Review National Policy Developments in the Targeted Countries related to the Formalisation of the Informal Economy

Review National Policy Developments in the Targeted Countries related to the Formalisation of the Informal Economy

This study was commissioned by the COMESA Secretariat, undertaken by Dr Evarist Mugisa under the financial support of the European Union through the 11th European Development Fund. The views expressed in this report do not necessarily reflect the position of the Secretariat or the European Union.

CONTENTS

ACKNOWLEDGEMENT

This report was produced under the overall guidance of H E Chileshe Mpundu Kapwepwe, COMESA Secretary and Amb. Kipyego Cheluget, Assistant Secretary General – Programmes. The study benefitted from the Technical guidance of the Director of Trade and Customs, Dr Christopher H Onyango. The study was supervised by Mr. Tasara Muzorori – Team Leader/Cross Border Trade Expert.

Valuable inputs were received from Staff in Trade and Customs division who assisted to shape the study. Special thanks go to the officials of the Ministries of Trade and other government agencies in the respective targeted COMESA Member States, study, representatives of the private sector, civil society, the academia, and individuals who provided invaluable information and answers to questions and queries in the process of consultations, as well as their comments to the draft report.

Besides, Ms Emma Kandeo and Ms Roider Kabisa played key administrative and coordination roles including validation meetings. Not forgetting the Communications Unit, in particular Muzinge Chibomba and Philip Kambafwile who ensured the manuscripts are in good shape. However, all errors and omissions in the report remain the responsibility of the author.

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
CBTA	Cross Border Traders Associations
COMESA	Common Market for Eastern and Southern Africa
CSA	Central Statistics Agency
CSOs	Civil Society Organizations
DRC	Democratic Republic of Congo
ERCA	Ethiopian Revenue and Customs Authority
ESAP	Economic Structural Adjustment Programme
FAO	Food and Agricultural Organization
FEUJCFSA	Federal Urban Job Creation and Food Security Agency
FEWS-NET	Famine Early Warning System Network
GDP	Gross Domestic Product
GOM	Government of Malawi
GOE	Government of Ethiopia
GOZ	Government of Zimbabwe
GRZ	Government of Zambia
GTP	Growth and Transformational Plan
HDI	Human Development Index
IBDC	Indigenous Business Development Council
ICB	Informal Cross-Border
ICBT	Informal Cross-Border Trade
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
LDCs	Least Developed Countries
MCTU	Malawi Congress of Trade Unions

MRA	Malawi Revenue Authority
MSMEs	Micro, Small and Medium Enterprises
NBE	National Bank of Ethiopia
NES	Entrepreneurship Strategy
OECD	Organization for Economic Cooperation and Development
OSBP	One-stop Border Posts
PAYE	Pay as You Earn
PPCBT	Petty Periphery Cross-Border Trade
RECs	Regional Economic Communities
SADC	Southern African Development Community
SMEs	Small and Medium Enterprises
SPS	Sanitary and Phyto-Sanitary
STR	Simplified Trade Regime
TFP	Total Factor Productivity
TIDOs	Trade Information Desk Officers
TORs	Terms of Reference
TVET	Technical Vocational Educational Training Institutions
UDI	Unilateral Declaration of Independence
VAT	Value Added Tax
WFP	World Food Programme
WOAH	World Organization for Animal Health
WTO	World Trade Organization
ZIMRA	Zimbabwe Revenue Authority

EXECUTIVE SUMMARY

1. This report examines the informal economy in 7 targeted COMESA Member States, where the respective government authorities are seeking ways not only to guide the development of the informal economy, but also to increase formal small-scale cross-border trade flows leading to higher revenue for governments, as well as greater security and higher incomes for small-scale cross-border traders.

2. The informal economy in these countries is largely represented by MSMEs that are seen as semi-organised and un-regulated. An important component of the informal economies of these countries is informal cross-border trade (ICBT), which involves small scale traders who carry goods across borders evading all regulatory requirements. The immediate impact of this is that governments do not receive the tax revenues. ICBT also distorts the trade policy in these countries.

3. The analysis in this report is preceded by an examination of the concept of informality, looking at its definition, significance, main characteristics and impact, among others. The purpose is to lay the groundwork for the examination of issues that follow in the main chapters of the report. It helps the reader to understand the relevance of the issues under consideration.

4. The analysis reveals that all the 7 targeted COMESA Member States have a sizeable informal economy, serving as a source of livelihoods, jobs, and incomes for large sections of the population. What is striking, however, is that in each of these countries, the size of the informal economy is not clear due to the lack of reliable data. However, estimates suggest it exceeds the official economic activity. In all these countries informality covers a wide variety of economic activities, ranging from small-scale street vending to production of illicit goods, to open and relatively large-scale trading and manufacturing enterprises, etc with more women than men participating in it.

5. The proliferation of informality in these countries is driven by a wide range of factors, including poverty, a restrictive business environment, the failure of government policies to translate into

development and create decent employment opportunities in the formal sector, and the poor performance of the economies, among others. In some cases, the proliferation of informality has been sparked by political instability and tensions and insecurity. The DRC and Zimbabwe provide evidence of this. Informal economy operators are constrained by a wide range of factors, including lack of working capital, lack of access to markets, skill gaps and lack of business experience, vulnerability and low earnings, harassment by government authorities, among other challenges.

6. A significant component of the informal economy in the countries under study is ICBT. In all the 7 selected COMESA countries ICBT is dominated by female traders although there is a significant involvement of men and generally of young people. ICBT is also driven by the same factors as those behind the proliferation of the informal economy. In all the countries under study, the products traded include industrial products, non-processed food stuffs, etc. However, studies and surveys reveal that agricultural products dominate the trade.

7. The challenges faced by ICB traders vary, but they include burdensome customs and border procedures, hostility by border officials, corruption and insecurity, poor or lack of border infrastructure (lack of storage facilities or accommodation, poor transport infrastructure, etc), lack of understanding of the trade formalities and procedures due to illiteracy and lack of information, centralization of procedures such as the issuance of SPS certificates or import permits, etc. These challenges are compounded by the lack of clear information on export and import procedures (including the STR) and opaque or arbitrary application of rules.

8. As everywhere in other COMESA Member States, several factors underlie ICBT in the selected countries: trading in small quantities through official border posts, under-invoicing traded values at official border posts, and smuggling. Yet ICBT in these countries, has both positive and negative impacts. In the short term, it has positive consequences on poverty and food security and to that extent it is a natural economic activity for many poor households. On the negative side, it results in loss of government revenues, distorts government economic policies and has potential negative health effects.

9. The report examines in detail issues relating to transition (or formalization) from the informal to the formal economy in the targeted COMESA Member States. It articulates the concept of "formalization", its benefits, challenges and limitations. It looks at the policy debate on formalization, starting with the ILO Recommendation (R204), followed by the informal economy policy debate in Africa, including initiatives by the African Union, the African Development Bank, and the regional economic communities. This analysis provides not only an understanding of what transitioning from informality to formality is all about, but it also shows why governments in the countries under study should prioritize this transition. It shows the benefits to both the governments and the informal economy operators.

10. The analysis also dwells on formalization of ICBT, its rationale, the COMESA measures for low value transactions – the STR, trade information desks, one-stop border posts, the COMESA programme on small-scale cross-border trade – and the various implementation challenges. It examines the international best practices, starting with the measures proposed by the WTO Negotiation Group on Trade Facilitation, the country approaches (such as the data collection on ICBT by Uganda, Colombia's Formalization Law, the Charter for Cross-Border Traders in Malawi and Zambia) as well as the various regional approaches and practices (in SADC, ECOWAS and the EAC). One of the lessons for the targeted countries under study is

that mainstreaming of ICBT requires a well-planned and coordinated effort among various organizations, disciplines, and sectors. Moreover, formalization must create a favourable environment for the informal operators in these countries to conduct business.

11. The study concludes that there is renewed interest and action by governments and policy-makers, academics and researchers with regard to informality, and the kind of effective approaches to adopt to tame its spread. It notes that the policy debate on informality and breaking away from it have become a central focus of new initiatives by both international and regional organizations, including COMESA, which has taken steps to ease ICBT by introducing measures for low value transactions.

12. The attitude of government authorities towards informality, including ICBT, in some of the countries under study is an issue of concern. The "informal" tag in a number of these countries is not seen in positive light, in spite of the benefits and contributions of the informal economy as the analysis has shown. On the other hand, in some countries under study (such as Zimbabwe), there has been a gradual turnaround, with authorities beginning to view informality as the driver of economic growth in terms of job creation and poverty reduction. However, even then, the policies introduced are more for purposes of putting informality under control, rather than to help it to formalize.

13. The study also notes another worrying trend in some of the countries under study, namely: the lack of mainstreaming of ICBT in their national trade and other development policies – what the FAO has referred to as "ICBT blindness". In all these countries the trade policies are silent about ICBT. This is notwithstanding its clear benefits it has brought to the economy, and even some of the promising and positive promises and initiatives most of these countries have put in place. In short, there is lack of appreciation of the potentials of ICBT in the mainstream policies, plans and strategies of these countries.

14. Finally, the study makes a number of recommendations aimed at formalization of the informal economy and ICBT in the countries under study. They include:

- Promotion of broad regulatory and administrative reforms,
- Creation of a business-friendly culture in government;
- Simplification of official administration of business;
- Simplification of tax administration;
- Rationalization of business registration and licensing regimes;
- Initiating dialogue with the informal economy operators;
- Investment in data collection on the informal economy;
- Gaining a better understanding of the dynamics of the ICBT;
- Reduction of the cost of trading formally and enhancement of efficiency at the borders;
- Addressing the implementation challenges of the COMESA STR;
- Provision of technical assistance and better support services to traders.

1

INTRODUCTION

1.1 CONTEXT OF THE STUDY

The economies of COMESA Member States are predominantly informal. The informal economy in these countries – as in the rest of the Sub-Saharan African (SSA) countries – contributes significantly to their gross domestic product (GDP), to job creation, to income generation for the majority of citizens, as well as the provision of vital services to the poor segments of the society in these countries. This is in addition to its contribution to the formal economy. The informal economy is generally understood to include economic activities that fall largely outside the purview of official regulation, whether because the regulations do not apply or through some combination of weak enforcement and evasion. According to the IMF (2017), the informal economy, "comprises economic activities that circumvent costs and are excluded from the benefits and rights incorporated in laws and administrative rules covering property relationships, commercial licensing, labour contracts, torts, financial credit, and social systems".

The informal economy in COMESA, as with the rest of African countries, is largely represented by the micro, small and medium-scale enterprises (MSMEs) that are seen as semi-organised and un-regulated. Yet, players in the informal economy are not necessarily small businesses. Actually, the informal economy comprises small and big players both from formal firms and informal firms. They range from professionals (such as lawyers, doctors, accountants and engineers) to fruit and vegetable vendors, public transport operators, food kiosks, hairdressers/barbers, *jua-kali* manufacturers of all sorts of goods including artisans like tinsmiths, ironmongers and blacksmiths, shoe shiners, open air photographers, hawkers of all sorts of wares, painters, engravers, graphics and designers, carpenters, massage parlours, saloons and sand harvesters. Thus, informal sector participation has not only been linked with junior public and private sector employees – seeking for additional income to their salaries – but also with corporate executives. Hence, it has developed as a means of extension of formal businesses.

An important component of the informal economies of the COMESA Member States is informal cross-border trade (ICBT). By its nature, ICBT involves small scale traders who carry goods across borders on bicycles, pushcarts or by buses or trucks, predominantly evading all regulatory requirements such as sanitary and phytosanitary (SPS) inspections, payment of customs duties, value added tax (VAT), excise duties, permits and license fees, among others. However, even when the traders pass through the official crossing points, customs officials do not record their consignments on account of their small size. The immediate impact of the above is that governments in the region do not receive the tax revenues. It will be recalled that many countries in the region depend on import duties for their tax revenues. However, when such informal transactions are not captured, the governments do not get this revenue. Moreover, governments are not able to record what is imported or exported (import-export statistics) for policy and planning purposes.

One of the challenges the COMESA Member States are facing is how to increase formal small-scale cross-border trade flows in the COMESA region, leading to higher revenue for governments, as well as greater security and higher incomes for small-scale cross-border traders. Specifically, they are challenged to ensure that 'specific trade facilitation instruments for small scale traders are designed and effectively implemented at selected border areas and in the COMESA/tripartite region'. Governments in these countries have put in place policies to guide the development of the informal economy. The national level policies are complemented by those that are at the regional and international levels. The ultimate objective is to support the transition of the informal economy to the formal economy which would benefit the economies of these countries.

1.2 SIGNIFICANCE, OBJECTIVES AND SCOPE OF THE STUDY

1.2.1 The Significance of the Study

This study is an important step in the quest for formalization of the informal economy in the COMESA region. The issues surrounding informality in the region, and informal cross-border trade in particular, are largely known and have been discussed at the various national and regional fora. The significance of this report is that it focuses on a select group of COMESA Member States and attempts to analyze in greater detail the issues of informality in these countries. This is important for informing the efforts of the policy makers in these countries as they seek to support the transition of informal economy operators to formality. The report tries to reveal new information, provide fresh insights to spark the collective imagination and, to the extent possible, stimulate debate regarding the issues of concern.

Secondly, this report will contribute to the body of research which has been done on the informal economy (and ICBT in particular) in the 7 selected Member States to try to understand its challenges and dynamics. It will serve as an important reference resource for policy makers, government officials, researchers and students of informality in general, and of informal cross-border trade (ICBT) in particular, in the COMESA region. Above all, it will significantly inform policy formulation and mainstreaming informality in the countries' national development programmes.

1.2.2 The Objectives of the Study

This study aims to contribute to efforts by governments to increase formal small-scale cross-border trade flows in the COMESA region, leading to higher government revenues, greater security and higher incomes for small-scale cross-border traders. Accordingly, the objective of this study is to:

> *"identify the drivers of informality and to develop measures for supporting the formalization of informality and informal cross-border trade in the target COMESA Member States".*

1.2.3 The Scope of the Study

In order to achieve the above stated objective, the study was required to:

(i) review the relevant literature to identify, evaluate, and synthesize the existing information on the informal economy and informal cross-border trade (ICBT) in the target COMESA Member States;

(ii) define and clearly show the nature, size and drivers of informality in the economies of the target COMESA Member States;

(iii) analyze and articulate the impact of the ICBT on the economies of the target COMESA Member States;

(iv) examine the policy developments in the target COMESA Member States aimed at formalizing the informal economy, including informal cross-border trade;

(v) conduct consultations with a cross-section of stakeholders in the target COMESA Member States to get their views on informality in general and ICBT in particular – the needs of informal economy players, their capacity and copying mechanisms, the proposed solutions, and follow-up actions;

(vi) design and propose specific trade facilitation instruments for small-scale cross-border traders in the target countries; and

(vii) propose recommendations on the way forward. Specifically make recommendations for mainstreaming: (a) the informal economy into the national development agenda, (b) the ICBT into the national trade policy framework.

1.3 STUDY METHODOLOGY

The approach to this review involved a series of phases and activities as shown below.

