

# Strengthening Accountability, Sustaining Trade: Who Responds to Women Informal Cross Border Traders?



UNCDF/ADAM ROGERS

A woman is selling fruit at a stand at a local market in Madagascar.

## KEY MESSAGES:

**“Women informal cross border traders are key economic actors and their activities should be viewed as a continuum of the formal sector”**

**“Because they pay taxes, create wealth and employment, reduce poverty and contribute to regional integration, they deserve a favorable tax regime”**

**“Support to women informal cross border traders should be prioritized in National Development Plans and Aid for Trade assistance”**

# Making the business case for women informal cross border traders

## Dual categorization of trade between formal and informal trade should be removed

Informal cross border trade (ICBT) does not take place in a vacuum, but rather within a broader trade and development context at international, regional and national levels. It is evident that International Production Networks (IPNs) and Global Value Chains (GVCs) firms seek to minimize production costs by dividing the entire production process into a number of sub-processes and by locating each sub-process in a country where that particular sub-process may be performed most efficiently or inexpensively [Lee, 2002 cited in UNIFEM (now UN Women) baseline study on Women in informal cross border trade – WICBT – in Southern Africa, 2009].

Thus there is dispersed production across a long chain of suppliers, contractors and industrial outworkers in global value chains (UNIFEM, now UN Women 2005). In reality ICBT is part and parcel of these IPNs and GVCs in the sense that production and distribution may actually be taking place under highly informal conditions by dispersed informal producers and traders. Therefore formal and informal trade should be viewed as a continuum from small traders to large traders. For instance:

- Products manufactured in the formal sector in China are traded by WICBT across Africa;
- Handcrafts produced informally by women in Africa are sold in trendy boutiques in Northern countries (e.g. baskets from Rwanda are sold by Macys, one of the biggest department stores in the United States);
- In Zimbabwe, when grocery shops faced challenges for regular supplies, WICBT purchased the needed items from South Africa which they sold back to the grocery stores in Zimbabwe who availed them to their customers.

These examples demonstrate that WICBT are important business actors and should also be viewed as an important constituency of Regional Economic Communities, Ministries of trade and other trade related institutions.

## Women informal cross border traders deserve a favorable tax regime

Research has shown that although ICBT, also referred to as parallel trade is informal, it has great implications for the larger national and global economy. In Africa the parallel/informal economy where women are predominant seems much larger than the formal economy in terms of share and impact (GDP, employment, etc.). It is argued that the real integration process of Africa is taking place in ICBT more than in formal trade and populations of Africa are much more at ease in informal trade.

Although ICBT is informal in the way the business is organized with small capital, unregistered business, owner operated, high vulnerability, informal foreign currency sources, not everything about ICBT is informal. WICBT are submitted to the same procedures for visa application and immigration, customs declaration, duty payment and application for phytosanitary certificates as formally registered business owners. Because they pay taxes, create wealth and employment, contribute to poverty reduction and participate in regional integration, WICBT deserve the same tax reduction incentives as those granted to multinationals.

## Aid for trade and National Development Plans should prioritize support to women informal cross border traders

Aid for trade assistance is an integral part of regular Official Development Assistance and includes a wide range of areas such as: trade related infrastructure –transport and storage, communications, energy supply and generation, including at cross border levels-; trade capacity building including in business and banking; and trade policy and regulation. Aid for Trade has increased by 62% from 2002-2005 to 2008, with commitments amounting to 41.7 billion US\$ in 2008, with an additional US\$ 25.7 billion in non-concessional trade related financing, of which 35% go to Africa. Aid for trade assistance should be used to ease the operating environment of WICBT. As trade related programmes are now included in national development plans, support to WICBT should also be prioritized in these plans.



In the poor area of Maputo Tchuma, Mozambique, a local microfinance institute supported by UNDP lends money to individuals for start-up businesses.

# What are the demands of women informal cross border traders?

Within the framework of the baseline studies on WICBT conducted by UNIFEM (now UN Women) in 2007-2009, women traders and other professionals in the ICBT sector made specific demands to Governments, Regional Economic Communities (RECs), Non Governmental Organizations (NGO), the private sector and development partners. These are as follows:

## Governments should:

- Recognize the contribution of ICBT to economic development and put in place supportive government policies and regulations in relation to this sector; this includes the setting up of offices in government specifically handling ICBT;
- Provide a formal business identification documentation for WICBT;
- Facilitate the provision of financial assistance to ICBTs and access to credit;
- Support the establishment and consolidation of efficient ICBT Associations as a way of formalizing/ semi-formalizing ICBT;
- Improve trading places and accommodation for ICBTs;
- Speed up the effective implementation of regional trading agreements;
- Establish an efficient passport and visa issuing system;
- Provide a conducive environment at border post by establishing adequate banking, storage, market and accommodation facilities;
- Establish a favorable import and export duty regime in which licensed small traders are charged less duty compared to established businesses;
- Guarantee security and fight corruption at border level;
- Facilitate business linkages between WICBT and established companies;
- Improve data collection on ICBT in the region in order to capture the contribution of ICBTs to economic development and inform trade policy making and regional integration processes.

