMESA markets, where licenses for members are less costly. The Zambian CBTA deploys trading security officers at border crossings to inform and advise traders about their rights and obligations, thus protecting them from the risk of abuse and harassment. The Zambian CBTA actively lobbies at the national and regional levels to promote the interests of cross-border traders and advocates for more flexibility in trade regimes for small-scale traders. It has close ties with the Ministry of Trade, Commerce and Industry and with the COMESA Secretariat, whose main office is in Lusaka (Lindell 2010).

The Southern Africa Cross Border Traders Association (SACBTA), headquartered in Gaborone, Botswana, serves the broader Southern Africa region through its national offices. The SACBTA is also active in Zambia, where it founded a chapter in 2011, overlapping to some extent with the presence of the Zambian CBTA.

- **Low presence of Trade Information Desk Officers (TIDOs) at border crossings**. A system using TIDOs was established by COMESA during the piloting of the STR across partner states in the region. These officers were appointed to provide information and assistance on clearance procedures and the list of goods qualifying for the STR. At the Mchinji border, in Malawi, the information desk was established under the COMESA pilot phase during 2009–2015. Lack of resources, however, resulted in inconsistent provision of the service.[35] UNCTAD's discussions with the Malawi Revenue Authority pointed to the fact that the lack of COMESA TIDOs in charge of STR issues had a significant impact on the number of transactions carried out under the trade regime, and hence on the overall utilization rate of the STR scheme. For example, in 2015, the Malawi Revenue Authority recorded US$170,000 worth of imports and US$70,000 worth of exports under the STR at the Mchinji border when an STR TIDO was available. In 2016, when TIDOs were discontinued, figures dropped and transactions under the STR stood at US$36,000 for imports and US$20,000 for exports. The presence of a TIDO had a direct impact on the incidence of STR transactions and hence on the revenues collected and overall formal trade flows (UNCTAD's field findings). In spite of this, TIDOs reported that, after an initial interest in the newly introduced simplified regime, most traders switched back to the informal route and continued to prefer

35 On the Zambian side, at the Mwami border, funding has been supplemented by the cross-border traders association for limited periods of time.

it to the STR (DPC & Associates 2010). Border authorities have also expressed doubts about the effectiveness of introducing TIDOs and about the very existence of the facilitated trade regime as a measure to encourage formal trade. Some believe that traders would most likely continue to operate informally regardless of the measures in place, since this is the best option to maximize profits and get goods across borders in a relatively straightforward way (UNCTAD's field findings).

3.1.2 East African Community

An STR was introduced in the EAC region in 2007 (WTO 2013) with the adoption of a simplified certificate of origin for goods valued at less than US$2,000 and a common list of eligible products. As for COMESA countries, the STR came into play when it was recognized that existing rules under the EAC Customs Union were mostly benefiting large traders, whereas 33 per cent of cross-border trade in EAC countries is characterized by transactions with a value below US$2,000 (Government of Rwanda 2013).

The introduction of the EAC STR has had limited success. As in the case of the COMESA STR, some factors have deterred its effective uptake by small-scale traders, including the fact that the STR does not provide an exemption from a number of domestic taxes that may still be applicable or from other border requirements that exist in the EAC (Government of Rwanda 2013). For example, small consignments still have to bear a certificate of origin. Since traders are often unable to provide such a certificate, goods that in principle should cross the border duty-free are subject to duties when their origin cannot be demonstrated.

Finally, as is the case for COMESA, lack of awareness and understanding of the implications and benefits of regional integration and the STR represents another major barrier to the use of these mechanisms. A study conducted among Tanzanian women traders found that 89 per cent of them were not aware of applicable laws, regulations, and protocols related to cross-border trade facilitation. The remaining 11 per cent said they were acquainted with the rules of the EAC Customs Union Protocol, but could not describe them in detail (UN Women 2012). Such lack of awareness puts cross-border traders, and especially women, at a disadvantage in terms of being able to claim their rights and the proper enforcement of applicable laws at the border, particularly when public officials themselves are not familiar with them. UN Women (2012) reported that 47 per cent of interviewed border agents were not familiar with the Customs Union Protocol or with policies and regulations related to border management and trade facilitation.

Conversely, a study by the Eastern African Sub-regional Support Initiative for the Advancement of Women (EASSI) found that at several EAC borders, including Namanga (United Republic of Tanzania/Kenya), women largely understood that, as a result of the EAC Customs Union and Common Market Protocols, they were entitled to enjoy free movement of goods, persons, and services (89 per cent), suppression of internal customs controls (87 per cent), elimination of trade tariffs on EAC-originated goods (94 per cent), and harmonization of intra-EAC tax rates, including the VAT, income tax, and excise tax (84.5 per cent) (EASSI 2012). Awareness levels, however, appeared to be much lower at the Mutukula border (United Republic of Tanzania/Uganda). While women generally knew that they had the right to move freely with their goods (84.5 per cent) within the EAC region, their understanding of the benefits related to customs controls, elimination of trade tariffs, and tax rate harmonization deriving from EAC instruments were significantly lower (estimated at 47, 55, and 44 per cent, respectively).

Sensitization workshops conducted by the EASSI in the EAC region revealed the existence of substantial disinformation around the STR mechanisms. For instance, the simplified certificates of origin were purchased by traders at certain border posts, although the form was available at the customs offices free of charge (EASSI 2015). UNCTAD's field findings also suggest that women are usually not aware of the fact that goods that are not originating in the region cannot benefit from the STR. For this reason, the STR does not apply to items such as second-hand clothes, which are commonly traded at most borders.

Several EAC and COMESA countries have started to negotiate STRs on a bilateral basis with neighbouring countries outside of their respective regional economic community. For example, the United Republic of Tanzania has been negotiating a bilateral STR with Zambia and the set-up of trade facilitation measures for small-scale traders at the Tunduma-Nakonde border (World Bank 2016). Bilateral STRs may involve different lists of goods eligible for the simplified treatment for each border crossing.

3.1.3 Southern African Development Community

Unlike COMESA and EAC, SADC does not yet have a simplified trade regime in force. In 2017, with a mandate from the SADC Ministers for Trade, the SADC Secretariat started to develop a STR for intra-regional trade. As in the case of the COMESA STR, the facilitated regime that the SADC region is envisaging aims to simplify paperwork and streamline customs formalities to enable quick and easy transactions by small-scale traders (SADC 2017).

The SADC Protocol on Trade, which has been in effect since 2000, already includes provisions to streamline, simplify, and harmonise customs procedures while addressing supply-side constraints to trade through enhanced regional cooperation in infrastructure, agriculture, transportation and storage requirements, and the financial sector (Simwaka 2011). These provisions, however, do not specifically and adequately tackle the needs and challenges of small and informal traders. In addition, the level of awareness and uptake by informal traders remains limited (Makombe 2011).

Another major constraint of the trade protocol consists of restrictive rules of origin, which in practice inhibit the engagement of small traders. Some of the basic conditions for goods to fulfil the protocol's rules of origin include that the product must have been wholly produced or obtained in one of the member states; the non-originating materials that make up the product must have undergone "sufficient working or processing" in one of the SADC countries; or the value of non-originating materials must not exceed 10 per cent of the ex-factory price of the good (see Annex I of the SADC Trade Protocol on rules of origin) (SADC 2003; WTO 2016a). As a result, informal traders might not find clear benefits in switching to formal trade, and have been calling for the implementation of a STR and the introduction of a simplified certificate of origin as is being done in other regions.

The SADC Regional Indicative Strategic Development Plan (RISDP) for 2005–2020 recognizes the need to address informal cross-border trade through the development of targeted policy frameworks for its facilitation.[36] The five-year strategic plan (2012–2016) on customs cooperation[37] laid out as part of the RISDP roadmap highlights that the lack of a STR for small traders, lengthy and costly customs procedures, corruption, lack of inter-agency collaboration, and inadequate infrastructure are some of the key factors hindering trade flows in the SADC region. The development and implementation of a STR features among the interventions of the strategic plan that were expected to be rolled out by 2013 (SADC 2011a; Makombe 2011). As discussed, the development process of the STR for adoption by the 15 SADC members is ongoing (SADC 2017).

3.1.4 Trade facilitation through One-Stop Border Posts

One-stop border posts or joint border posts have been introduced to respond to the challenge of reducing the formalities, costs, and time to cross borders. They also aim to prevent irregular practices such as informal trade and smuggling, and to provide an additional incentive to the formalization of small-scale, cross-border traders. With the one-stop border post, two border crossings are merged into a single one and are jointly managed by the authorities of two neighbouring countries.[38] Import and export formalities are thus managed between the two countries and inspections are conducted in the presence of officers from both sides. Given the collaborative nature of the one-stop system, pre-existing physical infrastructure at the borders often poses challenges for the effective implementation of the one-stop border posts, and this may require the adaptation and/or construction of new border facilities (Amoako-Tuffour *et al.* 2016).

To date, most regional economic organizations in sub-Saharan Africa – including COMESA, SADC, EAC, and the Economic Community of West African States (ECOWAS) – have started to implement one-stop border posts at selected borders that represent major

36 The RISDP is a development framework guiding the regional integration agenda of the SADC over a period of 15 years. The RISDP was formulated in March 2001 and was adopted and approved in August 2003.

37 The SADC Subcommittee on Customs Cooperation developed a five-year Indicative strategic plan outlining the strategic intention of customs administrations in SADC for 2012–2016. The plan outlines the role of Customs within the context of the overall objectives of the RISDP, particularly in relation to trade.

38 This is done by having border officials from both sides engaged in each country's border office, allowing outward and inward inspections only at one side of the border (in compliance with the laws of both countries) through a single window system (SADC 2011b; Muqayi 2015).

transit points for traffic of goods and persons. These initiatives build upon common markets (i.e. already-existing protocols on the free movement of persons, goods, and services) (The Africa-EU Partnership 2013).

EAC passed a One-Stop Border Post Bill in 2013 to lay out the legal framework for the establishment of such facilities, but the bill has not been approved by EAC member states (Amoako-Tuffour *et al.* 2016). Currently, a number of one-stop border posts within the region are under construction.[39] In February 2016, the EAC opened its first one-stop border post at the Holili/Taveta border between the United Republic of Tanzania and Kenya. It is expected that the functioning of that post will be further improved by the construction of a road between the two countries (EAC 2016).