Inception: This marked the beginning of the exercise after the signing of the contract. A kick-off meeting between the consultant and the client was held to jointly review the TORs to have a common understanding of the tasks to be performed, and to agree on the modalities and timelines for submission of deliverables. After the kick-off meeting, the consultant prepared an inception report detailing the operational plan for the next phases of the assignment, including the approach and methodology to be used, the type of data to be collected and the institutions to be engaged in the data collection, the work plan and milestones to be achieved, the logistics and support expected from the client, among others. Following the approval of the inception report by the client, the consultant proceeded to the next phase of the assignment.

Literature review: The consultant conducted a comprehensive review of literature, which involved an examination of all the relevant background materials and documentation relating to the TORs. The main data sources included official documents, study reports, books, newspapers, magazines, journals, articles, Internet searches, etc. A list of the key documents reviewed is indicated in the references at the end of this report.

Collection of primary data: The next phase of the assignment was collection of primary data, which involved consultations with various stakeholders in countries under study. The stakeholders were drawn from the public sector, the private sector, civil society and development partners. A full list of respondents is annexed to this report. The selection of the respondents was carried out through a consultative process with the Focal Point person in the Ministries of Trade in the respective target COMESA Member States.

Due to the restrictions on international travel, it was not possible to hold face-to-face interactions with the stakeholders. Instead, the consultant, with the help of the Focal Point Person, sent out questionnaires to the identified respondents and followed up with telephone calls to ensure positive response of the respondents. In addition, the consultant held telephone interviews with some respondents in the target countries, especially with key informants and those who were unable to use questionnaires.

1.4 STUDY LIMITATIONS

In carrying out this assignment, there were a number of challenges to contend with.

- ***The timing:*** This work was commissioned at a time the world was facing a serious crisis arising from the COVID-19 pandemic. During this period, international travel was banned by most governments as one of the measures for slowing down the spread of the coronavirus. This meant all the work was home-based. Consequently, it was not possible to have face-to-face interactions with stakeholders for purposes of primary data collection. Communication with the stakeholders was mainly by telephone and online platforms (email, WhatsApp, etc) with all the associated challenges such as connectivity difficulties, among others. All this resulted in delays in collecting data and in getting feedback.

- ***Data collection challenges:*** The collection of data proved more challenging than earlier anticipated. Many respondents, especially the small informal cross-border traders and businesses, were not responsive to requests for information, especially when it involved filling questionnaires for various reasons[1]. Finally, some countries were

1 For example, many of them have no access to Internet connectivity, many have temporarily stopped their operations as the borders were closed, while others were limited by cost implications of connectivity. These factors led to delays in getting the information or total failure in getting it.

reluctant to send in lists of stakeholders or responses to requests for information. Yet in other cases communication with particular countries was extremely difficult.

- ***Project duration:*** According to the TORs, the estimated duration of this assignment was 5 months from the date of signing of the contract. However, the challenges of getting responses from the stakeholders dictated the extension of this duration. The COVID-19 pandemic compounded the challenges, especially given that international travel was not possible, we could not meet the stakeholders physically. In the circumstances, delays were inevitable and in some cases contacts were not possible.

1.5 STRUCTURE OF THE REPORT

This report is organized in three parts comprising an Executive Summary, 5 main chapters and 3 case studies and annexes. The central focus of the chapters and case studies – as defined by the TORs – is to identify the drivers of informality and to develop measures for supporting the formalization of informality and informal cross-border trade in the target COMESA Member States and to make recommendations that are capable of making this happen. With this in mind, this introductory Chapter (1) is followed by Chapter 2 which provides a brief theoretical framework as background to the analysis of the issues that follow. This includes an understanding of the informal economy and ICBT. Chapter 3 summarizes the informality situation in the targeted COMESA Member States, looking at the various parameters such as magnitude and size, main characteristics, the driving factors, challenges and constraints, etc.

This Chapter is accompanied by three case studies, comprising detailed analyses of informality in three of the seven targeted COMESA Member States, namely: the DRC, Ethiopia and Zimbabwe. In each case the analysis of informality in these countries takes the same format. Chapter 4 looks at issues relating to the transition from informal to the formal economy. It clarifies the understanding of the concept of formalization, its benefits and challenges in the context of the targeted COMESA Member States, looks at formalization of ICBT, evaluates the COMESA measures for low value transactions and implementation challenges faced. It examines international best practices on formalization with a view to draw lessons for the targeted COMESA Member States. Chapter 5 focuses on conclusions and recommendations going forward.

2

UNDERSTANDING THE CONCEPT OF INFORMALITY

2.1 THE CONCEPT OF THE INFORMAL ECONOMY

The genesis of informality is well documented in the literature. The informal sector as we know it today was historically known as the "traditional sector" and has evolved over time. In the mid-1960s activities, which were often characterised by self-employment, constituted the core of the *informal sector*. Since then, the informal sector became an increasingly popular subject of study. The term "informal sector" was first used by the ILO in the 1970s' in reference to subsistence activities of those working in the fringes of the economy.

Over time, however, the term "informal sector" has been questioned by international actors such as the ILO. Increasingly, the term was found to be misleading and inadequate in explaining a phenomenon, which is not actually a "sector" in the sense of being a specific industry group or economic activities. In the circumstances, the term "informal economy", was coined. The term informal economy was deemed to more appropriately incorporate the growing and diverse group of workers who operate informally. Its proponents believed the term "informal economy" better specified the conceptual framework of informality, covering both employment and production relationships and better reflected the great diversity of the workers, as their problems and needs were different and therefore needed to be dealt with separately.

2.1.1 Definition of Informal Economy

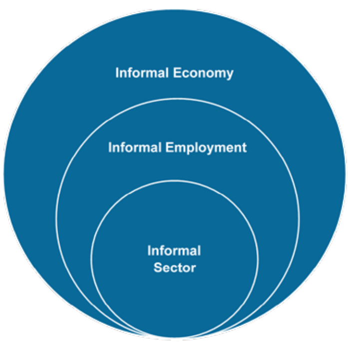
While there is growing recognition of the informal economy, there is no universally accepted definition of this phenomenon in the literature. A wide range of terms such as "shadow economy", "black economy", "unreported economy", the "hidden economy", "survival sector", "non-structured sector", etc are used in the literature to describe the informal economy. In equal measure there are several definitions of informality. Indeed, the hidden nature of informal activity has complicated its definition and accurate measurement. Hans Singer, one of the fathers of the concept in the early 1970s, compared the informal economy with a giraffe “difficult to define by usual standards, but easy to recognize when you meet one” (Charmes, nd).

In this report, we use the ILO definition, according to which “***the informal economy are all economic activities, excluding illegal activities, by workers and economic units that are – in law or in practice – either not covered or insufficiently covered by formal arrangements” (ILO, 2019)***. In very general terms, this is the unregulated part of a market economy that produces goods and services for sale or other forms of remuneration.

One of the most common assumptions about the informal economy is to consider it as homogeneous. It is not. There are different kinds of informal businesses depending on the industry, the geographic region, and the size. There are informal businesses in agriculture, in domestic services, in manufacturing, in construction and commerce, among others. There are also rural and urban informal businesses. The latter tend to interact more with formal businesses. Likewise, with the informal economy there are different sizes of informal businesses. For example, there are the so-called survival businesses and there are the micro enterprises, which should not be confused with the small, medium enterprises (SMEs) with the latter being in principle registered businesses and relatively easy to measure.

2.1.2 The Significance of the Informal Economy

Box 2.1: Clarification of Terms



The **informal economy** includes informal employment plus households which produce exclusively for household consumption (mainly subsistence agriculture).

The **informal sector** comprises informal enterprises and own-account workers that produce a marketable surplus.

Informal employment encompasses the informal sector **plus** informal workers in formal enterprises.

Source: Adopted from Schwettemann (2020), page 3.

The *informal economy* actually represents a vital part of the economy in many countries and has numerous advantages at both macro and micro levels. First it is a major source of employment for large sections of the people the world today. According to the ILO (2019), up to 2 billion workers (or 61.2% of the world’s working population) are in informal employment. In most developing countries informal employment is a larger component of the workforce than formal employment. The vast majority of workers in Africa (85.8%) rely on the informal economy. The share of informal employment is as high as 90% and over in the DRC, Kenya, Tanzania, Ethiopia, and Zimbabwe, and ranges between 75% and 89% in Malawi and Zambia (Ibid).

Secondly, it is a major source of livelihood. According to the ILO (nd), typical informal sector activities (unpaid work in a family enterprise, casual wage labour, home-based work, street vending, etc.) provide the only opportunity for poor people to secure their basic needs for survival. Engagement in the informal sector offers them a necessary survival strategy especially in countries that lack social safety nets (such as unemployment insurance or other kinds of social benefits) or where wages are low, especially in the public sector.

Thirdly, the informal economy plays a significant role in poverty reduction. As the main (and often the only) source of income for the poor, employment in the informal sector plays a major role in reducing poverty.

Finally, the informal economy plays an important role in the supply of goods and services. In many countries the contribution of informal enterprises to gross value-added (GVA)[2] is substantial. The fact that many countries in SSA prepare such estimates reflects the importance of the informal sector in their total GVA. The goods and services produced in the informal sector contribute greatly to what is consumed by both poor and more affluent households.

2.2 CHARACTERISTIC FEATURES OF THE INFORMAL ECONOMY

The informal economy exists in many forms and in all countries in the world. It includes small manufacturing enterprises and small-scale traders and service providers, legal and illegal activities, and a wide array of artisans. The areas of activity also vary extensively, ranging from construction, vehicle repair and transport, arts and crafts to food and agriculture. Informality is driven largely by factors linked to the economic context, the legal, regulatory and policy frameworks and to some micro level factors such as low levels of education, discrimination, poverty and, lack of access to economic resources, to property, to financial and other business services and to markets.

The main characteristics of the informal economy include: resilience and persistent growth, lower growth and productivity, dominance of self-employment in informal enterprises (i.e. small and/or unregistered) and wage-employment in informal jobs (i.e. without secure contracts, worker benefits or social protection) and the strong presence of women[3].

2.3 THE CONSEQUENCES OF THE INFORMAL ECONOMY

- ***Impact on government revenues:*** A large informal economy usually reflects significant government revenue losses as a result of tax evasion. This tends to lead to lower levels and quality of public services (Fallah, 2014). Such a scenario often compels governments to increase the tax burden on the formal sector to compensate for tax losses. Poor public services and an excessive tax burden in their turn result in frustration of formal businesses and workers and negatively affect their trust in public institutions, as they see little benefit to paying taxes. In the final analysis, this reduces the incentive to join the formal sector, leading to a vicious circle of expanding the

2 This is the value of output minus the value of intermediate consumption and is a measure of the contribution to GDP made by an individual producer, industry or sector.

3 In SSA, about 84% of employed women are in the informal sector (World Bank, 2018). In their study, Steel and Snodgrass (2008) found that the majority (59 to 83%) of informal sector workers are women. This is consistent with the CSO of Botswana (2008) finding that in 2007, 67.6% of the country's informal firms were owned by women. Moreover, according to Chen *et al* (2005), women are concentrated in the riskier types of informal employment.

informal sector and low provision of public services (Fallah, 2014; Garcia-Bolivar, nd). Consistent with this scenario, evidence by researchers suggests that economic growth is lower in countries with a larger informal sector.

- ***Impact on productivity:*** A big and growing informal economy also has a negative impact on productivity by suppressing economies of scale. This happens when firms operating informally chose to maintain small-scale operations in order to minimize the probability of government detection. This is compounded further by the lack of access to credit usually due to insufficient collateral, which limits their ability to expand informal business operations. Several studies have attempted to quantify the productivity loss driven by a large informal sector. For example, a World Bank (2010) report examines total factor productivity (TFP) differences among formal and informal Turkish firms. The study found that in manufacturing, the TFP for formal firms was 50% higher than in informal firms, and in services the TFP in formal firms was 40% higher TFP (Fallah, 2014).

- ***Impact on government policies:*** In addition to lowering productivity, a large informal economy impedes growth by distorting economic policies. Specifically, a large informal economy can render monetary policy less effective as informal firms are less connected to the banking system. This is also true with regard to the fiscal side: decreasing the tax rate might have a less stimulatory effect on economic growth and increasing the tax rate might have a less restraining effect on growth or inflation, due to excessive tax evasion (Eilat and Zinnes 2002). Furthermore, a large informal economy tends to impose social costs. In many developing countries, informal workers often operate in poor settings with lower pay and inadequate workers' rights and social protection (ILO 2002). Besides, a larger informal sector raises concerns about safety, health and environmental measures that arise in economies with insufficient government monitoring.

2.4 INFORMAL CROSS-BORDER TRADE

A major component of the informal economy is informal cross-border trade (ICBT). ICBT is common worldwide and continues to thrive as a phenomenon across all countries, including the most developed ones. While in developed countries, ICBT has been confined to and touches only a few products (such as tobacco and wine) it has been quite dominant in most developing countries, including Africa, and involves a variety of goods.

2.4.1 Definition, Forms and Magnitude of ICBT

All cross-border trade (CBT) falls into two broad categories: (a) formal and (b) informal. Formal CBT refers to international trade in goods and services which is carried out by legally registered traders and fulfils all the legal requirements of the trading countries. ICBT, on the other hand, is defined differently by different authors and institutions.

Given that it has not been fully mainstreamed in trade policy disciplines, there is no standard definition of ICBT. Its definition in literature remains rather loose due principally to the nature of the phenomenon itself and seeks to capture trade that happens outside the formal channels

– the customs authorities. Most researchers and scholars[4] define it (with minor variations) as trade in legitimately produced goods and services, which escapes the regulatory framework set by the government, for example by avoiding certain tax and regulatory burdens. In other words, it refers to goods traded across borders, but which goods are not captured in official government records and for which there is no full or partial payment of duties and charges. Typically, it is proximity trade involving the movement of produce between markets close to the border.

Broadly speaking, players in ICBT fall under three categories (Figure 2.2). The first category (a) of ICBT is common with vulnerable, small, unregistered traders. Informality in this case refers to the status of the traders (unregistered) and not necessarily linked to the trade itself which is not captured or recorded by the official customs system.

The second category of ICBT (b) is closer to what is often referred to as "smuggling" – the illegal transportation of goods across international borders in violation of applicable laws and/or regulations[5]. Of course, there are various motivations for smuggling, including participation in illegal trade (trade in drugs, weapons, exotic wildlife, etc.) or tax evasion, theft of items being smuggled. The third category involves firms which are registered but seeking to cut costs by resorting to illegal practices such as under-invoicing or mis-reporting, among others.

CATEGORY A	CATEGORY B	CATEGORY C
Informal (unregistered) traders or firms operating outside the formal economy	Formal (registered) firms *fully* evading trade-related regulations and duties (e.g., avoiding official border crossing posts.	Formal (registered) firms *partially* evading trade-related regulations and duties by resorting to illegal practices (e.g. under-invoicing).

Source: Adopted from OECD Trade Policy Working Paper No.86 (2009).

An important question about ICBT is its size or magnitude. In spite of the importance of ICBT, it is difficult to get an accurate and aggregate picture of its extent, in part due to the lack of reliable measurement tools and the resulting estimates on the subject. In an attempt to estimate its size, experts use a number of methods, such as (i) field surveys focused on informal traders, (ii) econometric estimates of mirror trade flows (looking at discrepancies between a country's reported imports and its trading partners' reported exports), and (iii) measurement of smuggling by formal traders, etc.[6]. Similarly, some national customs authorities and experts estimate the extent of ICBT by comparing their customs data with that of their trading partners.