## Regional Economic Communities should:

- Promote continuous regional dialogue on ICBT by governments in the region to address identified problems and constraints, especially with regards to safe trading places and accommodation;
- Work with Governments and development partners to provide affordable regional warehouses and other trade related services at border posts, and ensure the security of traders and goods.

## The private sector should:

- Provide financial assistance, affordable and reliable transport and accommodation, and trading places to WICBT;
- Facilitate the establishment and strengthening of WICBT associations;
- Empower WICBT in business skills through training.

## Development partners and Non Governmental Organizations should:

- Promote empowerment through skills development of WICBTs in product value addition, business management including record keeping and procedures required at the border posts;
- Fight violence and harassment against WICBT through awareness raising campaigns and provision of legal services and counseling;
- Encourage traders to exercise more responsible social behavior and to join associations of WICBT that can protect their rights;
- Advocate for law enforcement and provide legal advice to WICBT;
- Support the construction of decent accommodation, trading places and storage facilities, and provision of safe transport for traders.



Children in Liberia help their family by selling their farm produce to passersby.

# Who should respond to women informal cross border traders?

TYPES OF ACCOUNTABILITY TO ADDRESS THEIR ISSUES	ACCOUNTABLE INSTITUTIONS/ORGANIZATIONS																				
	BORDER					NATIONAL										SUB-REGIONAL AND REGIONAL					
	Customs	Agriculture and Health inspection officials	Police and security services	Immigration	District administration-Market facilitation	Ministry of trade, SME & Chambers of commerce	Ministry of interior/Internal affairs	Ministry of Gender	Ministry of labour	Ministry of health & agriculture	Justice system	Ministry of finance / Revenue authority	Statistical office	Professional associations	WICBT associations	Private sector/banks	NGOs	RECs	African Union	NEPAD	Other
<b>ADMINISTRATIVE</b>																					
Custom clearance procedures	■	■				■	■					■		■	■			■			
Processing of visas			■	■			■								■			■			
Delivery of ID and passports							■														
Delivery of merchant cards					■	■									■						
Phyto-sanitary inspections		■								■											
Multiplicity of checkpoints and lengthy inspections	■	■	■	■			■												■		
<b>LEGAL</b>																					
Legal Protection of WICBT and complaint mechanism			■	■		■	■	■			■				■		■	■			
Fight against sexual harassment and VAW	■		■	■			■	■			■				■		■	■	■		
Safety at cross border checkpoints and markets	■	■	■	■	■	■	■				■				■		■	■	■		
<b>SOCIAL</b>																					
Provision of skills						■	■	■							■		■	■			
Social safety nets						■		■	■						■	■	■	■			
Education/Literacy						■		■	■						■		■				
Provision of services in markets		■			■	■				■				■	■	■	■	■			
HIV/Aids related services		■			■					■					■		■	■			
Fight against stigmatization of WICBT	■	■	■	■	■	■	■	■	■	■	■	■		■	■	■	■	■	■	■	■
<b>ECONOMIC</b>																					
Access to credit					■	■		■	■		■				■	■	■	■			
Access to foreign currency					■	■					■			■	■	■	■	■			
Information on market opportunities & trade protocols					■	■		■						■	■	■	■	■	■	■	■
Adequate infrastructure: roads, markets and storage facilities		■			■	■	■	■	■	■	■			■	■	■	■	■	■	■	■
Visibility of ICBT in national & regional accounting systems	■	■			■	■		■	■		■	■		■	■	■	■	■	■	■	■
Creating WICBT associations					■	■	■	■	■					■	■	■	■	■	■	■	■
<b>POLITICAL/GOVERNANCE</b>																					
War/conflict/political instability			■	■			■	■											■	■	
Fight against corruption	■	■	■	■	■	■	■	■	■	■	■	■		■	■	■	■	■	■	■	■
Conflict between national and sub-regional trade policies						■								■	■	■	■	■	■	■	■

For further information, please contact:

Ms. Letty Chiwara, Chief Division 212-906-5025, [letty.chiwara@unwomen.org](mailto:letty.chiwara@unwomen.org) or Ms. Tacko Ndiaye, Programme Specialist 212-906-6474, [tacko.ndiaye@unwomen.org](mailto:tacko.ndiaye@unwomen.org)