Similarly, SADC has undertaken commitments to establish one-stop border posts and has put forward measures related to trade facilitation within the region. This has included (i) the development of coordinated border management guidelines to encourage cooperation between border agencies and assist member states in modernizing border management systems and streamlining border transit; (ii) the establishment of single-window systems providing a single entry point for the submission of documentation related to exports and imports;[40] and (iii) an initiative to convert certain border posts in the region into one-stop border posts. To date, 16 border posts have been identified for possible conversion by 2020 (Amoako-Tuffour *et al.* 2016).

The first functioning one-stop border post in Africa was piloted by COMESA at the Chirundu border between Zambia and Zimbabwe in December 2009. A new one-stop border post between Zambia and the United Republic of Tanzania was established at the Tunduma/Nakonde border, and its construction was ongoing as of March 2018. The Tunduma/Nakonde one-stop border post is the fifth one in the United Republic of Tanzania, in addition to those in place with neighbouring countries of Kenya, Uganda, Rwanda, and Burundi. In Malawi, one-stop border post initiatives appear to be in the pipeline for six border crossings: the Songwe border with the United Republic of Tanzania; the Dedza, Mwanza, Muloza, and Chiponde borders with Mozambique; and the Mchinji border with Zambia (Government of Malawi 2015). Larger border posts such as Songwe, Mwanza, and Dedza have also established Joint Border Committees to enhance cooperation and coordination among border officials (WTO 2016a).

Plans are under consideration to establish a one-stop border post at the Kasumulu/Songwe border between Malawi and the United Republic of Tanzania, in addition to enacting a bilateral STR between the two countries (Mogha/Mana 2017).

3.1.5 The traveller's rebate scheme

Traders who carry small loads often use a traveller's rebate scheme in place in many countries to accord private travellers a tax-free allowance on small amounts of merchandise for personal use, regardless of its origin. Though the traveller's rebate scheme does not apply to commercial trade, it is often used by small-scale traders to avoid any administrative cost and burden related to trade transactions. On the other hand, despite generally low awareness of the existence of this scheme, some traders interviewed at the Nakonde border in Zambia complained that even when they are carrying goods for personal use they may be charged as if they were carrying commercial goods (UNCTAD's field findings).

In Zambia, for example, the rebate scheme applies to small consignments that are not meant for resale and whose overall value does not exceed a certain amount, which stands at US$1,000 (Zambia Revenue Authority 2017). The scheme is nevertheless often used for transactions of higher value by way of crossing the border several times with small consignments. Traders are also often accompanied by family members who help carry goods across the border (Njiwa and Oldham 2011).

Well aware of the misuse of the scheme, authorities in some countries have started reconsidering some of the benefits associated with it. Revisions include reducing the amount of the rebate and applying the

39 These include the borders of Kabanga/Kobero (United Republic of Tanzania–Rwanda), Lunga Lunga/Horohoro (Kenya–United Republic of Tanzania), Busia (Kenya–Uganda), Mutukula (United Republic of Tanzania–Uganda), and Ruhwa (Burundi–Rwanda).

40 Single window systems have been piloted to date in Botswana, Malawi, Mozambique, Namibia, and South Africa (Amoako-Tuffour *et al.* 2016).

scheme only to pedestrians and travellers crossing the border on private vehicles. This has direct implications for small-scale traders who have been leveraging the scheme to override the payment of duties or taxes, and who do not usually own private cars, but rather travel on commercial transport. In countries where the scheme is being restricted, such as Zimbabwe, concerns have been raised about the negative impact that the policy change may have on the broader informal sector, which remains a source of livelihood for many people, including informal traders (The Herald 2016).

4. **What obstacles** do female informal cross-border traders **face?**

4. WHAT OBSTACLES DO FEMALE INFORMAL CROSS-BORDER TRADERS FACE?

This section provides an in-depth examination of the array of problems and obstacles faced by female cross-border traders. Based on the results of UNCTAD's online survey administered to cross-border traders associations, the top five problems encountered by female informal cross-border traders are limited capacity to trade higher-value-added goods; bribery and corruption at the border; limited capacity to diversify the set of goods they trade; limited access to financial resources; and misinformation about customs procedures and regulations (for instance, regarding the STR). Other major constraints were harassment and personal safety, confiscation of goods at the border, restrictions on trade of certain goods, and payment of undue fees. Overall, survey respondents agreed that the main challenges that still prevent informal traders from formalizing their operations include the persistence of strict regulations applicable to small-scale trade (94 per cent of responses), all sorts of border obstacles, including delays, harassment, and corruption (88 per cent), limited business scale (71 per cent), and the high costs of formal trade (71 per cent).

4.1 BORDER OBSTACLES

4.1.1 Lack of trade facilitation

Subregions in Africa have some of the worst indicators on cross-border trade, including time and costs associated with logistics and the number of documents required for each transaction. COMESA, EAC, and SADC have some of the longest processing times and highest costs for imports and exports compared to other regions of the world (table 11). In Malawi, the border processes are shorter and less expensive than the average in sub-Saharan Africa, while in the United Republic of Tanzania and Zambia they are extremely lengthy and costly. Such costs and delays create further disincentives for informal small-scale traders to report their transactions and choose formal trading channels. According to figures for 2018

Table 11. Cross-border trade indicators in selected countries and subregions

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
Zambia	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).

Note: Regional averages show the aggregate value of time and costs (excluding tariffs) for documentary compliance (i.e. to obtain, prepare, and submit documents required by origin, transit, and destination economies) and for border compliance (i.e. customs clearance and inspections, port or border handling) within the overall process of exporting or importing a shipment of goods. Data on "Documents to export" and "Documents to import" refer to the World Bank's 2014 Doing Business Report for all regions; data for COMESA refer to the 2016 Doing Business Report. COMESA: Common Market for Eastern and Southern Africa; EAC: East African Community; OECD: Organisation for Economic Co-operation and Development; SADC: Southern African Development Community.

on trading across borders, Malawi ranks 117th, the United Republic of Tanzania 182nd, and Zambia 150th on the World Bank's 2018 Doing Business indicators.

Delays at the border result in several negative consequences for traders. They affect trading operations and diminish profits by impeding reaching potential markets or stores during opening hours, and/or by creating extra costs for overnight stays. For perishable goods, delays may imply that they are not fit for consumption any longer. Women face even heavier burdens due to their primary responsibilities in the household. Delays at the border force them to leave behind their family obligations for periods longer than expected. Therefore, they might be ready to pay bribes to cut delays or they may end up choosing closer but less profitable destinations (Thubelihe 2013).

Traders seeking to acquire certificates that prove compliance with technical regulations, sanitary and phytosanitary requirements, or other mandatory specifications face cumbersome and costly procedures. Hence, the lack of mutual recognition of certification and of the bodies in charge of issuing conformity certificates is an additional major barrier to formalization. Large consignments of merchandise are required to be sample-tested to receive border clearance, whereas for small consignments the certificates are usually obtained at the border. In the three countries examined, testing facilities are located in the main cities, which are usually away from the borders. For instance, testing facilities of the Tanzania Bureau of Standards are in Dar es Salaam. Likewise, traders from Kasumulu in northern Malawi need to travel to Blantyre or Lilongwe to get their certificates. Testing procedures may take from one week to over a month, constituting an additional impediment to formalization (UNCTAD's field findings). Overall, a significant amount of time is required for transport of the sample, testing, and verification of conformity, with a negative impact on the costs and time of trade.

Because of increasing regional harmonization of standards within the EAC, products that have already been certified in an EAC partner country do not usually require additional certification (TradeMark East Africa 2017). As far as the COMESA region is concerned, harmonized standards refer mainly to composition

Box 4. The perspective of border authorities

The most common perception of border authorities regarding informal cross-border trade dynamics is that the phenomenon is difficult to contain. While on the one hand it is evident that the constraints and costs of trading formally are still onerous to bear, on the other hand, the high incidence of informal trade causes large losses to public revenues.

A common perception by border authorities is that traders are not pro-active in acquiring the information needed to conduct their business according to the prescribed norms. For instance, in Malawi, border authorities note a general lack of interest by traders in seeking out information, and general ignorance about basic requirements. Often, law enforcement by customs staff may be wrongly attributed to corruption. On the other hand, unauthorized personnel may be involved in episodes of corruption and abuses at the expense of traders, and border authorities are usually not aware of such episodes unless they are reported.

To fill a widespread knowledge gap, border authorities have engaged in efforts to organize training sessions to communicate any new procedures to traders. For instance, in February 2018, the Malawian Revenue Authority held a series of workshops at several border crossings, including those of Mchinji and Songwe, to clarify the procedures that cross-border traders need to follow when exporting or importing goods into the country (Malawi Revenue Authority 2018).

Nevertheless, border authorities across the three countries observe that training sessions are usually poorly attended by traders, since devoting time to training implies an unsustainable loss of gains. Aware of such constraints, authorities express the need to create incentives to increase traders' attendance and motivation, since raising awareness about trade formalities is of critical importance to reduce unrecorded trade and limit public revenue losses.

Source: UNCTAD's field findings.

requirements of certain goods, and cover only particular types of products such as maize or milk. Few harmonized standards also cover testing and sampling methods (Osiemo 2017).

Trade between the United Republic of Tanzania and non-EAC neighbouring countries like Malawi and Zambia poses extra challenges to cross-border traders who want to formalize their business because they cannot benefit from the possible harmonization of mandatory product requirements or from the mutual recognition of requirements and/or certification.

Mechanisms for accelerating clearance processes are also needed, as many traders report extremely long waiting times at the border. For example, UNCTAD's findings at the border crossing of Songwe/Kasumulu suggest that the waiting time for buses transporting small-scale traders can be up to 12 hours, since all consignments are required to be unloaded and cleared before the bus is allowed to proceed.

A further complaint by informal cross-border traders is the overlapping of operations by border agencies, whereby several entities are involved in the inspection of the same consignment and require multiple payments. This is the case, for example, of the Bureau of Standards and the Food and Drug Administration, which in some countries may reportedly carry out similar inspections, slowing down the clearance process.