Several experts have attempted to estimate the size of ICBT in Africa[7]. Shimuafeni (2015) suggests 40% of Africa's GDP derives from the informal sector, of which ICBT is an integral component (Lesser and Moise-Leeman 2009). ICBT accounts for nearly 70% of the employment

4 Lesser Caroline and Moise-Leeman (2009), ICG (2020), IFPRI (2018), UNCTAD (2019), OECD (2009), FAO-CUTS (2017), Hossein C.S, et al (2011), AfDB (2012), and others. COMESA defines ICBT as trade which is not officially recorded and carried out by small businesses in the region (member countries in eastern and southern Africa) (Njiwa, 2013).

5 Some scholars define smuggling as international trade by firms or individuals that either partially or fully evades trade regulations and border duties, either by avoiding official border crossing posts (full evasion) or by resorting to illegal means like under-invoicing, misclassification, underpricing, etc. (IFPRI, 2018).

6 A detailed discussion of these methods can be found in: Hussmans (2004), Maligalig D. S. (2008), Chen (2012), Kofi Ocran (2018) and others.

7 Afrika and Ajumbo 2012; Ayadi et al. 2013; Ellis and MacGaffey 1996; Mohamadain and Ati 2015; Nkendah 2013; Shimuafeni 2015

in Sub-Saharan Africa (SSA), and 30 to 40% of intra-Africa trade in the Southern African Development Community (SADC) (Koroma et al. 2017).

2.4.2 Illegality of ICBT

It is important to note that goods can go through unofficial routes and therefore avoid customs controls, or they can pass through official border crossing points and customs offices but involve illegal practices. Typical illegal practices include: (a) under-invoicing (i.e., reporting a lower quantity, weight or value of the goods in order to pay lower import tariffs), (b) misclassification (i.e. falsifying the description of products so that they are classified as products subject to lower tariffs), (c) mis- (or false) declaration of the country of origin, or (d) bribery of customs officials. Furthermore, the term “informal” has both quantitative and qualitative characteristics. The former relates mainly, but not exclusively, to the volume of undeclared merchandise while, the latter denote the target customers of such trade who are the poor and low-middle class.

In the literature, it is not uncommon to read about national governments (including some of those under study in this report) branding ICBT as illegal or all informally-traded goods as contraband. This leads to hostility towards all activities linked to ICBT. However, ICBT is not necessarily illegal trade and to that extent this notion, cannot stand any serious scrutiny. We concur with Kefale (2019) that first, the term “illegal trade” lumps together the trading of ‘illegal’ and ‘legal’ goods as ‘legal’ goods become ‘illegal’ simply because they do not follow what often are impractical government rules. Secondly, ICBT is branded as ‘illegal’ when the trading activities are seen from the perspective of the state (Ibid). To this extent, a more realistic approach is to distinguish between what the state considers ‘illegal’/ ‘illicit’ and what the public considers ‘legitimate’ / ‘licit’.

Indeed, often, goods/merchandise sold across borders may be legal on one side of the border and illegal on the other side. The main feature of ICBT is, thus, the goods/merchandise traded, directly or indirectly escape from the regulatory scrutiny for taxation and other objectives set by government and often go unrecorded (Ogalo, 2010).

2.4.3 The Drivers of ICBT

There is no one cause for the growth of ICBT. Rather, an array of factors has conspired either as incentives that pull traders or as problems that push them to engage in ICBT. Moreover, the causes vary from country to country and from region to region across the developing world. Experts have grouped these factors into two broad categories. In the first category are factors that tend to raise ***the cost of doing business*** both in terms of money and time. This category includes such factors as: (a) high duties (tariffs); (b) high transaction costs associated with compliance with regulatory requirements (e.g. processing fees); (c) restrictions on the import or export of certain goods (non-tariff barriers), (d) over-regulation; (e) lack of information; (f) poor law enforcement and a high degree of corruption (such as “facilitation” payments) in official border posts; and (g) insecurity.

In the second category are those factors linked to ***market imperfections*** in each environment. These include: (i) lack of formal employment; (ii) low wages from formal employment (iii) big price disparities between formally and informally traded goods in the importing country; (iv) the degree of availability of certain goods in the domestic market, the quality of transport infrastructure, and the existence of trust-based networks among traders.

2.4.4 The Benefits of ICBT

ICBT is important when considered from the poverty alleviation, welfare, employment, market extension and food-security perspectives. First of all, ICBT is an important source of livelihoods and plays a significant role in poverty alleviation, particularly in remote rural locations. This is particularly true in SSA where opportunities for formal employment are very limited and have been dwindling. While the income derived from small-scale cross-border trading activities may not be much, nonetheless, it is used to meet basic household needs such as food, school fees, medical bills, fuel, and other expenses. ICBT is particularly a godsend for women in terms of alleviating poverty and promoting their economic empowerment.

Secondly, more generally, ICBT provides access to goods that are unavailable domestically to meet local demand. ICBT benefits consumers by increasing the availability of goods at affordable prices. Using the income earned, households are able to afford better housing, access to electricity, ownership of durable goods, etc. Therefore, these trading activities enable households in and around border areas to attain the level of welfare that is achieved by a typical household elsewhere in the country and contribute to the productive accumulation and acquisition of assets.

Thirdly, ICBT provides employment for a significant segment of the population, especially the vulnerable groups such as poor women and the unemployed youth. It enables a large number of unemployed people to earn an income considerably higher than the minimum salary in the formal sector. By engaging in ICBT, people without jobs are gainfully employed. In turn, this enables other service providers such as transport operators to get jobs. According to the AfDB (2017), ICBT employs about 85.8% of Africa's population.

Fourthly, ICBT has been shown to mitigate food supply gaps by informally trading in food products. Studies have shown that many agricultural commodities such as maize, beans, rice, groundnuts, and tubers (cassava, potatoes, and yams) traded under informal trade have direct implications on the country's food security situation. Thus, ICBT has potential to improve food security for poor households and contribute to greater food security in importing countries.

Fifthly, ICB traders are self-sustaining individuals or entities, with small overhead costs compared to their formal trade counterparts. In spite of this, however, these businesses have potential to extend markets for simple commodities across regions. In most regions in SSA, informal trade extends primary products, semi-manufactured goods, and essential services beyond domestic markets, thereby integrating local economies into a wider regional market. Allowing ICB traders to flourish and gradually integrate into the formal economy has potential to boost trade and the private sector all of which, in turn, support growth and development while increasing governments' revenues and therefore their ability to provide public goods (UNCTAD, 2019).

2.4.5 The Challenges faced by ICB Traders

In spite of the above numerous benefits, conducting CBT is quite tricky and risky. The environment in which the ICB traders operate is quite challenging. The main challenges they face include: (a) limited access to finance, (b) limited infrastructure, (c) travel restrictions, (d) hostility by border officials, (e) delays and corruption at border crossings, (f) loss of goods through theft or other factors, (g) lack of knowledge of trade regulations, procedures and their rights, and others.

2.4.6 The Potential Impacts of ICBT on the Economy

According to experts, ICBT is a mixed blessing for many countries. A number of cost-benefit analyses of ICBT in several countries provide a varied picture. Thus, in spite of its clear benefits, ICBT can and does have both positive and negative impacts on the economy in general.

A. The Positive Impacts

First of all, ICBT is an important source of livelihoods and plays a significant role in poverty alleviation, particularly in remote rural locations. This is particularly true in SSA where opportunities for formal employment are very limited and have been dwindling. The income derived from small-scale cross-border trading activities may not be much. Nonetheless, it is used to meet basic household needs such as food, school fees, medical bills, fuel, and other expenses. ICBT is particularly a godsend for women in terms of alleviating poverty and promoting their economic empowerment. Poor (African) women have taken to informal trade as a means of providing for their families, despite risks.

Secondly, more generally, ICBT provides access to goods that are not available locally to meet domestic demand. ICBT benefits consumers by increasing the availability of goods at affordable prices. In fact, ICBT has proven to be more responsive to shocks compared to formal trade especially in times of food crises. Moreover, using the income earned, households are able to afford better housing, access to electricity, ownership of durable goods, etc. To that extent, therefore, these trading activities enable households in and around border areas to attain the level of welfare that is achieved by a typical household elsewhere in the country and contribute to the productive accumulation and acquisition of assets.

Thirdly, ICBT provides employment for a significant segment of the population, especially the vulnerable groups such as poor women and the unemployed youth. It enables a large number of unemployed people to earn an income considerably higher than the minimum salary in the formal sector. By engaging in ICBT, people without jobs are gainfully employed. In turn, this enables other service providers such as transport operators to get jobs. According to the AfDB (2020), ICBT employs about 86% of Africa's population.

Fourthly, ICBT has been shown to mitigate food supply gaps by informally trading in food products. Many countries in the developing world, including the SSA region, have put in place policies whose effect has been to hamper the smooth flow of food trade. This has had the effect of raising the domestic food prices leading to difficulties in accessing food especially by poor households. Studies have shown that many agricultural commodities such as maize, beans, rice, groundnuts, and tubers (cassava, potatoes, and yams) traded under informal trade have direct implications on the country's food security situation. Accordingly, therefore, ICBT has the potential to improve food security especially for poor households and contribute to greater food security in importing countries.

Fifthly, informal cross-border traders are self-sustaining individuals or entities, with small overhead costs compared to their formal trade counterparts. In spite of this, however, these businesses have potential to extend markets for simple commodities across regions. In most regions in SSA, informal trade extends primary products, semi-manufactured goods, and essential services beyond domestic markets, thereby integrating local economies into a wider regional market. According to UNCTAD (2019), allowing cross-border traders to flourish and gradually integrate into the formal economy has potential to boost trade and the private sector all of which, in turn, support growth and development while increasing governments' revenues and therefore their ability to provide public goods.

B. Negative Impacts

- ***Impact on Consumer Welfare:*** While ICBT generally has several welfare benefits for consumers, it also has a downside for consumer welfare. Specifically, the consumption of tradable goods that are not subjected to customs clearance and other border formalities may, in some cases, have negative effects. For example, ICBT can introduce pests, diseases, and low-quality products, since most foodstuff and other commodities traded informally are not subject to sanitary and phyto-sanitary (SPS) measures thus making their consumption risky. Failure to subject these goods to standards inspection exposes consumers to health, safety and environmental risks. In fact, when practiced on a large scale, informal trade can lower the efficiency of health, safety, and environmental protection. This is true in particular for agricultural commodities. This may have implications for local food safety and can contribute to the proliferation of human, animal, and plant diseases across-borders.

- ***Effect on Government Revenues:*** ICBT represents a significant revenue loss for governments. Countries with low revenue bases but higher incidences of ICBT along their borders tend to experience large amounts of revenue losses in form of unpaid customs duties and other taxes such as VAT (as import duties and VAT are often collected simultaneously on imported goods) as well as unpaid fees, not to mention the losses in foreign exchange receipts. Losses arising from ICBT are particularly significant for SSA countries where trade taxes (mainly on imports) still represent a significant source of fiscal revenue for many countries. Ultimately, these losses of government revenue affect the quality and quantity of publicly provided goods and services and limit further public investments in productive industries and essential infrastructure.

- ***Impact on government trade and macroeconomic policies:*** ICBT, which is not captured by official records, tends to constrain government planning. Specifically, it leads to unreliable external trade data which, in turn, hinder the effective formulation, implementation and monitoring of domestic, regional and international trade policies and negatively affect the negotiation of trade agreements (OECD, 2009). Missing trade data (which impacts balance of payment and national income data) also complicates the formulation of effective macroeconomic and development policies. Having adequate and reliable country statistics helps to conduct evidence-based policy making and guides donor actions.

- ***Effect on production:*** Where traded goods are counterfeits or adulterated merchandise, ICBT may have a negative effect on competition. Local producers may suffer from copyrights infringement or find themselves unable to compete against cheaper (often sub-standard) products from overseas producers (such as those in Asia) and gradually see their market shares erode. In Africa, this is worsened by the generally weak regulatory frameworks and capacity to protect intellectual property rights and competition. ICBT in foodstuffs, in spite of its many food security benefits, can also adversely affect the livelihoods of farmers. This is especially true when the crops are brought in more cheaply from neighbouring countries, creating an oversupply, decreasing prices in the local market and leaving local farmers with no market for their products.

2.5 TRANSITIONING FROM THE INFORMAL TO THE FORMAL ECONOMY

While the informal economy plays a significant role in economic development, most people enter it not by choice, but out of a need to survive and to have access to basic income-generating activities. The informal economy is marked by acute decent work deficits and a disproportionate share of the working poor. Research has shown that workers in the informal economy face serious challenges than those in the formal economy. No wonder, therefore, today governments, including those in the target COMESA Member States are paying attention to supporting players in the he informal to transition to the formal economy. The ILO has been at the forefront of the debate on formalization of the informal economy as part of its so-called "decent work" agenda.

2.5.1 The Concept of Formalization

In the literature, the term "formalization" of the informal economy is used interchangeably to refer to the "transition from the informal to the formal economy". As Chen (2012) guides, different observers have different notions of what formalization of the informal economy means. To some, it means shifting informal workers to formal wage jobs – but this requires creating more formal wage jobs. To others, it means registering and taxing informal enterprises. For informal workers and operators, many of whom already pay taxes (such as VAT) or fees of various kinds (e.g. license fees to operate and/or site fees to operate in specific locations) or are willing to pay taxes or fees in return for benefits, it means gaining access to legal and social protection as well as support services (e.g. skills or business training) and being allowed to organize and to be represented in relevant rule-setting, policymaking, and collective bargaining processes.

Similarly, formalization has different meanings and implications for different categories of informal workers. Hitherto, the formalization debate has focused primarily on the self-employed in informal enterprises as well as on informal entrepreneurs who employ others. At a minimum, however, the formalization debate must distinguish between wage workers in informal jobs and self-employed in informal enterprises. Ideally, it should further distinguish between different segments of the self-employed and wage employed in the informal economy: as each segment has its particular needs and constraints (Ibid).

Consistent with the above, formalization of the informal economy must bear a comprehensive in approach and be context-specific both in design and practice. A comprehensive approach for formalizing the informal economy is outlined in Annex 9.

2.5.2 The Benefits of Formalization

Formalization is associated with a number of potential benefits for the economy in general. It can reduce poverty, create larger and stronger economies, and afford rights to those who need them the most. For governments, formalization of informality is thus essential and urgent to support inclusive economic development and reduce poverty. Having fewer workers outside the formal economy can support sustainable development. Informal firms do not contribute to the tax base and tend to remain small, with low productivity and limited access to finance. Consequently, one of the most compelling factors for government's interest in formalization is the expansion of the tax base by bringing in more taxpayers in the tax bracket and thereby being able to collect more tax revenues to finance the provision of public services.

For the self-employed, formalization is not just obtaining registering their business and obtaining a license and thereby being able to operate formally. More specifically, formalization brings to the self-employed such benefits as: enforceable commercial contracts, legal ownership of their place of business and means of production, tax breaks and incentive packages to increase their competitiveness, membership in trade associations, protection against creditors and clear bankruptcy rules, and social protection. For informal wage workers, the benefits of formalization include: obtaining a formal wage job (or formalizing their current job) with a secure contract, worker benefits, membership in a formal trade union, and employer contributions to their social protection (Chen, nd).