4.1.2 Inadequate border infrastructure

Inadequate infrastructure networks and border infrastructure – including inadequate public and private transportation systems, proper warehousing facilities, functional and sufficiently staffed border institutions and agencies – heavily impact cross-border traders, especially women.

Poor road conditions and limited availability of public transportation (often in the form of unsafe, crowded minibuses) limit traders' mobility and prevent them from reaching more distant and possibly more profitable markets. Traders may miss community market days, and their consumable goods (especially agricultural products) may deteriorate (Afrika and Ajumbo 2012). This imposes a heavier burden on women, who rely more on public transport than men and may sometimes be forced to spend several hours at the border because of long travel times and irregular bus schedules, especially when the crossing point is not open on a 24-hour basis.

Infrastructure at the border typically does not include storage space, cold rooms, or similar facilities. Again, this may force traders, who often carry perishable agricultural goods, to focus on nearby markets, especially when border clearances become lengthy and cumbersome. The functional and institutional problems at the border posts, namely the manual customs clearance processes or the malfunctioning of electronic systems and network failures due to electricity shortages, increase the amount of time to clear the products.

The main outlets where small-scale and informal traders sell their goods are typically at local markets, whereas traders who cannot afford to rent a stall at the market operate as street vendors. Border and market infrastructure is generally insufficient in Malawi. At the Mwami/Mchinji and Songwe/Kasumulu borders, for instance, no storage space is available for traders, and key facilities such as toilets and inspection rooms, which carry particular importance for women, are either not present or in poor conditions. Both borders close at 6 p.m., which severely limits crossing and selling opportunities for traders, while virtually no public transportation is available after sunset. Traders at Mchinji typically sell on the streets, their closest market being in Chipata. In Songwe, some market stalls are found on the Tanzanian side of the border, yet local traders frequently lament the poor infrastructure and limited access to markets as being the main challenges to their businesses.

According to an analysis conducted by EASSI (2012) at selected borders In the United Republic of Tanzania, traders mainly depend on tourists across the border to market their goods – which, in turn, exposes them to the seasonality of their demand. Even at the border point, market space may sometimes be limited or absent altogether. At the Tunduma border, there are no market stalls for cross-border traders, which forces them (and especially the women among them) to sit on the tarmac with their consignments, in turn posing risks to their own health and to the integrity of their goods.

In Zambia, border and market infrastructure may vary significantly. At Nakonde, for instance, a new building allows traders' clearance to take place in a proper environment, equipped with toilet facilities and also with an inspection room. At Mwami, on the other hand, border infrastructure is older and less trader-friendly, with no rooms for storage or private inspections and no market space available. Although traders have access to dedicated markets at Nakonde and Chipata, many of them sell predominantly on the streets (particularly on the Tanzanian side).

The situation of women is particularly difficult due to the lack of sanitation facilities. They are then exposed to unhygienic conditions and therefore to the risk of diseases such as cholera and typhoid (Thubelihe 2013). Lack of sleeping facilities is also frequently lamented by female traders who must spend the night at the border while waiting for their goods to be cleared.

The results of UNCTAD's online survey confirmed that few border facilities appear to be in place at the borders where the surveyed associations operate. These typically include banking facilities and accommodation (35 per cent indicated that they are very often in place), warehouses and storage facilities (29 per cent indicated their presence), and information desks (27 per cent). Sanitation facilities appear to be even less common, as only 18 per cent of respondents indicate that they are very often available.

4.1.3 Immigration requirements

Immigration and visa requirements are often seen as an additional barrier to the formalization of cross-border traders. In the case of Malawi, the United Republic of Tanzania, and Zambia, citizens can enter these countries with a valid passport for 90 days and without visas. The cost of obtaining a passport varies from about US$67 in Malawi to US$50 in the United Republic of Tanzania and US$100 in Zambia. Passports are only issued in the capital cities, and require the following documents: application form, photos, and birth certificate or other personal identification document, according to the Departments of Immigration of the three countries. Besides passports, the United Republic of Tanzania and Zambia require yellow fever certificates from all visitors.

4.1.4 Corruption and insecurity

While a number of studies found that women are more likely than men to face harassment or physical assault, have their goods confiscated or withheld, or have to pay non-official taxes and levies, other studies could not find significant differences between male and female traders regarding the level of abuse they face (Mbo'o-Tchouawou *et al.* 2016). According to UNCTAD's field observations at selected border posts, female cross-border traders are more vulnerable to verbal and physical harassment than male traders, and they reportedly spend longer hours clearing their goods at the border due to prolonged inspections. Moreover, customs officials or security officers may in some cases require sexual favours to authorize passage across the border. Fear of the authorities remains one of the major factors pushing traders away from formal routes, although the charging of illicit fees, bribery, seizing of consignments, and harassment are also frequently experienced by traders who use non-prescribed roads.

Corruption may involve immigration officers, revenue authority officials, police, and other public service officers at the border. Corrupt law enforcement officers often take advantage of local traders' lack of knowledge of customs procedures. Tanzanian women traders reported that a few officials charge un-receipted taxes on goods below US$2,000, which in principle should benefit from the STR. Other cases of bribes were reported in relation to the misinterpretation of the rules of origin or for faster clearing of goods (Afrika and Ajumbo 2012). Reasons for bribing also include the inability of traders to pay the correct amount of official taxes and fees. Corruption is considered normal to the point that women traders treat it as part of daily life (Thubelihe 2013; Barreau-Tran 2011). Information provided by cross-border traders' associations suggests that traders are often mistreated by the Revenue Authority and regarded as smugglers (UNCTAD's field findings).

Women often report being targeted for harassment by other actors in positions of authority, including money changers and transport operators, who are predominantly male. Long wait times at the border along with inadequate infrastructure mean that trade can also require long periods away from home, leaving women vulnerable to sexual assault when staying overnight with unsafe or inadequate shelter. Increased vulnerability to sexual violence, including forced prostitution, increases health risks such as HIV infection.

Based on UNCTAD's field findings, authorities at the Nakonde border between the United Republic of Tanzania and Malawi observe that police officers may in some cases have an active role in encouraging trade through illicit routes, as they may easily take advantage of the situation. While custom authorities showed a deep commitment to discourage corruption and enforce transparency, cases of unauthorized personnel taking advantage of the common lack of knowledge and awareness of small traders appear to be frequent (UNCTAD's field findings).

Traders selling their goods at informal markets along border areas in neighbouring countries may be even more vulnerable to harassment, as they are considered to be taking away business opportunities from local traders. Interviews highlight that the incidence of confiscation of goods at the Kasumulu border is high. Informal traders from both Malawi and the United Republic of Tanzania report that their products are often seized and thrown in the river by Malawian authorities. Among the crossing points targeted in Malawi, that of Songwe/Kasumulu, between Malawi and the United Republic of Tanzania, appears to be one of the most challenging for informal small-scale traders from both countries. This is due to the large presence of roadblocks and the incidence of corruption, especially along the road to the town of Karonga. Bribes are often demanded at each roadblock, making the journey of a trader extremely slow and onerous. Tanzanian female small-scale traders exporting formally to Malawi via the Kasumulu border report often being victims of bribery. In addition, over-taxation of goods that are improperly classified as non-SADC goods, despite being produced in the United Republic of Tanzania, appears to be a common practice at this border.[41]

Some countries have adopted measures to respond to both the lack of gender sensitivity by border officials as well as to traders' knowledge gaps regarding border formalities. In the United Republic of Tanzania, for instance, dedicated help desks were established within the framework of an initiative led by UN Women in collaboration with the Ministry of Trade, the Tanzania Women's Chamber of Commerce, and the Small Industries Development Organisation. Gender help desks were set up at selected border posts to support women in trade activities across borders and to facilitate access to information and dialogue with customs officials. Consultations with the Ministry of Trade, however, indicated that after the inception phase of the initiative, the gender help desks were discontinued due to issues of sustainability. In addition, gender-responsive border management has been encouraged in the context of Joint Border Committees by providing training to border officials on women's rights and trade exemptions (UN Women 2016).

Women Trade Services Hubs have also been set up with the support of the Tanzania Trade Development Authority (TANTRADE) to provide trade facilitation services to women engaged in cross-border trade. Key issues addressed include supporting compliance with border formalities, facilitating access to trade opportunities for female small-scale traders, providing capacity-building for micro, small, and medium-size enterprises that are active in informal cross-border trade, and encouraging implementation of the STR (ITC and TANTRADE 2017).[42]

4.2 SUPPLY-SIDE OBSTACLES

This section focuses on some of the most common supply-side constraints affecting informal and small-scale traders, and more specifically female traders. These factors hamper traders' capacity to produce and subsequently sell products through cross-border trade, as well as to expand their business and add value to it.

It is worth noting that social norms at the household or community levels usually represent one of the primary obstacles to women's agency and their ability to make effective choices in all domains. For instance, women traders at the Tunduma border in the United Republic of Tanzania report that they need their husband's permission to attend a workshop or training session, or to engage in formal business. There is a general fear that, if a woman's business grows, husbands might exercise control over their spouse's activity and earnings. Some of the traders interviewed also lament that women are judged negatively by other community members when they run successful businesses, hence the reason why informality is often preferred. Social norms regarding women's roles and behaviours remain some of the most common underlying causes impeding women's ability to pursue better economic opportunities than informal cross-border trade.

4.2.1 Access to finance

Access to finance is one of the most pressing challenges for traders, and especially for women (Afrika and Ajumbo 2012; Njiwa *et al.* 2012). This was confirmed by field findings at all borders visited

41 Based on UNCTAD's field findings. Such is the case, for example, of a Tanzanian female trader who has been producing sweaters and uniforms for schools in Malawi for several years, and these are often improperly classified as non-SADC goods due to the high quality of the merchandise.

42 Women Trade Services Hubs are supported by local governments, which devote 10 per cent of their annual budget to fund activities that support women and youth.

by UNCTAD in October 2017, where lack of adequate capital was identified as one of the main causes of informality among female traders. Between 85 and 95 per cent of cross-border traders have never borrowed money from either formal or informal channels (ILO 2012). Without bank accounts and access to exchange services, traders have low levels of start-up capital and report gouging by moneychangers when converting currency to make cross-border purchases. In addition, commercial banks follow strict procedures to grant a loan, and approval times are generally lengthy.

Women traders across most borders examined by UNCTAD lament the extremely high interest rates of commercial banks. In the recent past, lending interest rates have stood at 44 per cent in Malawi, 16 per cent in the United Republic of Tanzania, and 15 per cent in Zambia (World Bank 2016). Malawi has the second highest lending interest rates in the world, trailing only Brazil (World Bank 2016).[43] Formal financial institutions in the country are usually located in urban centres, with little presence in rural or peri-urban areas. Their services are mainly tailored to large companies, thus excluding the majority of the population that is largely rural and employed in the informal sector (SAIIA 2014). Within this context, loans are thus virtually inaccessible to small-scale traders in Malawi.

The Tanzania Women's Bank, established to mitigate gender gaps in access to finance due to lack of collateral, high interest rates, or low presence of credit institutions in rural areas, applies interest rates of 19 per cent on loans, which has attracted criticism for the bank's inability to meet its aim of enabling women to benefit from reasonable borrowing conditions (Philemon 2016). Micro-finance institutions may charge interest rates that can be as high as 20 per cent (Ministry of Finance and Planning of Tanzania 2017).

Institutional discrimination by private and public lending institutions can push women out of the market, or extend them loans that are smaller than those extended to men for similar activities. Women are primarily disadvantaged because financial services legislation is generally rooted in a patriarchal system that tends to consider women as subordinate or, at best, as housewives. As a result, for instance, married women in several countries cannot obtain bank loans without their husband's authorization (Akinboade 2005).

Additionally, banks sometimes refuse to offer credit to group applicants. This tends to negatively affect women, (including traders), as they might find it more convenient to apply for a loan as a group, both from risk-sharing and resource-pooling standpoints. Similarly, micro-finance institutions may sometimes have strict conditions that small-scale women traders may not be able to meet. For example, instead of a collateral requirement, they may require loan applicants to own a running business to qualify for credit, which automatically excludes those who may wish to apply for start-up capital. Finally, high illiteracy rates and lack of clear information about loan requirements and application steps also often play a role in limiting access to finance, as women may struggle to understand bank terminology, navigate the bureaucracy, and/or prepare sound business proposals in support of their loan applications. As a result, women traders traditionally turn to family members, friends, informal moneylenders, or local *tontines* (rotating credit clubs) for financial support (UNCTAD 2015; Afrika and Ajumbo 2012).

While bank account ownership tends to be generally low in sub-Saharan Africa, mobile money accounts are on the rise, including among cross-border traders. Mobile money accounts offer traders the possibility to make payments, or to receive capital from external sources. In many cases, though, those sources are personal savings and/or support from family and friends.

Table 12 presents key indicators of the ability to access finance in the three selected countries. The main indicators in Malawi, the United Republic of Tanzania, and Zambia are consistent with regional patterns: account penetration tends to be generally low, especially among women (Zambia has the highest rates); the use of mobile money can be quite common, with the United Republic of Tanzania showing the highest rates of mobile money account usage but also the highest gender gap in this measure; borrowing from a financial institution is still limited, especially among women; and borrowing from informal savings clubs is more common among women.

Health care and education expenses are among the common reasons for borrowing, while borrowing to start or expand a business or farm is relatively limited. Except in Malawi, men are more likely to borrow for business purposes than women.

43 The real interest rate (i.e. the lending interest rate adjusted for inflation) stands at 20 per cent in Malawi, 8 per cent in the United Republic of Tanzania, and 1 per cent in Zambia (World Bank 2016).

Table 12. Selected indicators of access to finance in Malawi, United Republic of Tanzania, and Zambia, 2017
(per cent of the population age 15+)

	Malawi		United Republic of Tanzania		Zambia		Sub-Saharan Africa	
	Male	Female	Male	Female	Male	Female	Male	Female
Use of financial services								
Account at a financial institution	28.8	17.7	23.1	19	43.4	28.6	38.4	27.3
Mobile money account	22.8	18	44.1	33.2	29.9	25.8	11.6	9.3
Borrowed any money in the past year	54	50.2	45	37.6	54.3	43.4	48.1	43.3
Source of borrowing								
From a financial institution	8.8	8.2	6.1	4.6	11.7	5.9	7.9	6
From a store by buying on credit[a]	10.2	8.8	0.9	0.3	4.8	6	7.2	7.6
Borrowed from a savings club[b]	15.8	24.9	6	12.8	11.1	11.4	8.2	10.3
From family or friends	28.7	22.2	32.3	22.5	35.1	27	32.9	29.2
Reason for borrowing								
For education or school fees[a]	8.2	10.9	17.3	17.1	23.6	18.1	12.3	12.3
For health or medical purposes	11.8	13.3	10.9	9.7	18.4	17.3	13.5	13
To start, operate, or expand a farm or business	4.5	6.6	5.5	3.6	8.2	7.5	5.3	4.2

Source: Global Findex database, available at https://globalfindex.worldbank.org/ (accessed in May 2018).

Note: Sub-Saharan Africa average excludes high-income countries.

[a] *The figure is for 2014.*

[b] *This measure refers to the percentage of respondents who report borrowing any money from an informal savings club in the past 12 months.*

A few surveys depict general trends in access to finance in cross-border trade. A 2012 COMESA survey of more than 140 cross-border traders at selected border posts in Southern Africa, including Mwami/Mchinji, revealed that around 80 per cent of traders obtained their capital from informal sources, including own savings or resorting to gifts and support from family and friends. The remaining 20 per cent managed to secure loans or to access other commercial sources of capital (Njiwa *et al.* 2012). Two-thirds of those relying on gifts or family support were female. Women tend to lack collateral, resulting from a mix of customary and cultural reasons and generally limited property rights, and this is a primary reason for women's difficulty in accessing finance from commercial sources. Analysis conducted by FAO (2011) in Malawi reached very similar conclusions: credit use in the country's rural areas tends to be low, and gender differences can be clearly identified. For instance, the authors estimated that about 13 per cent of male-headed households had access to credit, as compared to 8 per cent of households led by women. The situation appears to be very similar in the United Republic of Tanzania, where cross-border traders, and especially women, usually resort to their savings.[44]

Another major constraint reported by traders is the fluctuation of the national currency. Traders often lose out because of the instability of the exchange rate, especially when they have to deal with multiple currencies in their activities. Because of the limited financial literacy among informal cross-border traders, understanding exchange rates usually constitutes an additional challenge, especially for women. This creates opportunities for black market operators to abuse traders. For instance, due to the devaluation of the Zambian kwacha in 2015, several Zambian female traders reported falling victim to fraud by illegal money dealers operating at the borders. At times, money changers use banknotes that are not valid any longer or use tricks, such as folding the banknotes several times, resulting in traders losing out from the currency exchange. The governments of the United Republic of Tanzania, Zambia, and Malawi acknowledge the problems generated by informal currency exchange markets at the borders, and they are committed to regulating them to reduce the occurrence of fraud to the detriment of small-scale informal traders.

Even when present at the border, banking services or exchange bureaus are not always accessible. During UNCTAD's field work, traders from both the United Republic of Tanzania and Zambia complained about the challenge of carrying out any financial transaction when travelling to Malawi for business due to the difficulty for non-residents to open bank accounts there or simply exchange currency. Field findings suggest that several banks in Malawi and Zambia require people to have an account even for simple currency exchange transactions. Moreover, opening hours of commercial banks at the border are not always suitable to small-scale traders who typically cross the border before sunrise. Resorting to black market money dealers is often the only available option. While the exchange rates offered by these dealers are usually lower than those applied by commercial banks, the risk of scams is high. Traveling with large amounts of cash also exposes traders to a high risk of robbery.

Research indicates that, in its attempt to respond to the country's scarcity of foreign exchange in the country, the government of Malawi restricted the amount of cash that Malawian traders may carry across the border (DPC & Associates 2010; World Bank 2014b). Hence, in order to get hard currency, Malawian importers, including small-scale traders, need to apply for bank authorization using a specific form, the processing of which carries a fee of about US$35 per single commercial invoice. While this additional cost is certainly onerous for large traders, it is even more so for small-scale traders (World Bank 2014b).

4.2.2 Productivity in agriculture and access to land

The gender productivity gap

Home-grown produce and other agricultural products are broadly traded across the borders. Agricultural productivity depends on a number of factors, including the quantity and quality of seeds, fertilizer, pesticides, etc.; technology and extension services; and education levels. There are distinctive gender differences in access to those inputs and assets**.** For instance, women are less likely than men to use improved seed varieties and fertilizers, participate in extension trainings, and hire non-family labour (UNCTAD 2014). This is often due to difficulties in accessing technology and machinery, lack of collateral assets (e.g. land), and poor literacy levels, which severely limit women's ability to upgrade their agricultural techniques and yields. In addition, women continue to have primary responsibility for child-care and other domestic chores, which is a major constraint on the time women have available for other activities.

These shortcomings in turn hinder women's chances to transition into higher-value tasks, and to produce value-added agricultural products that could lead to higher cross-border trade earnings. Agro-industry sectors and agri-business firms are weak in the region, including in the three countries covered by this analysis. As a result, female cross-border trade primarily features low-value,

44 EASSI (2012) shows that own resources were the main source of capital for 60 per cent and 33 per cent of surveyed women at the Mutukula and Namanga borders, respectively.

Table 13. Indicators of agricultural productivity in Malawi, the United Republic of Tanzania, and Zambia

	Output value per worker[a] (US$)	**Land productivity**[a] (US$)	**Land/labour ratio**[b] (hectares/worker)	**Gender gap**[b] (per cent)
Malawi	640	556	1.10	25
United Republic of Tanzania	498	217	2.28	23
Zambia	549	82	6.94	–
Least developed African countries (plus Haiti)	485	111	4.31	–

Source: Prepared by UNCTAD based on: [a] Data from UNCTAD (2015a); and [b] Data from World Bank and ONE (2014).