The above notwithstanding, the benefits of formalization remain a subject of debate in the economic literature. Even if one accepts the merits of formalization in principle, as Galal (2005) observes, three key questions remain unanswered, namely:

(i) how large are the expected benefits from formalization?

(ii) who are the likely winners and losers? and

(iii) what does it take to achieve these gains?

These questions bring to focus issues that relate to the effectiveness and positive impact of policy reforms in persuading informal firms to formalize.

2.5.3 The Challenges to Formalization

Achieving a transition from an informal to a formal economy is not easy. It is fraught with challenges as discussed below.

- ***Absence of visible benefits:*** The most commonly mentioned factor that affects the success of formalization is the lack of benefits. Economic agents in general, and businesses in particular, expect, in exchange for formalization to make more money, to receive better services, better protection, better access to credit and training, among other benefits. If these benefits are not forthcoming, the economic agents will opt to remain informal even after reforms.

The costs of entering or exiting the formal market might be high, but if the benefits of registering exceed that cost, formalization will be the preferred option. On the other hand, even if the costs of formalization are minimal, but they are not accompanied by tangible benefits, the economic agents will choose to remain informal. In most cases, the lack of benefits is so profound that the agents do not have any option but to be informal. This is particularly true when the informal market is larger than the formal one, when public services provided by the government are poor, when there is no access to credit or training in the formal sector, when there is no protection to their rights under formality, etc. In the circumstances, not even the low cost of formalization will convince the economic agents to formalize. Consequently, reforms that seek to promote formalization must look both at costs reduction and benefits maximization in equal measure.

- ***Partial or piecemeal formalization reforms:*** One of the obstacles to formalization is the implementation of incomplete reforms. This may be in form of partial reduction of costs or piecemeal introduction of formalization reforms. In the former case, the government may reduce some costs of formalization in order to attract economic agents but leave other costs. For example, the costs of incorporating a business might be reduced, but unnecessary steps required to operate might remain. This will not convince economic agents to go in for formalization.

  In the latter case, reforms related to the incorporation of a business that are not accompanied by reforms relating to the termination of a business can be a hindrance to formalization. Economic agents want to know that they can enter and exit the market freely. They want to be able to separate assets from one business and allocate them to another. Similarly, creditors want to be able to collect debts through the liquidation of the debtor’s assets. When that is not possible, businesses will not be interested in formalization in spite of reduction of costs and unnecessary steps to incorporate, even in spite of the existence of a business opportunity. For this reason, the implementation of modern and viable bankruptcy laws is also necessary. Entrepreneurs need to have a framework that guarantees easy entry, operation and exit from the formal market.

- ***Knowledge gaps:*** In many countries, including the targeted COMESA Member States, informal economic operators may lack knowledge of the advantages of formality and/or of the steps necessary to become formal. Governments may introduce significant measures aimed at eliminating obstacles to formalization and at promoting benefits. However, economic agents may not be aware of these reforms and will therefore remain under informality and will continue to assume that it is very difficult and costly to become formal. Thus, an important deterrent of formalization reforms is lack of awareness among the informal economic agents. This challenge can be addressed through information campaigns and rights education on formalization.

- ***Non-tailored reforms:*** A major obstacle to formalization relates to reforms that are not aimed or tailored at specific targets in the informal economy because not all the informal economy operators are similar. As noted earlier, the informal sector is heterogeneous and must be treated as such. Policies that promote formalization in urban areas might not function in rural areas. Equally, what works for example for microenterprises in the furniture industry might not work for a self-employed person in the agriculture sector. Consequently, formalization policies must be tailored to the realities of the specific informal sector while productivity is increased and working conditions are improved, and regulations and restrictions when necessary are kept at a minimum.

- ***Lack of readiness of the informal businesses to formalization:*** It may be wrong to assume that all enterprises in the informal economy will jump at the opportunity to join the formal economy. Many will not be ready for this. They may require handholding in form of coaching in order to be fully incorporated into the formal economy. Market customs, ways of doing business, tastes and demands of customers, issues of standards, etc can be challenging to informal businesses. They might not have the capability and resources to respond to the requirements of the formal market in terms of time, quantity and quality. In some countries, programs are promoted to foster cooperation and creation of clusters of informal businesses while costs of incorporation are reduced and benefits are increased. But a sudden incorporation of informal businesses into the formal economy might be traumatic and create a sense among others that still remain under informality that the formal sector is not worth the sacrifice.

- ***Ignoring the existing traditional order:*** In many countries the informal sector has created its own order. It is usually fed from tradition and seems to work relatively well in the absence of any other option. For instance, contracts are undertaken orally or written in a non-harmonized way. Businesses exist and conduct transactions with relative success in spite of the lack of limited liability provisions, or absence of business information records, and/or division between labour and management. Any attempts to formalize that fail to take into account the existing order, the customary rules, or way of doing things in such environments, are likely not to succeed.

It is worth understanding, however, that the traditional forms might work well at some level, within a small community where everybody knows everybody. But when there is need to interact with other communities of informal agents, the business norms of one community might not work well in the other. The norms might not be harmonized and centralized information on businesses and individuals might be lacking. In those cases, the solution is not easy and is not unique. However, to ignore the existing customary, traditional order might not be a good recipe for success. To work with the existing order might be much more useful. For example, to perfect, harmonize and standardize the business forms used by the informal sector and incorporate them in the formal sector might be a better way to integrate both sectors.

2.5.4 The Limits of Formalization

Formalization of the informal economy can and should take different forms including: creating incentives for the informal self-employed to register their enterprises and benefits for them once they do; and creating a mix of incentives and sanctions for employers, both formal and informal, to extend benefits to their informal workers. However, there are limits to formalization.

First, formalization is not a one-time process involving a specified set of steps. It should be seen as a gradual ongoing process involving incremental steps and different dimensions leading towards varying degrees and types of formality. Secondly, formalization requires effort. It will not proceed quickly or automatically for all those who choose to formalize. The bureaucratic procedures and incentives for registered informal businesses need to be retooled and streamlined. Labour standards and benefits for informal workers need to be carefully negotiated by employers, workers, and government. Thirdly, formalization will not be feasible or desirable for all informal enterprises or all informal wage workers. Rather, it is fair to assume that many informal enterprises and informal wage workers will remain informal or semi-formal for the foreseeable future. In other words, informality – in varying degrees and forms – is here to stay. The challenges, then, are to create more formal employment opportunities, to decrease the costs and risks, and to increase the benefits of those who continue to operate informally or semi-formally.

3

INFORMALITY IN THE TARGETED COMESA MEMBER STATES

The previous chapter dwelled on the theoretical aspects of informality in order to enable a common understanding of the issues in the chapters that follow. This chapter examines in summary form the issues of informality in 7 selected Member States, namely: the DRC, Ethiopia, Kenya, Malawi, Tanzania, Zambia and Zimbabwe. With the exception of Kenya, all the 7 selected COMESA Member States are listed by the United Nations as least developed countries (LDCs). Typically, as LDCs, these are low-income countries confronting severe structural impediments to sustainable development. They are highly vulnerable to economic and environmental shocks and have low levels of human assets.

3.1 THE INFORMAL ECONOMY IN THE TARGETED MEMBER STATES

3.1.1 Magnitude and Size of Informality

The selected 7 COMESA Member States all have sizeable informal economy (IE). The current actual size of the informal economy in these countries is not known, but it varies from country to country. However, some insights can be derived from the nature of informality which includes the micro, small and medium enterprises (MSMEs). The high number of MSMEs reflects the size of informality in these countries. Moreover, the dominance of the MSMEs in their economies demonstrates the size of own-account employment.

In the **DRC**, approximately 80-86% of the DRC population derive their livelihoods from the informal economy. A national forum on employment in the DRC held by the CSC in 2012 revealed that only 2.5% of DRC workers had 'formal' jobs – everybody else worked in the informal sector[8]. According to experts, the magnitude of the informal economy in the DRC far exceeds official economic activity. In the early 1990s, it was estimated to be three times the size of the official GDP. The IE has grown dramatically as economic and social conditions have deteriorated

8 https://www.equaltimes.org/

and as purchasing power has dropped. As elsewhere, the size of the informal economy in the DRC reflects the growing inability of the formal economy to serve the needs of the population. Citizens have increasingly been forced to turn to informal economic activity to survive.

In **Ethiopia**, the informal economy which is dominated by small-scale, non-dynamic activities, accounts for about 40% of the GDP and 60% of total employment (World Bank (2020). Ethiopia's informal economy is larger in the urban areas especially in the capital of Addis Ababa.

In **Zambia**, the informal economy employs a large share of the adult working population in Zambia and this proportion has grown rapidly in recent years. The OECD and ILO (2018) estimate that Zambia's informal economy employs 87.5% of the country's total workforce and a staggering 91% of women. In urban areas about 65% of all workers are employed in the informal economy. In rural areas, the informal economy employs up to 97% of workers. Furthermore, while the informal economy in Zambia takes a big share of the overall economy it contributes the smallest share to GDP. In 2010, it accounted for merely 33% of GDP while accounting for 84% of the labour force.

Several studies and surveys have been conducted to determine the size and status of **Malawi's** informal economy (DTUDA, 2019). Using employment as a proxy, most of these studies and surveys have concluded that 83% of the total Malawian workforce is employed in the informal economy (Ibid). New data from the Malawi Congress of Trade Unions (MCTU) suggests that up to 89% of the country's workforce is in the informal economy. This share is more or less in line with the other countries in SSA, where it is estimated to stand at 85-95% of the total labour force.

In **Zimbabwe**, the story is not much different. According to experts, the informal economy activities in the country's GDP has been growing over the years. Schneider (2002) contends that the share of the informal economy in the country's GNP stood at close to 60% in 1999/2000. Makochekanwa (2010) submits that as a share of GDP, the informal sector in Zimbabwe has grown from 10% in 1980 to an all-time high of 70% in 2008 but dropped to 52% by end of 2009. These statistics suggest that the informal economy accounts for a sizeable contribution in Zimbabwe's economy. In fact, according to IMF (2018), Zimbabwe has the second largest informal sector (after Bolivia in South America) in the World and more than 60% of the Zimbabwean economy is informal.

3.1.2 Main Characteristics

The informal economy in the 7 select countries covers a wide variety of economic activities. These range from small-scale street vending to production of illicit goods, to open and relatively large-scale trading and manufacturing enterprises, to cross-border smuggling, to barter arrangements such as rural-urban exchanges of food for manufactured goods, and others. The informal economy in these countries is heterogeneous in terms of actors or operators, activities, and scale. It includes street vendors, small local kiosks, small-scale manufacturers, local brokers, drug dealing, prostitutes, shoe shiners, domestic servants, housekeepers, carpenters, craftsmen, goldsmiths, tailors, daily labourers, local alcohol traders among others.

In all the 7 countries, there are more women operating in the informal economy than men. This is mainly because employment in the informal sector is easily available for women especially in agriculture and care work (employed at home), and leather industry, as well as street vending. On the other hand, men tend to be overrepresented in the top segment of the informal economy pyramid, while women overpopulate the bottom segment

Informal activities in all the 7 countries are distributed around the traditional economic sectors. Typically, these enterprises use low-level technology, rely on social networks, and are oriented towards the local and less sophisticated segments of the market (Mubita *et al*, 2017). These informal economic activities can be grouped into four main categories, namely:

(a) sole owner-firms with an owner-manager and no employees, paid or unpaid (also known as "survivalist businesses";

(b) family firms comprising businesses which have an owner plus unpaid workers – mostly extended family members;

(c) 'mixed firms' – those with at least 1 worker paid in cash or kind, and unpaid workers; and

(d) 'entrepreneur firms' where all workers are paid in cash.

3.1.3 The Driving Factors

The literature on the informal economy advances three main reasons to explain the existence and growth of the informal economy. These are: (a) the perceived tax burden, (b) a restrictive business regulatory environment and (c) a lack of service delivery by government in business support (Chiumya, 2007; De Soto, 1989). While these factors may be cross-cutting and applicable to the selected 7 countries, there are other factors which are unique to each of the countries. The most common factors which are at play are discussed below.

- ***Poverty:*** The causes and the intensity of poverty in the 7 selected countries vary. In Ethiopia, for example, over 22% of the Ethiopian population is living below the poverty line (NBE, 2020). This includes people who have failed to get formal employment. According to CSA, the unemployment rate in Ethiopia averaged 19.5% from 1999 until 2018 and was expected to reach 23% in 2020. As of January 2020, the unemployment rate stood at around 18.7% in urban areas. Data on unemployment rates by sex show that the female unemployment rate (26%) is more than double as compared to males (12%). About 26% of the youth in Ethiopia also remain unemployed. All these people are forced to find an alternative in the informal economy where they can settle for an apprenticeship or establish small businesses given their limited capital.

In the **DRC**, starting in the early 1970s, the government started to slowly lose grip of the country under the influence of both internal and external factors. They included the collapse of public enterprises, the stagnation of the private sector, the crash in copper prices, a huge increase in the cost of imported petroleum products, the mismanagement of the economy, among others.

These were exacerbated by the tensions and conflicts in the country. As a result, the economy literally collapsed. The resulting poverty[9] and lack of employment opportunities forced many people into the informality. They started their businesses because they could not find jobs in the formal wage sector and government was incapable of providing public services – health, education, transport, etc.

In **Zimbabwe**, the high poverty rates were a major driver of the rapid increase in the informal economy. In 2016, the World Bank ranked Zimbabwe in the top 20 poorest countries in the world. According to experts, Zimbabwe's poverty rates over the recent years have been above 80%, with 25% of the country's population living in dire/abject poverty (less than a $1 per day). Such high poverty rates in the country have meant low disposable income for the majority of the people to be able to afford a minimum standard of living. Consequently, most people in Zimbabwe were forced to engage in informal activities as a source of livelihood. Given the state of the formal economy and the nation, it (informal economy) became the only option to earn a living

- ***A restrictive business environment:*** According to the World Bank's *Ease of Doing Business* reports for the years 2015–2020, the business environment in most of the 7 selected COMESA member states was deteriorating. In the **DRC,** for example, various regimes took measures aimed at removing the impediments to private sector growth. In spite of this, however, there was little or no success. This was due largely, to the fact that the business environment in the country remained difficult. Various World Bank *Doing Business Reports* have ranked the DRC low in terms of key indicators of doing business. The 2020 report, for example, ranked the DRC 183rd out of 190 countries. This means that if a business were to pay all its taxes, these would on average be equivalent to 340% of its profit. The situation was further compounded by such malpractice as the rampant bureaucratic red-tape and corruption which complicate the starting of small and medium size enterprises (SMEs) and penalises their competitiveness.

In **Ethiopia**, the procedures and formalities for registering a business as demanded by the Ethiopian Ministry of Revenue are complex and prohibitive. For instance, some of the requirements include academic credentials in case of specialized professions, having starting capital and indicating the source of funding, provision of a site map, getting a health compliance certificate, having a legal form of identification, deed of trust, temporary business license among others. All this makes entry into the formal economy hard for investors, who seek instead to avoid them. The only option left is to go into the informal economy where entry is quite easy compared to the formal economy.