Note: The gender gap in agricultural productivity is defined as the difference between men and women in the average value of agricultural output produced per hectare or acre of land, after accounting for plot size and regions. It is expressed as a percentage of men's value.

raw agricultural products (World Bank 2018b).[45] In the United Republic of Tanzania, the 2012 Micro, Small and Medium-size Enterprise (MSME) Survey revealed that, among surveyed firms, ownership of, and access to, processing machinery was extremely low, estimated at 0.3 and 0.1 per cent, respectively. The vast majority of respondents (83.4 per cent) said their non-use of machinery was due to the very limited size of their business operations, while 12.5 per cent attributed it to lack of adequate financial resources.

Table 13 provides an overview of key agricultural productivity indicators for the three countries. Several factors can explain the difference in agricultural productivity between women and men. First, women typically use fewer agricultural inputs, including improved seeds and fertilizer, and have limited access to extension services (World Bank and ONE 2014). Gender differences can also be found in ownership of, or access to, agricultural tools. In Malawi, for example, only 3 per cent of female-headed households make use of mechanical equipment as compared to 7 per cent of households led by men (FAO 2011).

Another factor contributing to the gender gap in agricultural productivity is the availability of adult male labour. In the United Republic of Tanzania, for example, adult male labour is two times more available in plots managed by men, or jointly by men and women, than in those managed only by women. Additionally, women-headed households have more limited access to animal draught power, which limits the area they can crop (IFAD 2008). Access to water can also be a major constraint. This is not only due to resource scarcity, but also to the burden of fetching water falling overwhelmingly on women, thus taking their time away from more productive agricultural and trading activities.

Access to land

Access to (fertile) land is one of the most critical assets affecting the economic gains of cross-border agricultural traders. Whether access to land is indicated by ownership or by the ability to operate land, gender differences persist and often translate into differences in production and market access.

The principle of gender equality is entrenched in the constitutions of Malawi, the United Republic of Tanzania, and Zambia. The 2015 Marriage, Divorce and Family Relations Act of Malawi sets out clear guidelines for equal distribution of property in case of marriage dissolution (WLSA-Malawi and University of Malawi 2015). To strengthen its institutional and policy framework, the country adopted a National Gender Policy in 2015 (CEDAW 2015). However, Malawi's Law Commission pointed out that the socio-economic

45 It is important to note that almost equally important is trade in low-quality manufactured goods, such as clothes, shoes, and electric appliances (Ama *et al.* 2013; Gor 2012; FOCCISA 2009; Lesser and Moisé-Lehmann 2009).

situation in the country perpetuates gender inequality, which results in women typically owning very little (if any) property, and/or sometimes being unable to exercise their ownership rights due to their status of subordination to men (Malawi Law Commission 2011).

The United Republic of Tanzania has enacted several sector-specific laws to ensure women's rights in different spheres (CEDAW 2014). Women's land rights are set out in the Land Act and the Village Land Act of 1999, which recognizes equal rights for women and men to acquire, hold, use, and deal with land. However, enforcement of such provisions tends to conflict with customary law, while adverse cultural norms and practices and deep-rooted patriarchal attitudes persist regarding the roles and responsibilities of women and men in the family and in society (CEDAW 2016).

In Zambia, the Gender Equity and Equality Bill recognizes equal rights for men and women in the allocation and acquisition of land and other property. It includes special gender equality measures to meet the specific challenges faced by women living in rural and peri-urban areas, including facilitating their access to agricultural credit and loans, marketing facilities, appropriate technology, land allocation, and agrarian resettlement schemes (Republic of Zambia 2015). In spite of this, gender equality remains low (United Nations Zambia 2015).

According to the FAO Gender and Land Rights database, 41.6 per cent of women in Malawi and 31.7 per cent of women in the United Republic of Tanzania own land, either as sole or joint owners.[46] It should be noted that, although joint ownership is common in several countries, in practice it does not grant men and women equal control over property. Equal property rights have been introduced in all three countries while equal inheritance rights are in place only in Malawi and Zambia. The African Gender Scorecard developed by the African Union in 2015 scores Malawi at 2.5 and the United Republic of Tanzania and Zambia at a very modest 1 in the "access to land" category, with 5 representing perfect parity.[47] Table 14 summarizes the main features highlighted for Malawi, the United Republic of Tanzania, and Zambia with regard to land rights and access.

4.2.3 Access to markets and information and communications technology

Access to a reliable market is critical for success in business, especially when operating in environments that are remote, poorly connected, and/or characterized by unstable demand. Cross-border traders, and especially women, may in fact struggle to find profitable markets where they can sell their products beyond occasional street selling in border areas.

Women traders' access to market information is impaired by their limited access to information and communications technology (ICT). Cell phones, in particular, can prove useful in accessing real-time information about up-to-date market prices and most-in-demand goods. While some initiatives in this area do exist, poor network connectivity and/or low availability of mobile credit continue to limit traders' opportunity to benefit from such valuable information. As a result, word of mouth at the community level often remains the only information channel to which women can resort.

Access to ICT is extremely low among traders in the United Republic of Tanzania. The 2012 MSME Survey revealed that, of the more than 3 million trading firms surveyed, only about 0.5 per cent had access to the Internet or owned computers or laptops.[48] As a result, cross-border traders and especially women do not have timely access to valuable price and product information, which exposes them to risks of exploitation by better-informed intermediaries. In Zambia, a 2015 survey regarding access to ICT found that about 51 per cent of persons older than 10 years old were

46 The FAO Gender and Land Rights database is available at http://www.fao.org/gender-landrights-database/en/ (accessed on 18 May 2018).

47 The African Gender Scorecard was developed as a tool for its members to measure their performance against key ratified gender equality commitments. It focuses on several sectors clustered under three overarching themes of development: economic empowerment (employment, business, access to land, and access to credit); social empowerment (education and health); and political empowerment (women in Parliament and in ministerial positions). Five different proxies were used for assessing access to land in the scorecard analysis: agricultural holdings, ownership of undocumented lands, land ownership, legislative frameworks that support and foster women's ownership, and access to and control of lands in urban and rural areas.

48 The figure is likely to be even lower for female-owned businesses, particularly in rural areas.

Table 14. Access to land and property (per cent)

	Malawi			United Republic of Tanzania			Zambia[a]		
	Year	Male	Female	Year	Male	Female	Year	Male	Female
Distribution of agricultural landowners by sex	2013	42.7	57.3	2013	54.8	45.2			
Incidence of agricultural landowners by sex (joint or sole)[b]	2013	33.4	41.6	2013	42.3	31.7			
Incidence of agricultural landowners by sex (sole)	2013	24.3	32.8	2013	23	13.2			
Distribution of agricultural land area (female)	2011		40	2011		16			
Distribution of agricultural land area (male)	2011	42		2011	44				
Distribution of agricultural land area (joint)	2011	18		2011	39				
Do men and women have equal ownership rights to immovable property?[c]	2017	Yes		2017	Yes		2017	Yes	
Do sons and daughters have equal inheritance rights?[c]	2017	Yes		2017	No		2017	Yes	
Do female and male surviving spouses have equal inheritance rights?[c]	2017	Yes		2017	No		2017	Yes	

Source: FAO Gender and Land Rights database, available at http://www.fao.org/gender-landrights-database/en/ (accessed on 18 May 2018).

[a] *No data on gender and land rights is available for Zambia.*

[b] *This measure refers to the incidence of (fe)male agricultural landowners as a proportion of the total (fe)male adult population.*

[c] *These indicators come from World Bank (2018c).*

active users of mobile phones, and that 7.1 per cent of households had access to a computer, and of those 49.7 per cent had access to the internet (ZICTA 2015).

Weak technical skills, such as in packaging and marketing, also negatively impact the ability of traders to sell non-agricultural goods such as clothes, hair extensions, bags, shoes, lotions, and perfumes, as well as processed food items including oil and butter. As seen in section 2, those commodities represent an important portion of the estimated total flows of (informal) cross-border trade at Mwami/Mchinji between Malawi and Zambia. Yet traders in that area frequently lament their inability to add value and package their goods as major impediments to their business prospects.

Trade fairs represent another excellent opportunity to secure access to domestic and international markets, particularly for traders dealing with industrial and other non-agricultural products. However, small-scale traders, and especially women, often have limited ability to participate in and sell at those events. A 2012 UN Women study covering 188 women traders at several locations in the United Republic of Tanzania, including five major border points, revealed that 67 per cent of respondents had never participated in a trade fair or exhibition in any of the EAC countries. Among those who did manage to participate (33 per cent), only five secured orders from buyers, and even those orders eventually went unfulfilled for different reasons – for instance, due to lack of capital to purchase raw materials, poor quality, lack of marketing information on most-demanded items, uncompetitive pricing, poor packaging, and small production volumes (UN Women 2012).

4.2.4 Transportation

Ownership of bicycles, carts, or other vehicles is critical to a trader's ability to transport large quantities of goods, serve a higher number of customers, tap into wider distribution networks, and/or reach more profitable markets. Yet gender imbalances in this area can be striking. Men are more likely than women to have access to a vehicle, or to possess the financial resources that are necessary to arrange transportation by truck, bus, or van. This allows men to reach markets that are further away, reduce overall travel time, and minimize the risk of consignments being damaged along the way. Women, on the other hand, have less access to transportation and often move their goods by foot, carrying them on their heads. Therefore, they tend to predominantly target local markets, often found in the border area, and are thus exposed to demand seasonality with little chance for diversification. Transportation surveys in villages in the United Republic of Tanzania and Zambia show that women spend nearly three times as much time on transport activities as men and transport about four times as much volume (Manjoko and Ranga 2016).

To save costs, traders often pool their resources to move their goods across borders in shared trucks, although UNCTAD's field findings suggest that due to the large size of the overall consignment, these consignments have often been treated as large commercial transactions and not as small-scale trade operations. Conversely, interviews with the Southern African Cross-Border Traders Association highlighted that at some borders across the region women often trade portions of consignments from commercial trucks across the border so that large traders have less merchandise to declare.

A closer observation of the profile of informal cross-border traders operating in Zambia and Malawi shows some interesting differences in terms of mode of transport (table 15). Overall, buses and minibus taxis are the most common form of transport for all traders. Malawian traders appear to utilize buses or shared taxis more than Zambian traders, who often also cross the borders on foot.