Zimbabwe is another case in point. The country was ranked 153rd in 2015 out of 189 and 155th in 2016 out of 189 countries, 2 points in the negative though it has relatively improved to 140 out of 190 in 2020. According to the World Bank (2020), it takes 14 days to register with ZIMRA the tax authority that is in charge of income tax, VAT, and PAYE and this time could go up to 30 days. The process is tedious formally and as a result, many traders first engage in the informal economy where the regulation is not strict and they do follow up process of registering their

9 The incidence of poverty in the country was as high as 61%, with significant variations among provinces.

businesses later when they already in existence.

- ***Government policies:*** One of the main drivers of the informal economy in the 7 countries has been the failure of government policies to translate into development and create decent employment opportunities in in the formal sector. The government macroeconomic policies in Kenya, Malawi, Zambia, and Zimbabwe, for example, led to structural rigidities in the economies with the result that informal economic activities began to play a critical role in the lives of millions of individuals providing human survival, livelihood and employment opportunities for the urban poor and rural households. The World Bank and IMF structural adjustment programmes (SAP) in all these countries resulted in job losses, thanks to the conditions of the SAPs, which included liberalization of the economy, privatization and restructuring, reduction in government spending, etc. Due to the SAPs, large numbers of unemployed were forced to join the informal economy in order to make ends meet.

3.1.4 Challenges and constraints of the informal economy

Although the informal economy is a source of livelihood for the majority of the people in the 7 select COMESA member states, several challenges impede its ability to grow and to contribute towards the reduction of poverty and to overall economic development of the countries. We examine the challenges from two perspectives: (a) the informal entrepreneurs, and (b) the informal workers.

From the point of view of informal entrepreneurs, informality in these countries has the following main challenges:

- ***The state of the economy:*** The success or failure of all entrepreneurial activity is a function of the state of the economy and its performance. In recent years, the economic situation in most of these countries (for example in the DRC, Zambia, Malawi, Zimbabwe) has been rather fragile as shown by the key economic indicators. In particular, growth was slow, tax revenues were falling, inflation was rising, foreign direct investment was on the decline. All these developments have had a negative impact on business activity. For example, a rise in inflation affected the cost of doing business by increasing the prices of inputs and overhead costs. Small businesses were most affected as inflation ate into their small profit margins. Besides, the high prices arising from inflationary pressures also affected consumer demand for goods and services. This hurt the small businesses as they could not find market for their merchandise. In an attempt to raise revenue, governments tended to increase taxes. This affected the small businesses in the country.

- ***Lack of start-up and working capital:*** This is one of the key challenges faced by informal economy operators in virtually all the 7 countries. Informal economy operators need finances to start their activities, to meet liquidity needs, etc. Often they have to depend on personal savings, loans from friends and relatives, etc. They find it quite difficult to borrow from banks because of their inability to meet the loan requirements – such as collateral (security) to back their loan applications, the cost of borrowing (interest rates)[10], etc. Banks find them risky because they do not keep records/books of account, they have high transaction costs per service, most of them lack transparency in their operations, and a whole range of others. The ILO (2013) estimates that only one percent of informal economy operators use start-up finance from micro-finance institutions or banks in Zambia. The large majority use their own savings or money from family or friends because financial institutions are reluctant to lend while the microfinance industry is not well developed in Zambia. The situation may not be different in the other 6 countries.

- ***Lack of skills and business experience:*** A significant proportion of informal economy operators in all these countries suffer from lack of skills and business experience. Most of them start their trades with little or no knowledge about the functional areas of the businesses for their survival and success. A vast majority of informal economy operators lack technical or business knowledge. Majority of them have low levels of formal education and do not have any formal training relevant to the activities they operate in. Some of them have basic entrepreneurial skills such as innovativeness, problem-solving skills, risk-taking, customer care, selling (counting, adding and subtracting – sorting out change), confidence and communication skills. More than half do not keep records, and about three quarters do not know how to get a loan. While many of them are willing to improve their skills, they are unable to do so due to limited access to existing skills development opportunities and resource constraints. Majority of those with good skills, (including indigenous skills) are either self-taught or learned through observing and copying/ imitating their parents, relatives, peers and other entrepreneurs.

- ***Access to markets:*** Informal economy operators also face limited access to markets and value chains for most informal sector producers to expand their business. Chikani (2018) for example, cites the informal furniture producers in Kalingalinga Township in Lusaka, Zambia. This semi- informal area of the capital city is a hive of smallscale manufacturing activities of a large majority of the youth. Informal operators in this township produce a variety of household furniture, metal fabrication, crafts and so much more. The area attracts many people from many parts of the city and beyond due to the good quality of the products. However, access to larger markets is limited due to poor branding and marketing.

From the informal workers' perspective, the main challenges in the informal economy include:

- ***Harassment by authorities:*** Several studies on the informal economy in most of these countries suggest that the attitude of government officials towards the informal economy operators/ workers has been hostile (Nchito 2001, Tranberg 2010, Ndhlovu 2011, Mubita *et al* 2017, and others). In Zambia, for example, the case of the street traders who for the most part operate without any facilities or legal protection, is instructive. Being out in the open means street traders are more likely to get harassed by the authorities. And, because they are operating illegally, they are vulnerable to

10 Currently, banks charge around 24.5% interest on loans and tend to have very short repayment periods (Bilima-Mulenga, 2015).

intimidation from police. War on Want (nd) quotes one Lusaka street trader who says "… harassment is the order of the day." Similarly, in the early 1990s, because of the strained economy, state intervention in marketing and street vending became a very contentious matter. In 1993, the Lusaka City Council (LCC), assisted by police and military, undertook one of many sweeps of street vendors resulting into a riot. Similar treatment of informal economy operators has been observed in Ethiopia, and Zimbabwe.

- ***Vulnerability and low earnings:*** In all the seven targeted COMESA member states, informal economy operators are quite vulnerable and earn low incomes. A study by the ILO (2018) found that informal workers in Zambia, for example, are socio-economically vulnerable and worse off than their counterparts in the formal economy. Almost 60% of them live in households with a per capita consumption of less than $1.90/day (5% for formal workers), and they spend a much larger share of their household income on food, in particular in rural areas (56% vs. 36% for formal workers). According to the Zambia Labour Force Survey of 2010, only about 6.3% of all the self-employed earn above the minimum wage (ZMW1, 200).

  Most of the informal workers in the seven countries, regardless of the sector, earn below minimum wage. In part this is attributed to the fact that most employers in the informal sector do not abide by the minimum wage law. Yet, due to the high levels of unemployment, most people are willing to work regardless of the low wages. Furthermore, there is a distinct wage difference for workers in rural areas, where those in the formal employment earn a median wage 7 times larger than for those informally employed. The wage differences between formal and informal work vary across sectors, with a ratio of formal to informal median wages ranging from 1.1 in mining to 5.6 in ICT. The majority of informal workers with wages in the top 40% of the wage distribution work in trade, mining and transportation, while the informal workers with wages in the lowest 40% of the distribution work in agriculture and trade.

- ***Job and income insecurity:*** The deregulation of the economy in most of these countries increased job/ income insecurity for informal workers in the informal economy. Informal workers are not protected against arbitrary dismissal and exploitation in the workplace. Majority of them do not have written contracts and may be terminated at the employer´s will. At the same time, such income insecurity exists is dictated by seasonal variations in sales returns. Enterprises that employ more than one worker, tend to significantly reduce the number of informal workers during the slow months compared to employment in the busiest months. Instead, firms resort to casual workers and unpaid workers to facilitate production.

- ***Lack of social protection:*** Social protection is understood to refer to the set of policies and programmes designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income (ADB, 2003). Informal workers in the selected COMESA Member States under study in this report

– do not enjoy these benefits. They have no chance of forming and belonging to trade unions, for example. Most informal jobs are casual and there is a high degree of outsourcing predominantly by large firms in both rural and urban areas of the country.

3.1.5 Impact on the economies of the countries

The literature on the informal economy contends that informality has both positive as well as negative effects on the economy. Indeed, the informal economy is a mixed blessing for all the seven targeted COMESA Member States. A cost-benefit analysis of the informal economy provides a varied picture. On the positive side, there are a number of important impacts as indicated below.

First of all, the informal economy has enabled a significant proportion of the population in these countries to get by and occasionally to prosper. Profits from informal activities have been invested in community services and in some instances in official economic activity, thus contributing to national prosperity. In the social realm, the informal economy has empowered women and various segments of the population not able to participate in the formal economy.

Secondly, the informal economy has been a source of employment in most of these countries. For example, the activities of the informal economy have become strategic because they enabled countries such as Zimbabwe to survive the worst economic crisis in history by providing livelihoods to the majority of the population. With the high unemployment levels in Zimbabwe especially in the formal sector, jobs can only be found in the informal economy. For the past decade, over 2 million Zimbabweans have been making their living in the informal sector. This includes hundreds of school leavers graduating each year with little chance of finding work in the formal economy.

Thirdly, studies and reports quoting statistics of the countries under study suggest that the informal economy constitutes a sizable proportion of their economies. In Zimbabwe, for example, the IMF estimates the informal economy contributes, on average, 61% to the country's GDP, while it stands at 55.3% of total GDP in the DRC, 33% in Zambia, 39.1% in Ethiopia, 34.3% in Kenya, 34% in Tanzania, and 35% in Malawi. While the informal economy has traditionally been viewed with suspicion by governments in some of the countries, there is no denying that it is this sector of their economies that has kept them afloat in difficult times.

Fourthly, the informal economy in all the countries under study has contributed significantly in the fight against poverty. This is particularly true in the case of Zimbabwe, especially following the challenges of the economy over the years. It has been a source of employment and incomes for a large number of Zimbabwe nationals. In fact, the informal economy in Zimbabwe is the primary – and for many *the only* – source of income for households in the country. But beyond the provision of incomes and jobs created internally, the informal economy has been a conduit for remittances from the diaspora abroad[11]. Such remittances are critical in ensuring the survival of most households in Zimbabwe and alleviating poverty in the country.

11 Zimbabwe has a large proportion of its nationals living outside the country. Estimates vary, but some sources put them at 3.4-4 million (www.migrationdataportal.org/regional-data-overview/southern-africa. Most of these left in search of economic opportunities following the economic challenges of the country, characterised by runaway inflation, an unstable currency policy and wide-scale unemployment, etc. They can be found in South Africa, Botswana, Mozambique, other parts of Africa, in Europe, the USA, Canada, Australia and other parts of the world.

Nevertheless, there have also been negative aspects to the informal economy for the country.

First, informality in these countries, as elsewhere, comes with inherent unfairness and unevenness of both access to the resources needed to participate in informal economic activities and the distribution of benefits from such participation. Those already rich and powerful and the employed tend to benefit more than the unemployed, the urban poor, or rural producers.

Secondly, there are also negative effects on the official economy whereby the state is deprived of both revenue and foreign exchange. For example, the smuggling out food crops because of the existence of price controls in the DRC, forces the government to use the scarce foreign exchange to buy imported food. Moreover, labour shortages may also result from the proliferation of unofficial economic activity.

3.2 INFORMAL CROSS-BORDER TRADE IN THE TARGETED MEMBER STATES

In all the seven selected COMESA member states under study in this report, commercial activities are an important feature of the informal economy. A particularly dominant form of commercial activities has been informal cross-border trade – the movement of small quantities of goods across borders by small-scale traders going through informal channels (by foot, bicycle, motorbike, passenger vehicles, etc) and not measured in official statistics. In all these countries, ICBT is the main activity that sustains the majority of the population, provides access to products that are not available in the country, and the activity linking producers to markets. Typically, it is proximity trade involving the movement of produce between markets close to the border.

The origins and evolution of ICBT in each of these countries follows each country's path of development. It is not possible to go into the details of the history of ICBT in each of the countries in this section. A good illustration of this is given on the case studies of Ethiopia, Malawi, and Zimbabwe in the chapters that follow.

3.2.1 Magnitude and Size of ICBT

Each of the seven COMESA member states has had a long history of trading with its neighbours. However, historic and political developments have had an impact on the volume of cross-border trade with Ethiopia's neighbours. As in other countries in the SSA region, accurate data on ICBT is lacking due to multiple factors, including smuggling, non-registering of informal trade, under-reporting, and weak data collection systems. In fact, according to the World Bank (2011), official statistics highly understate the amount of trade that crosses the borders with their neighbours. Official recorded data in recent years, confirms, that although these countries trade both formally and informally with their neighbouring countries, for some (such as DRC, Ethiopia and Zimbabwe) formal/ official trade with them is small in magnitude and erratic in nature.

In the DRC, for example, according to the World Bank (2011), Rwanda's imports from that country in 2009 were equal to about 0.5% of the total Rwandan imports. Similarly, exports by Burundi, Rwanda and Uganda to the DRC surpassed their imports from the DRC. In all cases, imports by the DRC from the seven countries listed in Table 4.2 exceed its exports to them, which reflects its heavy dependence on these countries for most goods. In the circumstances, ICBT plays the main role in linking producers to markets.

For Ethiopia, formal trade is limited to some manufactured imports from Kenya and vegetables and Khat exports to Djibouti and recently to Somaliland (Northern Somalia). This means the country has increasingly relied on ICBT. In fact, observers argue that the share of ICBT between Ethiopia and its neighbours might actually be larger than the share of the formal trade.

3.2.2 Main Characteristics

Profile of traders: ICBT in the seven COMESA Member States involves small as well as big enterprises both in the formal and informal economy. These enterprises fall into two broad categories: (a) survivalist entrepreneurs/ traders, and (b) growth-oriented (opportunity-driven) entrepreneurs. The first category are necessity-driven as they require low capital, limited skills and technical know-how to be able to trade. They are forced to engage in ICBT activities by the need to survive. The second category of traders are driven by the potential profit derived from the ICBT activities. This type of ICB traders (typically employing family members or one worker) have the potential to grow into formal businesses. Typically, the quantities of goods carried through the border by the individuals are sufficiently small such that this passage – whether legal or not – is not subject to control.

Surveys done in the countries under study show that approximately 70-80 percent of the small-scale traders are resident in the border towns with only 5-8% living in towns nearby – in the proximity of 8-10 kilometres from the border. The remaining 20-30 percent are reside beyond. An important characteristic of the ICB traders is that the majority of them are literate. However, the educational levels vary and range from secondary school to university graduates. The less educated traders tend to be conservative, are less able to undertake rational decisions or to assess risks, fear investing in production and are generally less exposed to information. On the other hand, however, the more educated traders are better positioned to read market signals and are more likely to access credit facilities in order to expand their businesses.

The gender dimension: Conventional wisdom suggests that ICBT is dominated by women. Indeed, in all the seven selected COMESA countries ICBT is dominated by female traders although there is limited involvement of men and generally of young people. This phenomenon has also been established in several studies on ICBT within the COMESA region. For example, in Zimbabwe, studies by Ndlela (2006) and Muzvidziwa (2015) established that 90-92% of the informal traders were women. Njiwa et al. (2011) find that 75% of ICB traders between Malawi and Zambia are women. A similar trend can be found in the DRC, Kenya, and Zimbabwe. Women are particularly present in the agriculture sector, linking areas in surplus to localities in short supply but also in agricultural processed goods and light manufacturing commodities not requiring complex certificates (Gagera and Bhan 2016; Ama *et al*. 2014). ICBT seems to play a role in alleviating poverty (Cagatay and Ozler 1995) and contributes to women's empowerment, family and child support, and employment (Chen *et al,* 2006; Yussuf 2014).