Table 15. Mode of transport, 2007/2008 (per cent)

Country of survey	Mode of transport to and from border[a]	
	Foot	Bus/taxi
Malawi	0.3	93
Zambia	22.5	73.5
Regional average[b]	12	70.3

Source: Compiled by the UNCTAD secretariat based on findings in SAMP (2015).

[a] *Few traders use cars, trucks, bicycles, or trains as modes of transport.*

[b] *Regional average refers to the countries surveyed (Botswana, Eswatini, Lesotho, Malawi, Mozambique, Namibia, Zambia, and Zimbabwe).*

Table 16. Number of estimated traders in a month at selected border posts (formal vs. informal), 2011

Border post	Mode of transport			Informal traders	Total number of traders
	Bus	Truck (larger traders)	Day trippers (on foot)		
Mwami/Mchinji (Zambia/Malawi)	300-320	6,000–7,000	5,000–6,000	10,000–15,000	20,000–30,000

Source: Njiwa et al. (2012).

Conversely, as shown in table 16, at the Mwami/Mchinji border a large portion of traders cross the borders by truck or on foot. Traders with a truck are typically larger-scale formal traders; traders on foot are typically day-trippers (i.e. smaller-scale and informal traders carrying their merchandise on bicycles, carts, or on their heads, or hiring a transporter who carries their loads for them through the informal route). Few traders use public buses.

The results of UNCTAD's online survey administered to cross-border traders associations show that the means of transportation used to cross borders is highly dependent on the distance to the markets where traders will deliver their goods and services, and that patterns of transportation may vary for men and women depending on the specific border. Responses indicate that women usually travel by bus or shared taxis (88 per cent of responses), or on bicycles and on foot carrying loads on their heads (41 per cent). According to the associations surveyed, buses and shared taxis also appear to be the most common form of transport for men (75 per cent of responses), followed by bicycles or motorbikes (56 per cent) and on foot (44 per cent).

4.2.5 Time

Time is notoriously valuable in business, and it can become of even more critical importance in a cross-border trade business. Since cross-border trade typically features several transactions of limited value, offering relatively modest profit margins and often involving perishable goods, a trader's survival, much less success, can often rely on the number of trips he or she is able to complete across the border in a given time period.

As shown in table 17, the results of a survey by the Southern Africa Migration Programme (SAMP) in 2007/2008 across SADC countries show that the vast majority of traders in Malawi (71 per cent) cross the border once or twice a month, whereas very few travel on a daily basis. They may spend a few days across the border (48 per cent) or a few weeks across the border (29 per cent), and only 17 per cent of them return on the same day. The picture is more mixed in Zambia, where a quarter of all traders travel across borders at least once a day and about a third of them do so once or twice a week. The length of stay of Zambian traders is generally very short, as most of them (77 per cent) return on the same day. Differences in travel patterns are explained mainly by the proximity of border towns, whereby traders who have to cover longer distances tend to travel less frequently and spend more days in the destination country.

UNCTAD's field findings suggest that the amount of time that traders spend across the border for trading activities also depends on the prospects for gains and on the size of their consignment. For small consignments, particularly of perishable goods, trips may be quite frequent (i.e. several times per week). Sourcing larger consignments of small manufactured goods such as household items may require only a few trips per month. Depending on the nature of their business, women small-scale traders may travel as far as the capital city or even across multiple countries to source their merchandise.

For instance, Zambian traders interviewed at the Mwami/Mchinji border with Malawi often travel to Lusaka to buy small manufactured items because of the better chances of finding better-quality and a greater variety of products. For traders at Tunduma and Kasumulu, the frequency of the trips at both borders varies depending on the type of products traded. Some traders report crossing the border up to six times per day, others once or twice a week; some only cross for a few hours, and others cross for a few days (UNCTAD's field findings).

In addition to productive activities – both paid and unpaid – it is important to stress that women bear most

Table 17. Profile and travel patterns of informal cross-border traders in Malawi and Zambia from the SAMP survey, 2007/2008 (percentage of traders)

Country of survey	Traders as a per cent of border traffic	Male	Female	Frequency of travel to another country for business				Length of stay in the destination country			
				Once a day or more	Once or twice a week	Once or twice a month	Once or twice a year	A whole day or less	2–7 days	1–4 weeks	One month and over
Malawi	42.9	68	32	2	8	71	20	17	48	29	6
Zambia	43.5	78	22	25	34	33	9	77	18	4	1
Regional average[a]	41.6	45	55	12	30	49	9	50	33	15	2

Source: Compiled by the UNCTAD secretariat based on findings in SAMP (2015).

Note: Percentages may add up to more than 100 per cent because multiple answers were provided. The numbers of traders participating in the survey were 328 in Malawi and 643 in Zambia.

[a] Regional average refers to the countries surveyed (Botswana, Lesotho, Malawi, Mozambique, Namibia, Eswatini, Zambia, Zimbabwe).

Table 18. Women's time use in Malawi, the United Republic of Tanzania, and Zambia

	Productive activities (including trade) Hours/week		Non-productive activities (including domestic tasks) Hours/week	
	Male	Female	Male	Female
Malawi[a]	28	19	3	23
United Republic of Tanzania[b]	32.4	19.5	5.5	23.8
Zambia	–	–	–	–

Source: UNCTAD calculations based on: [a] Data from World Bank (2006); and [b] Data from the Tanzanian National Bureau of Statistics.

of the burden of reproductive or care work involving a broad spectrum of activities that are essential to household welfare, and these activities are often time-intensive. These tasks are central to understanding the critical constraints women face in engaging in productive work, including cross-border trade, and they constitute one of the reasons why female traders find themselves in a position of competitive disadvantage vis-à-vis their male counterparts. Table 18 provides an overview of time use and related gender gaps in the three countries under investigation.

4.2.6 Education

Education is a major factor in determining the opportunities available to individuals in society, and it is closely linked to the productive capacity of households and their well-being. The level of education of an individual, measured as his or her total number of years of schooling and/or highest level of educational attainment, is strongly correlated with measures such as agricultural productivity, household income, and nutritional outcomes – all of which affect household welfare and a country's growth prospects (World Bank 2007b).

Education levels among cross-border traders can be extremely low: traders often have poor reading, writing. and counting skills. Traders are particularly inexperienced when faced with more advanced areas of knowledge such as business plan development, financial management, and accounting. Technical skills, such as agro-processing and value addition, are also limited, in turn negatively impacting the ability to produce and trade higher-value products. Rural women, and especially female heads of rural

Table 19. Education indicators for Malawi, the United Republic of Tanzania, and Zambia

	Adult literacy rate, 2005–2015[a] (percentage ages 15 and older)	Mean years of schooling, 2015		Population with at least some secondary education, 2005–2015[a] (percentage ages 25 and older)	
		Male	Female	Male	Female
Malawi	65.8	5.0	3.8	24.2	14.9
United Republic of Tanzania	80.3	6.2	5.4	15.3	10.1
Zambia	63.4	7.4	6.4	52.3	48.9
Sub-Saharan Africa	64.3	6.3	4.5	33.9	25.3

Source: UNDP (2016a).

[a] *Data refer to the most recent year available during the period specified.*

Table 20. Country performance on selected indicators of the World Bank's 2018 Doing Business rankings

	Starting a business				Registering property				Paying taxes			
	Proce-dures	Days	Cost[b] (per cent)	Doing Business ranking	Proce-dures	Days	Cost[c] (per cent)	Doing Business ranking	Payments	Hours	Rate (per cent)	Doing Business ranking
Malawi	7	37	44.6	152	6	69	1.7	96	35	177.5	34.5	134
United Republic of Tanzania	11	28	42.9	162	8	67	5.2	142	60	207	44.1	154
Zambia	7	8.5	34.2	101	6	45	9.9	149	11	164	15.6	15
Best subregional performer[a] (Rwanda)	5	4	44.6	78	3	7	0.1	2	8	94.5	33.2	31
Sun-Saharan Africa (2017 average)	7.8	27.3	54	n.a.	6.2	59.7	8	n.a.	38	304.2	47	n.a.

Source: World Bank (2018a).

Note: The World Bank's Doing Business indicators examine how easy or difficult it is for a local entrepreneur to open and run a small-to-medium-size business when complying with relevant regulations.

[a] *Best subregional performer is defined as the country that obtained the highest score in the overall 2018 "Ease of Doing Business" ranking in the subregion of reference. While Rwanda ranked second in sub-Saharan Africa as a whole to Mauritius, Rwanda was used as a comparator with the three countries covered in this analysis for purposes of ease of comparison.*

[b] *Cost as a percentage of national income per capita.*

[c] *Cost as a percentage of total property cost.*

households, tend to have particularly low literacy rates and significantly fewer years of education than their male counterparts. This translates into substantial competitive disadvantage in, for instance, accessing and using market information and extension services, applying for credit, and complying with importing countries' product standards and regulations (UNCTAD 2011, 2014).[49] Table 19 provides an overview of education indicators for Malawi, the United Republic of Tanzania, and Zambia.

It is important to add that levels of education among border officials may also be a factor impacting informal trading, in that agents may sometimes be unable (or unwilling) to explain applicable rules, regulations, and requirements to traders due to their own limited knowledge.

4.2.7 Business regulatory environment

Like any entrepreneur, cross-border traders need a conducive business environment to be able to grow and thrive. This can be particularly true for women who, as shown in the previous sections, tend to face very specific constraints and may therefore need special considerations to be able to compete with their male counterparts on a level playing field. On the other hand, a poor business and fiscal environment featuring lengthy procedures, unpredictable regulations, prohibitive taxes, and limited transparency might induce traders to avoid compliance altogether, forcing them into informality and thus triggering a vicious circle of tax evasion and almost non-existent prospects for business growth.

For each country under examination, table 20 provides an overview of national performance in selected indicators of the World Bank's 2018 *Doing Business Report*, along with relevant comparisons among the 190 economies covered by the report (World Bank 2018a). It should be highlighted that Malawi and Zambia ranked among the top 10 improvers in 2016/2017 with regard to ease of doing business improvements.

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49 A study by Njikam and Tchouassi (2011) for Central Africa claims that the widely accepted view of informal cross-border trade as a refuge for illiterate young men and women contradicts their findings: female traders tend to be more educated than male traders.

5. Policy recommendations

5. POLICY RECOMMENDATIONS

Key areas of policy intervention that would help relieve the constraints faced by cross-border traders and leverage their full economic potential include the 12 points outlined below.

1. Training and awareness-raising interventions

An important policy intervention consists of raising awareness among informal cross-border traders on issues such as rights and obligations, availability of existing trade facilitation initiatives designed to simplify business operations, trade requirements, and procedures. Training should take into account aspects of literacy, numeracy, and language diversity. Communications campaigns may thus require the use of posters and visual material on border requirements and procedures, and on stakeholders' rights and obligations. Educational interventions focusing on the characteristics and benefits of a simplified trade regime (STR) should be further encouraged. As recommended by the associations surveyed by UNCTAD, information on STRs could be divulged through community forums, radio and television, and the distribution of brochures to create awareness about the benefits of complying with such regimes.

Additional policy measures could focus on setting up or strengthening the presence of Trade Information Desks Officers. UNCTAD's findings have shown that, where available, TIDOs may have a positive impact on the number of STR transactions, and hence on the overall implementation of such schemes.

Setting up business development services and capacity-building programmes focusing on entrepreneurship would assist women cross-border traders in the development of a range of essential business skills that may help their businesses thrive, expand market opportunities, and enhance participation in local value chains. In this area, there are ongoing initiatives. For example, UNCTAD has been carrying out the Entrepreneurial Development Programme (Empretec), an integrated capacity-building initiative to foster entrepreneurship. The programme was first introduced in Zambia in 2008 and in the United Republic of Tanzania in 2010. Similar programmes such as the WeCreate Centre in Zambia are providing mentoring, business connections, specialized training, access to markets, and technical tools.

2. Improving transparency

Publicizing official fees, applicable duties, tax information, and documentation requirements at the border could improve knowledge and transparency at border crossings. Making information more visible and accessible could also be effective in preventing abuse, since lack of information by traders can create opportunities for corruption.

3. Transmitting the benefits of formalization

The informal sector provides a large share of employment in sub-Saharan Africa, so severe restrictions on the informal economy may risk generating high levels of unemployment. Policy interventions should primarily consider creating enabling environments for informal business actors and favour trade integration. Policy options in this area might include relaxation of registration requirements for informal cross-border traders. For instance, the National Cross-border Trade Strategy of Rwanda proposes removing the requirement for informal cross-border traders to be formally registered as a business, and setting up facilities at the border where informal traders can register and obtain an identification number (to be used for tracking purposes, not for collecting taxes) (UNCTAD 2014).

Formalization should be made attractive for cross-border traders. The overall benefits for businesses, public revenue, and the economy and society at large should be well understood and possibly integrated in any training or awareness-raising intervention. Finally, any attempt to formalize informal cross-border trade should be designed and implemented in an inclusive manner that creates equal opportunities for male and female actors, while taking into account women's disproportionate presence in this sector.

4. Better tailoring of simplified trade regimes to the needs of small-scale traders and promoting the uptake of those regimes

The low uptake of STRs is largely explained by the requirements and costs associated with them, which remain cumbersome even though they facilitate certain trade provisions. To better tailor STRs to the needs of small-scale traders, in turn strengthening the incentives to use formal routes, policymakers should consider (i) providing faster and streamlined clearance times; (ii) issuing certificates and permits at the border; (iii) expanding (and regularly updating) the list of eligible goods to include products that are most commonly traded, and taking into account seasonality factors; (iv) lifting excise duties for STR transactions involving goods that are regularly traded by small-scale traders such as soft drinks; and (v) increasing the threshold for STR transactions to US$2,000, as has already been done in some countries, which would encourage small-scale traders who deal with medium sized consignments to enter the scheme.

5. Awareness and sensitization initiatives targeting border authorities

Customs officials, who are mostly men, should be targeted by training initiatives that promote gender-sensitive attitudes, improve the understanding of business operators' rights and obligations, and reduce the incidence of harassment, bribes, undue confiscation of goods, or verbal abuse. Complementary policies to improve gender parity among border authorities should also be considered.[50]

6. Facilitating interaction between female traders and public officials

To address issues of mutual mistrust, multi-stakeholder platforms could be set up to promote dialogue between informal cross-border traders and border officials. Similarly, strengthening cross-border traders associations, where they exist, or setting up similar representative bodies in the United Republic of Tanzania, which currently has no association like those in Zambia and Malawi, may help facilitate dialogue within such platforms.

7. Improving access to finance

The promotion of suitable financing solutions is of critical importance for small-scale traders whose start-up capital, usually drawn from household resources, is very low. UNCTAD's findings highlight that lower interest rates would help traders consider formal trade. With regard to finance options, policymakers may consider the design of flexible lending schemes, offering preferential terms to small-scale traders (and combining them with continued training and mentoring).

8. Improving border infrastructure

Sanitation and sleeping facilities are crucial aspects to consider when designing gender-sensitive trade facilitation measures. Lack of basic facilities at border crossings can pose serious risks to women's safety and health, particularly when traders undertake long journeys and are forced to spend the night at the border. Interventions in this area should also facilitate safe currency exchange transactions by ensuring the presence of certified money dealers or exchange bureaus at the borders.

9. Coordinated policies at the national and regional levels

Coordinated regional policies would help streamline rules and procedures associated with different overlapping trade arrangements to which each country is party (e.g. EAC, SADC, COMESA) and improve overall regulatory frameworks for cross-border trade. Partner states may wish, for instance, to strengthen mutual recognition of standards and conformity assessment bodies, and to harmonize the characteristics of STRs to ensure coherent implementation on the ground. In addition, one-stop border posts constitute a remarkable example of collaboration between countries – a positive experience that could be tailored to respond to the challenges of cross-border trade. This would include the construction of much-needed basic shared facilities, as well as the establishment of one-stop window and fast-track clearance systems for small-scale traders.

Measures at the national level could focus on coordination among the initiatives and entities dealing with cross-border trade in order to encourage synergies and avoid duplication. For instance, Rwanda's National Cross-border Trade Strategy envisages setting up a Cross-border Trade Facilitation Unit under the Ministry of Trade and Industry Directorate to oversee all initiatives carried out on cross-border trade (UNCTAD 2014).

10. Promoting cooperatives, associations, and women's networks

Several benefits can arise from encouraging female informal cross-border traders to come together in cooperatives and networks of women traders. By pooling their resources, women can benefit from group lending schemes, consolidate volumes of merchandise, reduce logistics and transportation

50 The World Customs Organization is currently developing a training package aiming at supporting customs administrations in implementing gender mainstreaming while addressing the links between gender equality, customs reform and modernization.

costs (which are comparably higher for small-scale operators), and mitigate capability constraints related to such areas as numeracy, literacy, and managerial skills. Policies in these areas could focus on (i) providing training to cooperative personnel on basic business skills; (ii) promoting linkages with value chains and distribution networks; and (iii) facilitating cooperative access to credit.

11. Developing linkages with local value chains

Mainstreaming cross-border trade considerations into national agricultural and manufacturing development strategies may help develop new linkages between domestic production and informal (including small-scale) cross-border trade. Helping women producers and traders integrate into value chains may help small informal businesses thrive and expand beyond the subsistence level.

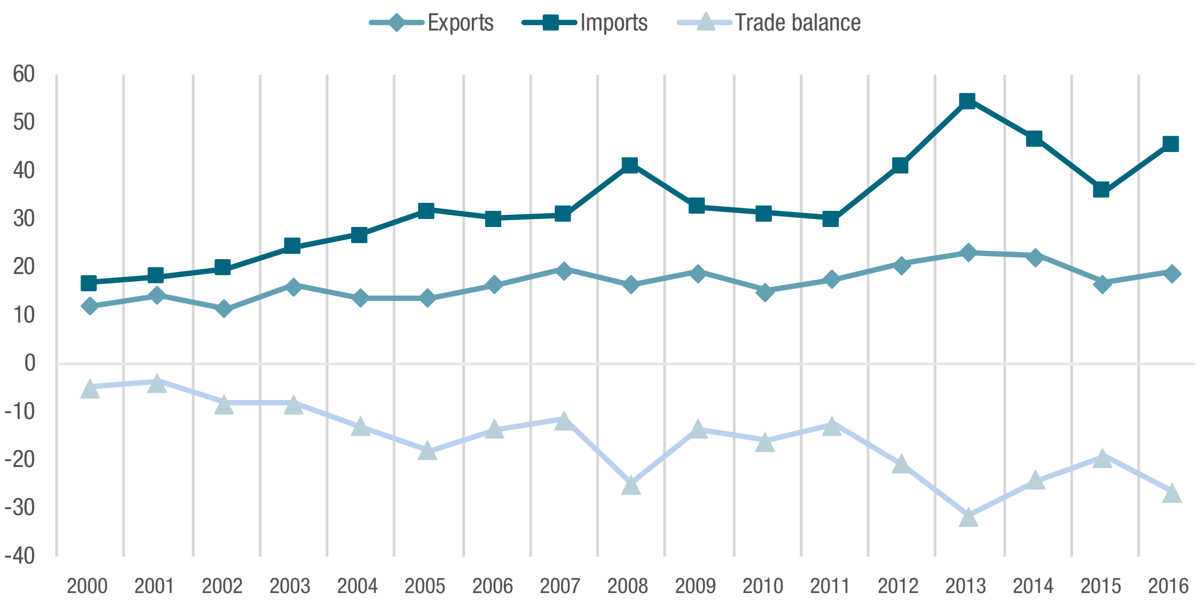
12. Promoting gender-responsive public procurement

Procurement practices should take into account women's role as informal cross-border traders and feature more inclusive processes that encourage supplier diversity by sourcing from women-owned businesses. Preferential treatment for women-owned businesses may also constitute an incentive for informal small-scale trade operators to consider formalization.