Operational features: Most of the ICBT traders in the seven countries are one way traders who buy or sell goods in one country and sell them in another country. All the informal traders in these countries, operate entirely outside the formal economy. The formal traders/ firms engage in this business typically by either fully evading regulation and payment of the duties at the official crossing points by moving their merchandise through "unofficial routes", or by partially evading regulation and payment of duties even when they go through the official routes. In the latter case, traders resort to such illegal practices as: (i) under-declaration of the quantities, weight and/ or value of the goods in order to pay lower customs duties (where these are applicable), (ii) falsifying the description of the goods (mis-classification) so that they are traded as products that attract no or lower tariffs, (iii) mis-declaration of the goods' country of origin to avoid taxes that may be applicable, and (iv) bribery of the border/ customs officials.

Goods traded: The type of goods involved in ICBT in all the seven countries include non-processed foodstuffs, industrial products (second-hand clothing, handicrafts, electrical appliances, dairy products, soft drinks, etc), minerals and forest products, and others (Table 3.1). However, several studies and surveys conducted on the ICBT flows in the region reveal that agricultural products dominate the trade. This is because the agriculture sector accounts for a significant share of the GDP and plays an important role in the livelihood in these countries. The Famine Early Warning System Network (FEWS-NET) and the World Food Programme (WFP) have even established a system of continuously monitoring 29 border points in the Southern African region to measure informal trade flows of maize, rice and beans between the DRC, Malawi, Tanzania, Zambia, Zimbabwe, (as well as Mozambique and South Africa). Their data shows ICBT in maize rice and beans in the region stood at 464,400 MT in three seasons in 2004/5-2006/7 (Lesser and Moisé-Leeman, 2009). The WFP, while emphasizing that informal flows in these commodities are critical for alleviating food shortages, notes, however, that it is difficult to estimate the total value of these flows since commodity prices vary across border points and from year to year (Ibid)[12].

12 The 2005/6 marketing season, in particular, was marked by an exceptionally important volume of maize traded informally due to a surge in demand for this commodity, mainly by Malawi, because of a bad harvest. In 2006/7, ICBT in maize actually accounted for about 40-45% of all maize traded officially between the DRC, Malawi, Mozambique, Tanzania, Zambia and Zimbabwe, or an equivalent 31% of total maize trade among these countries (Ibid). It is worthwhile noting that for some of these countries, food trade still represents an important share of total regional and international trade. In Kenya, for example, formal food exports represented 40% of the country's total merchandise exports in 2005, while in Malawi this share reached 80%

Table 3.1: ICBT Product Categorization

Classification	Products	Category
Non-processed	Fruits, dried and fresh fish and other marine products, wild vegetables, roots/tubers, spices, poultry products, livestock, grains, pulses, unprocessed coffee beans, etc.	Food stuff
Manufactured/ Semi-processed	Hides and skins, paintings and handicrafts, woven clothing (kenteh), iron implements, mortars etc.	Non-food stuff
	Sugar, edible oils, new and used clothing, dairy products, packaged beverages, soft drinks and juices, salt, agro-chemicals, cosmetics and toiletry products, confectionery and wheat products, plastic products, beer, etc.	Industrial products
	Hardwood, precious metals, jewellery, charcoal, gum Arabic, insects and insect products, rare poultry and game, etc.	Minerals and Forest Products
Re-exports	Manufactured foodstuff, tobacco, petroleum products, electronic appliances, shoes, apparel, tools, spare parts, and simple machines, etc.	Re-exports
Sub-standard and counterfeits	Fuels, precious metals, dairy products, banned goods, etc.	Miscellaneous

Source: AfDB (2012)

In Tanzania, the main product categories traded are agricultural, industrial, forestry and water resources. Tanzania informally exports mainly agricultural food commodities, fish, and forest resources (charcoal and timber) and in turn imports mainly industrial goods. Both Malawi and Zambia trade significantly more basic commodities than is reflected by official statistics, and cross-border trade also goes beyond agricultural commodities (Brenton et al, 2014). Informal exports of beans, maize and rice from Zambia to neighbouring countries add up to tens of thousands of tons every year. Out of the three products, maize represents the largest volumes of informal exports (124,000 tons in 2005-2011, compared to 50,000 tons of rice and 31,000 tons of beans). For beans and rice these flows are much larger than formal exports (Ibid). In Ethiopia, the country's major export commodities are also the ones traded informally. The major ones are live animals, coffee, chat, fruits and vegetables. In the DRC, informal exports include mainly timber, minerals, agricultural products, while imports include industrial products, consumer products, and others.

The diversity and range of value of the goods carried by traders suggests that ICBT includes a broad spectrum of entrepreneurs, from small-scale survivalists to relatively large-scale traders. It suggests that there could be possibilities for bringing those at the high end of the spectrum into the formal sector, while raising questions about the costs of negotiating border regulations for those at the lower end of the spectrum.

Travel and transport patterns: Traders use a variety of transport modes to travel across borders. The choice of mode is influenced by the distances travelled, the location of border towns, the volume of goods being transported and the charges levied by the transport carrier. The most common form of transport used by traders to cross borders is buses and minibus taxis. Many also travel on bicycles, or on foot as illustrated below.

ICB traders exhibit a complex variety of travel patterns. Traders using border posts where border towns are in relatively close proximity tend to travel frequently. Some cross the border more than once a day on a regular basis (for instance at Livingstone, Kasumbalesa, Mutare and Namaacha). Others make their journeys a few times a week. Those using border posts where distances to buying and selling areas are longer, tend to travel once a week, bi-monthly or once a month. Malawians are most likely to travel bi-monthly or monthly. This is also true for Zimbabweans. A smaller proportion of traders do travel only twice a year or less (Crush, 2015).

Not surprisingly, the length of stay in countries of destination tends to be short. Patterns of stay reflect the patterns of travel: as travel becomes more frequent, the length of stay tends to decrease. The majority of traders at most border posts cross for a day or less. Of the rest, most are likely to spend less than a week in another country. Other research indicates that traders are reluctant to spend too long in another country, especially if they are there to shop and not to sell as well. This is because they worry about their security and that of their goods and money. Moreover, accommodation can be expensive and/or uncomfortable.

3.2.3 The Driving Factors

There are a variety of factors driving the proliferation of ICBT in COMESA, including the seven selected Member States. Although these vary across countries, the following factors are common to all of these countries.

- ***Poverty:*** An important determinant of ICBT in the country under review is poverty. Some of the 7 selected COMESA Member Sstates are among countries with the highest rates of poverty in Africa. The **DRC**, for example, is one such country with widespread poverty. In spite of its size and abundant natural resources, the DRC is the second-poorest country in the world[13]. In 2019, the UN Human Development Index (HDI) ranked the DRC as the 175th least-developed country out of 189 countries with an HDI of 0.480. More than 80% of the population live on less than $1.25 a day, defined as the threshold for extreme poverty. In **Kenya**, while the country's economy is the largest and most developed in eastern and central Africa, up to 36.1% (2015/2016) of its population lives below the international poverty line. This is due mainly to economic inequality, government corruption and health problems. In turn, poverty also worsens these factors.

Malawi is one of the poorest countries in the world with 50.7% of the population living below the poverty line and 25% living in extreme poverty. Out of the total rural population, 57.0% is poor compared to 17.0% of the urban population[14]. In **Zimbabwe**, estimates by the World Bank suggest the number of extreme poor reached 7.9 million in 2020, which is almost 49% of the population[15]. Surveys indicate that nearly 500,000 households have at least one member who lost their job in 2020, causing many to fall into poverty and worsening the plight of the existing poor (Ibid). This same trend of poverty can be observed in Ethiopia, Tanzania, and Zambia. No wonder, therefore, the primary motivation for ICBT in all the 7 countries under study is to provide a source of income, food security, and a way to overcome poverty. For traders in these countries, ICBT contributes to poverty alleviation and provides a way to meet their basic needs (food, education, housing).

13 Gregson, Jonathan. "Poorest Countries in the World". *Global Finance*. Retrieved 18 April 2021.
14 https://www.imf.org›media › Files › Publications
15 https://www.worldbank.org › country › overview

- ***Inefficient customs procedures:*** Many observers contend that customs procedures in the COMESA region – as elsehwere in SSA – are notoriously inefficient, leading to delays and waste of traders'/ transporters' time thereby raising the cost of doing business. This cost is usually transmitted into final consumer prices. Inefficiency comes in form of bribes demanded by customs officers. In that case, either there is no import duty at the border and a bribe represents a supplementary cost for the transporter, or there is an import duty to be paid and the bribe may (or may not) serve as a way of paying less taxes.

Table 3.2: Indicators of Trading Across Borders in the 7 Selected COMESA Member States in 2020

	DRC	Ethiopia	Kenya	Tanza-nia	Malawi	Zam	Zim
Rank (trading across bor-ders)	187	156	117	182	127	155	159
Score (trading across borders)	3.5	56.0	67.4	20.2	65.3	55.9	54.3
Time to Export							
Documentary compliance (hours)	192	76	19	96	75	96	99
Border compliance (hours)	296	51	16	96	78	120	88
Cost to Export							
Documentary compliance (US$)	500	175	191	275	342	200	170
Border compliance (US$)	2,223	172	143	1,175	243	370	285
Time to Import							
Documentary compliance (hours)	174	194	60	240	55	72	81
Border compliance (hours)	336	72	194	402	55	120	228
Cost to Import							
Documentary compliance (hours)	765	750	115	375	162	175	150
Border compliance (hours)	3,039	120	833	1,350	143	380	562

Source: World Bank *Doing Business Report* 2020

Inefficiency of customs procedures encourages smuggling (ICBT definition B): smuggling may allow traders to save time and money. In the case of lengthy customs procedures, smuggling may be greater when traded products are fresh agricultural commodities. In the DRC, one of the most lucrative businesses is smuggling fabrics. This is because fabrics imported formally are normally heavily taxed as Burundi seeks to protect its infant textile industry. The World Bank *Doing Business 2020* report indicator on trading across borders for the seven COMESA Member States under study, illustrates the above scenario (Table 3.2). As can be seen from the table, overall, the DRC performs worst in virtually all indicators of trading across borders, followed by Tanzania, while the overall best performers are Kenya and Ethiopia. Malawi, Zambia and Zimbabwe have made efforts to improve their indicators, although they still have a lot of work to do in this regard.

- ***Geography and border markets:*** One of the main features of borders between countries in the COMESA region – as in most SSA countries – is their porosity which enables easy passage from one country to another, although quite often there are a number of geographical obstacles which hinder any such easy passage (such as rivers, lakes, mountains, etc). The border between the DRC and Rwanda is a good example. It has several natural barriers to large-scale movement of goods and people. They include 89 kilometres running through Lake Kivu and about 60 kilometres going through hard-to-cross mountainous terrain in the northern-most section. In spite of these barriers, however, there is substantial ICBT between the DRC and Rwanda. In 2017, cross-border trade between the two countries was valued at US$100 million (SSHAP, 2019). Similarly, the DRC-Uganda border, which runs for a distance of 2,698 kilometres and crosses Lakes Albert and Edward, is highly porous as a result of which much of the trade at this border is informal. Overall, however, border porosity facilitates the growth of ICBT which takes place through numerous openings with only a small number of official border posts. It is obviously difficult and costly for African governments to control so many informal border crossings. Porosity of borders greatly facilitates ICBT definitions A and B.

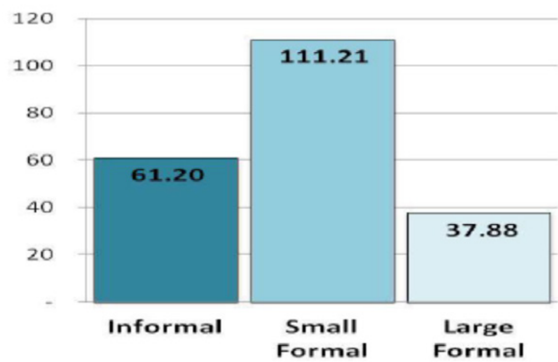
A related aspect is the presence of large open markets close to border points. Within the COMESA region, there are many examples of market-shed centers accessed by traders from contiguous countries: the market of Mbeya in Tanzania, accessed by citizens from Zambia and Malawi, or the Mazabuka market-shed in Zambia accessed by citizens from Zimbabwe (Bouët, *et al*, 2020). In Ethiopia, ICBT has been linked to ethnic and cultural/ social affinities. People living in the proximity of the common borders tend to interact for various reasons – cultural, social and economic reasons. Often it happens that the same ethic group lives on both sides of the border. In Ethiopia, people from the Borana ethnic group live across borders of Ethiopia and Kenya. Similarly, the Afars live in Ethiopia, Eritrea, and Djibouti, while the Somalis live along the Ethiopia, Djibouti, Somalia, and Kenya borders. Such ethnic networks tend to feed the growth of ICBT.

3.2.4 Challenges faced by ICB Traders

Just as there is little information on the nature of ICBT in the countries under study, there is incomplete knowledge of the conditions under which it takes place. As we show in this section, ICB traders in the seven selected COMESA Member States face numerous challenges. Studies and surveys conducted by various experts paint a dark picture of the conditions experienced especially by cross border traders in some of these countries.

- ***Burdensome customs and border procedures:*** The literature on ICBT suggests that traders choose the informal path to avoid burdensome administrative procedures, taxes, as well as to escape from abuses committed at the border. Indeed, informality flourishes when the transaction costs incurred by operating through official channels are perceived to be too high, are not compensated by sufficient benefits and/or the required procedures are not transparent. Such conditions are particularly burdensome for people with small consignments that may not cover the fixed costs of complying with formal sector procedures.

In addition to being inefficient, customs and border procedures in the seven targeted COMESA Member States have been found to be burdensome. Such procedures notably include: high customs duties and taxes, as well as various procedures (including SPS standards, technical regulations, immigration procedures, etc.) which can be time-consuming, inefficient, or even unclear. All these measures tend to impact negatively particularly on small-scale traders by imposing on them highly regressive costs which ultimately drives them to trade informally. Estimates by some experts suggest, for example, that they end up paying on average around



Source: Brenton, 2014

62% more per ton to move a ton of commodity across the border than their larger trader counterparts do (Figure 3.1).

- ***Hostility by border officials:*** One of the main challenges for ICB traders in the COMESA region, especially in the countries under study is hostility and harrassment by border officials. Two examples suffice to illustrate this phenomenon. In the **DRC**, traders complain about unfair treatment at the hands of public officials. Many women traders, for example, report being subjected to acts of violence, threats, beatings, verbal insults, sexual demands, and even rape (World Bank, 2011; Tateca and Kimanuka, 2012). Much of this abuse goes unreported. Not only do border and other state officials harass traders but, they also hire young unemployed men, called "maibobo" (street youth and thugs) and "les viseurs" (watchers) to apply force as needed to extract money and goods from traders, particularly those moving on foot with goods strapped on their backs or carried on heads. A typical common occurrence is that women traders are often encircled by a group of men after they cross the border, exposing them to theft of their merchandise and physical abuse.

Malawian women (particularly on the border with Mozambique) report border agents demanding sexual favours as bribes or in exchange of not seizing goods. These women have developed what Blumberg *et al* (2016) has called 'coping mechanism' or strategy. Women traders have developed 'girlfriend-boyfriend' relationships with border officials in order to protect themselves from sexual violence by other men at the border[16].

In **Ethiopia** the authorities are hostile to ICBT and consider it an illegal activity. The government has been very strict in policing ICBT. Specifically, border controllers – especially the Federal Police – confiscate products and animals that are traded informally and considered contraband. As a result, traders incur heavy losses as a result of such confiscations. The criminalization of ICBT operations as an illicit undertaking, especially in peripheral areas of Ethiopia, is historically defined by political and economic factors and partly associated with the tacit long-standing security concerns and scepticism by the authorities over isolated pastoralist groups freely crossing national frontiers – an unfortunate unease which recently even more likely to have been heightened by threats of global terrorism and regional insurgents. The eastern border with Somalia (due to the complex political relations with that country) is particularly closely monitored with numerous attempts to clamp down on border markets and halt illegal livestock trade. Often, however, these efforts have not been successful as markets have simply shifted across the border to the Somalia side or traders have bypassed the policed markets by using other transit points.

In their study Mwakisale and Magai (2015) in **Tanzania**, found that most of the women in ICBT complained of excessive harassment involving "body searches" for hidden goods. About 30% of the respondents mentioned this as one of the factors that hinders women's involvement in ICBT. Other problems included confiscation of goods (36%), sexual harassment (30%), rape and robbery (14%), domestic violence (8%), imprisonment and detention, intimidation and moral abuse (6%). The study findings were consistent with the results of the study by Njikam (2011), which reported that loss of goods and women sexual abuse, including rape was a dominant negative factor-affecting women ICBT.

- ***Corruption and insecurity:*** One of the main challenges faced by ICB traders in the selected COMESA member states is corruption by customs and law enforcement and security officials at crossing points. Corrupt law enforcement and customs officers at the border crossing points abuse the small-scale traders' lack of knowledge on customs procedures in order to solicit bribes. In the **DRC**, the formal border crossing points are notorious for petty bribes on both sides of the border (SSHAP, 2018). For example, in Lubiliha/ Mpondwe, small payments are demanded by border officials to facilitate informal trading and smuggling of illegal goods. A report by the World Bank (2011) quotes small-scale cross-border traders at all four border posts, who repeated the catch phrase used by officials: "sans argent, on ne passé pas" (no money, no passing). At the Goma-Gisenyi border-crossing point, 100% of respondents said that they had to pay bribes to cross the border. Most traders also reported having their goods seized and having to pay fines.

16 One Malawian woman working as a cross-border trader is quoted as saying that sexual coercion, exploitation, and harassment was pervasive at border crossings and indicated that if she "has" to provide some sort of sexual act to get her goods across, it is better to do it on her own terms. She has a Customs "boyfriend" and perpetually has to walk a tightrope in negotiating terms of the relationship and associated sexual encounters" (Jacobson J. and Joekes s., 2019).

Traders carrying money risk having it seized while some incidences of rape of women have been reported at some crossing points. These malpractices are compounded by the lack of effective policing at border points and markets. The surge in incidents of crime against traders, has forced them to travel in groups to protect themselves, or simply use informal routes. The inadequacy (or lack) of border infrastructure (warehousing facilities, reliable transport, etc) and often the lack of valid travel documents, all serve to aggravate the security situation of the informal traders.

- ***Illiteracy and lack of information:*** Majority of the small-scale traders in the countries under study are challenged to comply with the complex requirements and controls related to ICBT or even to take advantage of the COMESA duty-free entry, the COMESA Simplified Trade Regime (STR) which allows small-scale traders to enjoy duty-free status when they import goods originating from the Member States and provides a range of benefits (such as simplified customs declaration procedures for selected items on a *Common List of Products*, the elimination of the need for licensed clearing agents to process consignments not exceeding US$ 2,000, etc), primarily due to illiteracy and lack of capacity and resources.

The above challenges are compounded by the lack of clear information on export and import procedures (including the STR) and opaque or arbitrary application of rules. Given that most traders operate outside regular business circles, they have limited or no access to market information on prices, demand and supply and have to rely on informal sometimes unreliable information networks. Similarly, the smallscale traders have no access to policies, regulations, agreements and protocols for the facilitation of cross-border trade. The opaque or arbitrary application of rules, in particular, often means that the small scale traders are not able to claim the advantages they are entitled to, even when they are aware of them. In this case it is much easier and less risky to pay a bribe and pass than to argue with officials.

- ***Centralization of procedures:*** Certain procedures, such as the issuance of export/ import permits and SPS certificates for agricultural products, have been centralized in capitals or other major urban centres in the region. For example, traders at Livingstone/ Victoria Falls (Zambia/Zimbabwe border) can only obtain a permit from the Ministry of Agriculture in Livingstone to import goods into Zambia. In order to get the permit, they must travel Livingstone. Those in Zimbabwe must go to Harare if they want to do the same in Zimbabwe. Unfortunately, the cost of the permit itself is high and only has a limited validity in time, making it not worthwhile to trade agricultural products, at least through official channels. The situation is not any different in Malawi. Traders carrying agricultural products across the border, for example, are required to provide a number of export/import documentation including trade licenses, phytosanitary certificates, certificates of standards compliance, foreign exchange certificates, and certificates of non-GMO conformity (Brenton, et al, 2014). As a result, for the smaller ones it is often much cheaper and more practical to use informal routes and thus avoid border procedures completely.

- ***COVID-19:*** The outbreak and spread of COVID-19 is now well documented in the literature. The pandemic affected economies globally. As in the rest of the world, the countries under study introduced measures to stem the spread of the virus. The severity of the measures in the different countries varied depending on a variety of factors, including the levels of capacity to enforce policies, the anticipated burdens on urban livelihoods, as well as the perceived vulnerabilities of the population to the pandemic. Countries under study, generally fall into two broad categories: (a) countries which adopted national restrictions but then placed special restrictions on movements in major urban centres[17], and (b) countries which enacted more modest responses, such as Tanzania and Zambia[18]. Thus, ICB traders have had to deal with the challenges arising from the different measures taken to combat it, particularly the uneven enforcement of travel bans and testing across the borders of the countries where they operate.

These variations in restrictions led to several negative, indirect effects on informal traders. The ICB traders were especially vulnerable since their supply routes were curtailed and their customer bases, particularly truckers, dwindled due to border quarantine measures or travel bans (Resnick *et al*, 2020). Such traders are also prone to the health effects of COVID-19 since they may operate at borders of countries with very different policies of testing and tracking. This has been a key problem for both traders operating in Kenyan and Zambian towns bordering Tanzania which, as noted above, is one of the few countries that were lax towards the COVID-19 pandemic (Ibid).

The closure of borders to all, except for cargo transport has meant that for many traders, incomes literally disappeared overnight. These effects were compounded by the fact that many cross-border traders have little access to credit, meaning they could not cross borders to replenish their stock. Losses from the abrupt announcement of lockdowns and the drying up of incomes led many traders to spiral into debt, especially for those trading in perishable agricultural products (Ibid). In some border towns, restrictions led to price hikes as high as 50% for certain commodities.

Overall, the challenges faced by ICB traders in these countries can be grouped into three categories: (i) border-in challenges, (ii) border challenges, and (iii) border-out challenges. The first category relates to those challenges faced by the traders at national level. They are internal problems within the country. The second category are customs or immigration-related problems experienced at the borders. Finally, the third category are those which the traders face when they are in the destination countries where they go either to buy or sell their merchandise. Table 3.3 below summarizes these challenges.

17 For instance, Ethiopia, placed restrictions on the states of Amhara, Oromia, SNNP, and Tigray. Kenya first placed lockdowns on the Nairobi metropolitan area and subsequently, other counties, such as Kajiado, Mombasa, Kilifi, and Kwale, adopted their own lockdowns.

18 In Zambia, more emphasis was placed on public health messaging rather than movement restrictions, and the track and trace system has been classified as comprehensive (Resnick et al, 2020). Tanzania took comparatively limited measures to curb the spread, and public health messaging tended to conflict with statements issued by the government (Resnick et al, 2020).

Table 3.3: Summary of ICBT Challenges in the Targeted COMESA Member States

Border-in Challenges	Border Challenges	Border-out Challenges
• Absence of policies/ regulations related to ICBT • Limited access to finance • Competition • Difficulties of securing travel documents • Lack of knowledge of trade regulations/ procedures • Lack of market information • Centralization of trade-related services: o SPS certificates for agricultural products; o import permits; o certificates of standards compliance; etc)	• Delays at border crossing points; • Harassment/ violence • Corruption / bribes • Poor or absence of infrastructure: o accommodation o storage facilities o utilities • Exploitation by intermediaries	• Crime/ Violence • Harassment • High cost of transport • Poor accommodation

3.2.5 Implications of ICBT for the seven COMESA Member States

ICBT has both positive and negative impacts on the countries under study. The positive impacts include the following:

- ***Impact on household incomes:*** Income derived from small-scale trading activities is key to reduce poverty, although its impact on long-term development outcomes in the countries under investigation is not clear. What is clear, though, is that ICB traders make little profit from their trading activities, with most of the revenue covering basic household needs such as food, medical expenses, education of their children, etc. Re-investment in their businesses is difficult. Nevertheless, revenues from cross-border trade are often the main source of income for the households of cross-border traders. A survey of more than 600 traders in the DRC and Rwanda, found that ICB trading activities were the main source of family income for three out of four traders. The survey found that for indicators such as quality of dwelling, access to electricity, type of cooking fuel used, and ownership of durable goods, the households of ICB traders are as well off as the average urban household that is used as a comparator (Brenton and Soprano, 2018).

Zimbabwe is another good example. With the unstable and deteriorating macroeconomic conditions in that country, real incomes of the population started declining in the 1990s forcing many in formal employment or the unemployed to seek supplementary (or new) sources of income. Since that time, many families in the country have had to depend on this source of income to meet their livelihood requirements.

It is therefore reasonable to suggest that trading activities are critical in contributing to improved welfare standards. Indeed, by contributing to household incomes, trading activities can help to empower women within households in the countries under study. This, in turn, can enhance their roles in household decision-making, resulting in increased expenditures on (higher quality and more varied) food, and hence lower child malnutrition rates, and increased attendance at school. These in turn contribute to higher productivity of future generations.

- ***Impact on the formal sector:*** Crush (2015) analyses the purchasing behaviour of ICB traders and shows that ICB traders contribute significantly to the formal sector in the countries where they buy their goods. Majority of the traders' source their goods from formal sector wholesalers and retailers. Crush (2015) shows that wholesalers are particularly important sources of merchandise for traders from Malawi (64%) and Zambia (53%). Retailers (mainly supermarkets) are more important than wholesalers for traders from Zimbabwe (60%). At the same time, the traders contribute primarily to the informal sector when selling. The proportion of traders who sell to formal shops, retailers and restaurants is very low in all countries, although it is marginally more important in Malawi (15% of traders) and Zambia (14% of traders). Some cross-border traders, especially in Malawi (at 57%), own the shops where they sell the goods they import into the country. However, it is not clear if these shops are in the formal or informal sector. Larger numbers of traders in the other countries tend to sell from their own stalls in informal markets or sell to others who operate in those markets. In general, informal markets are the major outlets for the sale of imported goods in these countries.

3.3 THE POLICY FRAMEWORK FOR INFORMALITY

Given the nature and dynamics of the growth of informality in these countries, it is logical to try to understand how the informal economy in the targeted COMESA Member States is regulated or supported to grow. Indeed, governments in these countries have introduced measures and policies aimed at the informal economy. These policies are not necessarily aimed at formalization or supporting transition from the informal to the formal economy. Rather, in most of these countries, the policies are restrictive and aim to bring informality under control, while in others they seek to support transition to formality[19]. Annex 10 summarizes the key policies identified.

3.3.1 Ethiopia

The principal objective of the GOE is to create jobs and transition from being an agricultural-based economy to becoming an industrialised nation, by focusing on certain priority manufacturing sectors with the potential to generate jobs and future competitiveness. Accordingly, the GOE has developed a number of economic policies to support this objective. The most relevant policies for the informal economy include:

19 This study was not able to access the respective policies for the informal economy in the DRC.

1. The Growth and Transformational Plan

Ethiopia's Growth and Transformational Plan (GTP) identifies the development of growth-oriented micro and small enterprises (MSEs) as an effective private sector development strategy which can contribute to the country's bottom-up economic growth and bring about a transformational change in the economy. The GTP emphasizes the need to provide comprehensive support to micro, small and medium-sized enterprises (MSMEs) in order to open up their full potential to create wealth and jobs and, in so doing, help to substantially reduce poverty. GTP II acknowledges the explicit role of the MSME sector in generation of employment, promoting entrepreneurship, broadening the base for value addition by the domestic private sector. It commits to enhance the productivity and technological uptake of MSMEs and to support their transformation. Specifically, it commits to:

(a) graduate 62,500 firms from micro to small enterprises (MSEs), and 10,000 from small to medium enterprises (SMEs);

(b) strengthen Technical Vocational Educational Training institutions (TVETs);

(c) establish Entrepreneurship Centres of Excellence in 35 universities and

(d) train up to 100,000 potential entrepreneurs in the industrial sector.

2. The Industrial Development Strategic Plan (2013-2025)

Developed by the Ethiopian Ministry of Industry in 2013, the vision of this Plan (the IDSP) is:

> *"... an industrial sector with the highest manufacturing capability in Africa, which is diversified, globally competitive, environmentally friendly, and capable of significantly improving the living standards of the Ethiopian people by the year 2025".*

The overall goal of IDSP is to increase the share of the industry sector as a share of GDP from the current (2013) 13% to 27% by 2025. It seeks to create a stable macro-economic environment for investment by supporting priority sectors based on their capacity to create employment opportunities. It identifies SMEs as the driver of this industrial development strategy and thus also the engine of industrial growth. The main activities to support SMEs include: (i) provision of enterprise development support services, (ii) marketing system development, (iii) capacity building projects for entrepreneurship development, and (iv) enterprise cultivation focusing on value chain and cluster development strategy.

3. The Technical and Vocational Education Training (TVET) Sector Growth and Transformation Plan (2015-2020/5)

This plan aims to make TVET institutions in Ethiopia the centres of technology transfer, providing industrial extension support to MSEs to enable them to become competent in the market, provide TVET trainings based on the demand of the world of work, etc. The vision is:

> *"… a workforce with occupational competences demanded at the market, with inspirational interest to adapt to work and keen to create jobs, willing to move economic growth forward and able to transfer appropriate technology to micro and small enterprises and eradicate poverty from the country and contribute to social and economic development".*

4. The Micro and Small Enterprise (MSE) Development Strategy

The GOE has increasingly come to recognize the role of the MSE sector over the last 25 years, especially in the context of stimulating employment. The GOE formulated the first MSE Development Strategy in 1997, including establishing institutions to implement it. The current MSE Strategy was revised in 2011 in order to address some of the perceived weaknesses, such as lack of plan, resources, monitoring and evaluation, coordination, etc (Pinto, 2019).

The main objectives of the current MSE Development Strategy include, among others, to (i) enable MSEs to become competitive in the market so that they can bring about sustainable MSE development; (ii) build cluster-based production and marketing facilities in urban centres as focal points for creation of entrepreneurs who are role models and deliver a package of support services to enterprises during their stay in the centres; and (iii) facilitate economic growth and lay the foundation for industrial development by supporting the development of a viable MSE sector.