ANNEXES

ANNEX 1. GLOBAL TRADE FLOWS OF MALAWI, THE UNITED REPUBLIC OF TANZANIA, AND ZAMBIA

Figure A1.1. Merchandise trade flows as a share of GDP in Malawi, 2000–2016 (per cent)

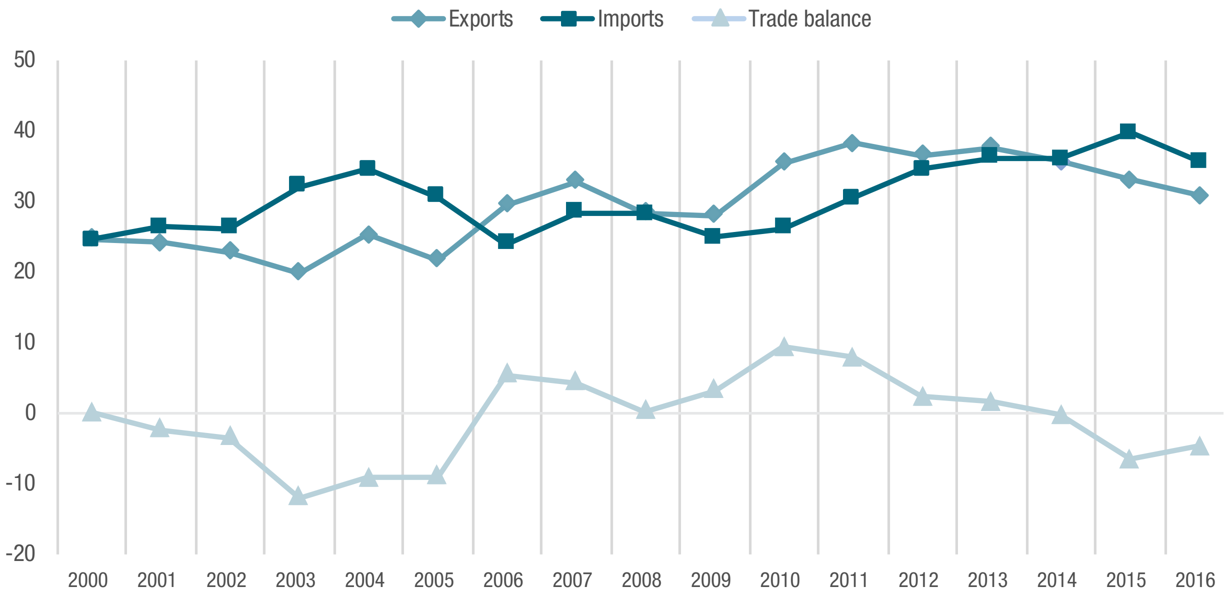


Source: UNCTADStat database, available at http://unctadstat.unctad.org/ (accessed in May 2018).

Figure A1.2. Merchandise trade flows as a share of GDP in the United Republic of Tanzania, 2000–2016 (per cent)

Source: UNCTADStat database, available at http://unctadstat.unctad.org/ (accessed in May 2018).

Figure A1.3. Merchandise trade flows as a share of GDP in Zambia, 2000–2016 (per cent)



Source: UNCTADStat database, available at http://unctadstat.unctad.org/ (accessed in May 2018).

Table A1.1. Bilateral trade flows between Malawi, the United Republic of Tanzania, and Zambia in 2016

		EXPORTS					
		Malawi		United Republic of Tanzania		Zambia	
		Exports (thousands of US$ in current prices)	Share in total exports (per cent)	Exports (thousands of US$ in current prices)	Share in total exports (per cent)	Exports (thousands of US$ in current prices)	Share in total exports (per cent)
Trade partner	Malawi	–	–	29,467	0.6	109,302	1.9
	United Republic of Tanzania	27,605	2.5	–	–	82,344	1.4
	Zambia	21,217	2	70,389	1.5	–	–
		IMPORTS					
		Imports (thousands of US$ in current prices)	Share in total imports (per cent)	Imports (thousands of US$ in current prices)	Share in total imports (per cent)	Imports (thousands of US$ in current prices)	Share in total exports (per cent)
Trade partner	Malawi	–	–	28.089	0.3 per cent	20,884	0.3
	United Republic of Tanzania	36,740	1.8	–	–	111,362	1.6
	Zambia	1,325,238	6.5	55,088	0.6	–	–

Source: UNCTAD calculations based on the UNCTADStat database, available at http://unctadstat.unctad.org/ (accessed in May 2018).

ANNEX 2. TARIFF PROFILES OF MALAWI, THE UNITED REPUBLIC OF TANZANIA, AND ZAMBIA

Malawi binds 31.9 per cent of its tariff lines, namely 5,669 items, with ad valorem rates ranging from zero to 125 per cent. The simple average most-favoured-nation (MFN) applied tariff is 12.7 per cent. Agricultural products – 826 tariff lines – carry higher rates: the average applied tariff is 18.8 per cent. For non-agricultural products – 4,842 tariff lines – the average rate is 11.6 per cent. Overall, 32 per cent of all products are traded duty-free and most of the tariff lines fall into the 15–25 per cent range. The highest simple average applied rates (over 20 per cent) can be found on the following product groups: beverages & tobacco; clothing; coffee and tea; fruit, vegetables, plants; and dairy products.

The United Republic of Tanzania applies the EAC common external tariff. The country binds only 13.3 per cent of its tariff lines, namely 5,436 items, with ad valorem rates ranging from zero to 120 per cent. The simple average MFN applied tariff is 12.9 per cent. Agricultural products – 776 tariff lines – carry higher rates: the average applied tariff is 20.5 per cent. For non-agricultural products – 4,660 tariff lines – the average rate is 11.6 per cent. Overall, 37 per cent of all products are traded duty-free and most of the tariff lines fall into the 15–25 per cent range. The highest simple average applied rates (over 20 per cent) can be found on the following product groups: dairy products, sugars and confectionery; beverages & tobacco; clothing; fish & fish products; cereals & preparations; animal products; and fruit, vegetables, plants.

Zambia binds 16.8 per cent of its tariff lines, namely 6,180 items, with ad valorem rates ranging from zero to 125 per cent. The simple average MFN applied tariff is 12.9 per cent. Agricultural products – 868 tariff lines – carry higher rates: the average applied tariff is 19 per cent. For non-agricultural products – 5,312 tariff lines – the average rate is 12 per cent. Overall, 30 per cent of all products are traded duty-free and most of the tariff lines fall into the 15–25 per cent range. The highest simple average applied rates (over 20 per cent) can be found on the following product groups: clothing; wood; fish and fish products; beverages & tobacco; coffee and tea; fruit and vegetables; sugar; and dairy products.

ANNEX 3. NON-TARIFF MEASURES IN MALAWI, THE UNITED REPUBLIC OF TANZANIA, AND ZAMBIA

Table A3.1. Malawi: Import prohibitions for sanitary/phytosanitary reasons

Products	Affected countries
Meat and poultry treated with growth hormones	All
Grapes, apples, peaches, plums, pears, citrus, bananas, pumpkins, gourds, and strawberries	Countries outside Africa, the European Union, North America
Irish potato	All except from Southern Africa
Flower bulbs for propagation	All except from Southern Africa, the Netherlands, Germany, the United Kingdom, Israel, North America, Australia, New Zealand
Seeds for sowing tea	All except from sub-Saharan Africa
Tobacco leaves	All except from Africa
Rubber seeds	Tropical America
Passion fruit	Australia, New Zealand

Source: WTO (2016a).

Table A3.2. Malawi: Requirements for importation (required method is marked with "x")

Products	Automatic license	Non-automatic license	Trade permit
Clothing and uniforms designed for military, naval, air force or police use		x	
Radioactive substances		x	
Mist nets for the capture of wild birds		x	
Wild animals, wild animal trophies and wild animal products		x	x
Live fish		x	x
Animal foodstuff	x		
Cane sugar	x		
Wheat flour	x		
Dieldrin	x		
Aldrin	x		
Fertilizers	x		
Matches	x		
Eggs of poultry	x		x
Live poultry[a]	x		x
Meat products	x		x
Salt	x		x
Cement	x		x
Rice[a]			x
Maize, maize products, and maize meal[a]			x
Fresh milk			x
Cooking oil			x
Hides and skin[a]			x
Firearms, ammunition, and explosives			x
Laundry soaps			x
Alcohol in sachets			x
Drugs and poisons			x
Certain unmanufactured gemstones[b]			x
Scrap metal[b]			x
Raw round wood timber[b]			x
Petroleum products[b]			x

Sources: World Bank (2014a) and WTO (2016a).

[a] *Refers to items subject to both export and import permits/licenses. The other items require import permits only.*

[b] *Refers to items subject to export licensing.*

Table A3.3. United Republic of Tanzania: Import certificates for sanitary/phytosanitary reasons

Product	Import permit	Other certificate	Issuing authority
Live animals	x	Veterinary certificate	Import permit: Directorate of Veterinary Services Veterinary certificate: Veterinary Department of the country of origin
Plants and plant products	x	Health or phytosanitary certificate	Import permit: Ministry of Agriculture, Food Security and Cooperatives Health/phytosanitary certificate: Competent authority of the country of origin
Food	x	Health or phytosanitary certificate Test of radiation	Permit: Food and Drug Authority Health/phytosanitary certificate: Competent authority of the country of origin Atomic Energy Commission

Source: WTO (2013).

Table A3.4. United Republic of Tanzania: Export certificates for sanitary/phytosanitary reasons

Product	Export permit	Issuing authority
Food/staple	x	Ministry of Agriculture, Food Security and Cooperatives
Forestry/wood logs	x	Forestry Department of the Ministry of Natural Resources and Tourism
Wildlife	x	Wildlife Department of the Ministry of Natural Resources and Tourism
Minerals and gemstones	x	Mining Department of the Ministry of Energy and Minerals
Fisheries	x	Fishing Department of the Ministry of Livestock Development and Fisheries

Source: WTO (2013).

Table A3.5. Zambia: Import/export certificates for sanitary/phytosanitary reasons

Product	Import permit and certificate	Export certificate	Issuing authority
Animals and animal products	Import permit	Sanitary certificate	Veterinary Department
Plants and plant products	Plant import permit	Phytosanitary certificate	Zambia Agriculture Research Institute
Seeds	Plant import permit	Seed certificate	Seed Control and Certificate Institute in Mt. Makalu, and Zambia Agriculture Research Institute
Food	Health clearance certificate and import permit	Health clearance certificate	Ministry of Health, Ministry of Agriculture

Source: WTO (2016b).

ANNEX 4. REGIONAL MAP

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.

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