In order to achieve these objectives, the Strategy proposes the following key interventions:

- (i) development of change-orientated entrepreneurial and business competitiveness related attitudes and skills as well as managerial competence;
- (ii) provision of training programs aimed at enhancing technical and vocational skills;
- (iii) development and dissemination of technology to MSEs to increase productivity and product quality;
- (iv) provision of common service facilities (such as machinery, market infrastructure, etc);
- (v) provision of industrial extension services for skills development and technology support;
- (vi) provision of operational guidelines for sub-contracting arrangements with MSEs;
- (vii) supported to access export markets and entering into subcontracting linkages with MSEs;
- (viii) Development of websites and business directories for MSEs

5. The National Entrepreneurship Strategy (NES)

The NES is based on the recognition that Ethiopia has one of the lowest entrepreneurial activity rates in SSA countries, with about 12% of the adult population in the process of establishing a new business or were already running businesses, compared with the regional average of 28%. In addition, only 8% of them run businesses in Ethiopia, compared with the SSA average of 15% (GEM, 2012). Accordingly, the NES focuses on the following strategic objectives:

(a) optimising the regulatory framework;

(b) enhancing entrepreneurship education and skills development;

(c) facilitating technology exchange and innovation;

(d) improving access to finance;

(e) promoting awareness and networking.

The document identifies its key target groups as being individual entrepreneurs (women and youth, environmental sustainability, rural-urban linkages are underlying themes) and covers the entire cycle from start-up to growth and expansion to maturity and exit.

6. The Petty Periphery Cross-Border Trade

The GOE has been keen to police and bring under control all forms of ICBT which it has often branded illegal or contraband. Towards this end, it has introduced a number of policies and programmes to bring this trade under control. One such policy is the Petty Periphery Cross-Border Trade (PPCBT). This is a special programme introduced by the government in 1995 allowing Ethiopians living near the country's borders to import limited amounts of basic commodities from markets across the borders, without having to travel long distances to buy them in domestic markets. The key consideration of the PPCBT was the cost incurred in transportation which would make the final price of the goods unaffordable for the poor. It also took into consideration the different lifestyles and consumption habits and demands which would not be met by local suppliers. At the same time, the PPCBT was intended to curb illegal ICBT and control it by allowing people to freely import basic commodities and encourage them to follow and implement the formal trade procedures. It was hoped that ultimately, this would lead to the reduction of the widespread ICBT across the country's borders.

Overall, the PPCBT introduced some level of flexibility on the part of the government. For example, there are no cumbersome regulatory procedures that the traders have to go through. They are required to just fill in a simplified form and attach two photographs and 25 ETB payment to get the license, which is renewable every year. They are only required to operate within a fixed capital threshold which allows them to import goods worth ETB 10,000 per trip. They are also allowed only two entries per month.

3.3.2 Kenya

Official attention to the informal economy in Kenya goes back to 1972, when the ILO conducted the landmark study confirmed the existence of a parallel economy dominated by small businesses that absorbed a large number of persons that would otherwise be recorded as unemployed by economic surveys (ILO, 1972). Since then, the GOK has been keen to support the development of the informal economy in the country. Going forward, the GOK did produce several documents to articulate official policy on the informal economy.

1. The ***Jua Kali*** Movement

"Jua Kali" is a Kiswahili phrase meaning hot sun. The term was originally used to describe informal-sector activities that took place in the open. Today, however, it is now universally used to refer to all informal economy activities. The informal economy in Kenya received unprecedented government attention in 1988, when President Daniel Arap Moi, made some surprise visits to ***Jua Kali*** sites to see firsthand their operations. Following those visits, the President directed that shades be constructed for the *Jua Kali* artisans to protect them from the sun and to provide basic infrastructure such as electricity and water. As the *Jua Kali* movement caught on, all urban centres in the country were asked to set aside land for the construction of *Jua Kali* shades. A new government Ministry of Technical Training and Applied Technology was established in 1988, with one of its major objectives being the harnessing and developing of entrepreneurial efforts within the ***Jua Kali*** sector in the country.

2. Sessional Paper No. 2 of 1992 on Small Enterprise and *Jua Kali* Development in Kenya

For a long time, the GOK was keen about the informal economy and put in place measures aimed at promoting and developing it, especially by supporting the MSE sector. One of the-notable interventions was the publication in 1992 of the *Sessional Paper on Small Enterprise and Jua Kali Development in Kenya.* The Paper emphasized the need to create an enabling environment through an appropriate legal and regulatory framework and introduced several supportive and facilitative measures to promote the growth of the sector. However, these measures did not result in the expected impact due largely to their poor design and implementation.

3. Sessional Paper No. 2 of 2005 Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction

Sessional Paper No. 2 had as its main objective to develop a vibrant MSE sector that is capable of sustainably contributing to economic growth and employment in Kenya. Building on the previous MSE policies, the Paper focused on five specific areas:

First, emphasizing the role of markets, that is making markets work. In this regard, the government objective for the sector was to promote the quantitative (number) growth of MSEs and their competitiveness by reducing the cost of doing business and, generally, creating a more favourable business environment, while improving the quality of employment in the sector.

Secondly, integrating the MSE sector into the national economic development agenda. This was to be achieved through promotion of the MSEs in formal and informal economy, including commercial agriculture by encouraging all forms of linkages. Accordingly, the definition of the MSE sector in the Sessional Paper is expanded to include all enterprises – both farm and non-farm – employing less than 50 persons.

Thirdly, improving the effectiveness of the existing institutions by strengthening the Department of Micro and Small Enterprise Development (DMSED) and MSE associations, establishing a National Council for Small Enterprises and legislating a Micro and Small Enterprises Act. These institutions were expected to strengthen policy coordination, implementation and monitoring and evaluation, which were lacking in the previous efforts by the GOK to promote the MSE sector.

Fourthly, promoting partnership between key stakeholders, (including the citizenry, micro enterprise owners, community, private sector, civil society, NGOs and development partners) through appropriate policy dialogue to harness the synergy for effective resource mobilization, utilization and overall development of the sector.

Finally, introducing a plan of action for policy implementation and a mechanism for monitoring and evaluating the policies and their impacts.

Thus, the Sessional Paper recognized that in order to realize the full potential of the informal sector and to enable it to contribute to economic development, there was need to guide the sector, including by enacting appropriate laws, regulations and creating institutions.

4. Micro and Small Enterprises Act, 2012

This piece of legislation provides for the promotion, development, and regulation of micro and small enterprises in Kenya. The Act also provides for the establishment of the Micro and Small Enterprises Authority (MSEA), which is a semi-autonomous body under the Ministry of Industrialization and Enterprise Development replacing the former MSME Department. The Act further provides for establishment of:

(a) Office of Registrar of Micro and Small Enterprises Association which is charged with the responsibility of giving identity, direction and to a large extent creating formal structures to address the informality in the MSE sector;

(b) the Micro and Small Enterprise Tribunal to arbitrate disputes of MSE conveniently and at a reasonable cost; and

(c) the Micro and Small Enterprise Fund to finance promotion and development of MSEs through access to affordable credit, research and development, and acquisition of technology and transfer.

5. The National Trade Policy

Unlike most of the other countries under study, Kenya is the only country among the countries under study in this report, whose National Trade Policy (NTP) gives recognition to ICBT. Developed in 2009, the NTP recognises that in the face of liberalization and globalization, informal trade remains the entry point for the majority of the business starters. Commonly referred to as "Jua Kali" in Kenya ICBT continues to play an important role in the labour market. It reduces the levels of unemployment by creating jobs for people in the labour force that cannot be absorbed in the modern sector. The NTP articulates the challenges facing ICBT and articulates a wide range of strategies seeking to address these challenges. In order to mainstream the informal trade within the overall economy, emphasis will be placed on infrastructure development, market improvement, business skills improvement and enhancement of trade finance through public private partnership. The overall goal entails provision of land on which to construct markets for the promotion of decent, protected and recognized informal traders.

3.3.3 Malawi

There are several policies in Malawi which deal directly with the informal economy seeking to create and promote decent employment. Key among these are: the Micro, Small and Medium Enterprise Policy, the Malawi Industrialization Policy, Vision 2063, the National Labour and Employment Policy (NELP), the Malawi Growth and Development Strategy 2017-2022, the Malawi Decent Work Country Programme (MDWCP), among others.

1. The Micro, Small and Medium Enterprise Policy Strategy (2012)

Malawi's MSME Policy aims to create a modern and effective framework to guide the development of profitable, competitive and sustainable MSMEs in Malawi[20]. The Policy seeks to support the development of a vibrant local entrepreneurial sector and improve MSME competitiveness, to enhance the operations of individual MSMEs, assist priority industries, and improve the MSME operational and regulatory environment. The Policy aims to address a number of challenges affecting MSMEs, including: improving access to finance, improving provision of business development services (BDS) to MSMEs, improving skills, access to information and technology by MSMEs, and promotion of an enabling environment, among others.

2. The Malawi Industrialization Policy (2014)

Malawi's Industrial Policy (2014) recognizes that informal economic activities support most of the population and generate nearly two-thirds of overall business turnover. Over 80% of those employed in the sector worked for micro enterprises (those with 1-4 employees). Only a very small proportion of Malawians work in the formal economy. The Policy recognizes that small enterprises in the informal economy face challenges, including: (a) inability to meet market requirements due to the poor quality of their products, (b) limited access to finance attributed to financial exclusion, and (c) limited institutional support, among others. Going forward, the GOM under the Industrialization Policy aims to:

- facilitate MSMEs manufacturing access to technology for priority clusters;
- ensure effective coordination of MSME support to facilitate MSME upskilling;
- facilitate business linkages for market entry and technology transfer;
- facilitate and ensure ease of meeting tax and regulatory obligations; and
- raise awareness of support available.

3. Vision 2063

Under its Vision 2063 – Malawi's development blueprint over the next 40 years leading up to 2063 – deals with the informal economy, albeit indirectly. It recognizes the importance of the

20 The Policy is being revised and should come out in 2021.

private sector in spurring economic development and wealth creation through, among other things, the provision of innovative solutions, creation of jobs and mobilization of domestic revenue. On the other hand, it also recognizes the challenges facing the private sector in the country, including structural issues which inhibit graduation of enterprises from small to medium and large entities and the resultant "missing middle", the various market distortions linked to political interference and control as well as policies and regulations that restrain participation and competitiveness. Thus, going forward, the GOM under Vision 2063, commits to create a dynamic private sector capable of structural transformation of the economy. This includes measures and programmes that ensure no discrimination of women, the youth, elderly and persons with disabilities in participation in economic activities.

3.3.4 Tanzania

Tanzania has a large informal economy accounting for an estimated 70% of the country's total employment. Government has been keen to guide the development of the informal economy and has put in place a number of policies and programmes to guide the development of the informal economy. Key among these are: the Sustainable Industrial Development Policy (SIDP), the Small and Medium Enterprises Policy (2002), the National Employment Policy (2008). There are also other government policies, which have a bearing on the development of the SME sector in Tanzania[21]. Central to all these policies, is the focus on creating an enabling environment, building of a robust private sector and articulation of strategies that will create a sustainable growth. Similarly, several institutions – both public and private sector – were created to implement and coordinate various programmes arising from these policies. Furthermore, the GOT undertook various measures aimed at creating an enabling environment to enhance enterprise development. These include, maintenance of macro-economic stability, review of the tax regime, simplification of licensing procedures, implementing a programme on 'Business Environment Strengthening for Tanzania (BEST) and introduction of a Competition Policy.

1. The Sustainable Industrial Development Policy - SIDP (1996 - 2020)

The SIDP places specific emphasis on promotion of small and medium industries through the following measures: supporting existing and new promotion institutions, simplification of taxation, licensing and registration of SMEs and improve access to financial services. In addition, SIDP encourages informal sector businesses to grow and be formalised. Furthermore, the policy identifies measures to enable indigenous entrepreneurs, women, youth and people with disabilities to take part in economic activities.

2. The Small and Medium Enterprises Policy (2002)

Tanzania's large informal economy is dominated by micro, small and medium enterprises (MSMEs). Accordingly, in 2002, the GOT developed the SME Policy with the aim to promote 'job creation and income generation through promoting the creation of new SMEs and improving the performance and competitiveness of the existing ones to increase their participation and contribution to the Tanzanian economy'. Recognising the various challenges faced by the SMEs,

21 These include the Gender and Women Development Policy, the Cooperative Development Policy, the National Energy Policy and the National Environmental Policy and Rural Development Strategy, National Five Year Development Plan 2016/2017-2020/2021, and the Poverty Reduction Strategy Paper (2006).

the Policy seeks to introduce improvements in: the legal and regulatory framework (through reduction of bureaucratic red-tape that negatively affects small businesses, improvement of the tax regime which is unfavourable for the SMEs and introduction of incentives, simplification of registration), promotion of entrepreneurship development through facilitating improved access of SMEs to financial and non-financial services, increased access by SMEs to information pertinent to their development, facilitating acquisition and adaptation by SMEs of technologies, facilitating support programmes aimed at improving SMEs' access to markets, among other measures.

3. The National Employment Policy

The stated vision of the GOT is ***"a society engaged in sustainable decent gainful employment, capable of generating a decent income for the improvement of the quality of life and social wellbeing for Tanzanians and reducing povert***y" consistent with the Tanzania Development Vision 2025. It is in this context that the GOT developed the National Employment Policy (NEP) in 2008. The NEP aims to stimulate national productivity, to attain full, gainful and freely chosen productive employment, in order to reduce unemployment, underemployment rates and enhance labour productivity.

The NEP recognises that the private sector, including MSMEs, as a major source of employment in Tanzania and outlines policies that will contribute to the creation of an enabling environment for private sector development. Accordingly, it commits to, among others:

(i) enhance skills and competencies for those in the informal and formal sectors especially in the rural areas;

(ii) promote decent and productive employment as a national priority and enable all participants in the labour force to gain productive and full employment;

(iii) promote equal access to employment opportunities and resources endowments for vulnerable groups of women, youth and People with Disabilities (PWDs); and

(iv) create a conducive and enabling environment to promote growth of the private sector and transformation from informality to the formal economy.

3.3.5 Zambia

The GOZ has introduced several policies and programmes aimed at supporting the growth of entrepreneurs exist in the country. According to observers, while overall many policies are in place, most of them do not differentiate between the various characteristics of enterprises, with most of the policies seeming to be designed for larger enterprises. The result is that individual proprietors and micro enterprises often fail to fit in some of the official prescriptions made (Billima-Mulenga, 2015). The main policies for the informal economy in Zambia are summarized below.

1. The MSME Development Policy

The GOZ developed a policy for the development of micro, small and medium enterprises in 2008.

The Policy aims to:

(i) contribute to the country's GDP and overall job creation;

(ii) facilitate growth in value-addition using local raw materials;

(iii) enhance the growth of forward and backward linkages between MSMEs and large enterprises;

(iv) improve the productivity of the MSME sector; and

(v) enhance local economic development thereby stimulate broad based economic growth.

In order to achieve the above objectives, it focuses on a number of areas. These are: development of capacity for entrepreneurship, innovation and technological capacity of MSMEs, access to finance, markets, business development services (BDS), business infrastructure, etc.

2. National Industrial Policy

In 2018, the GRZ developed the National Industrial Policy (NIP) whose overall objective is to "transform Zambia from a producer and exporter of primary products into a net exporter of value added goods utilizing local primary resources with increased citizens' participation". One of its specific objectives is to ***"promote growth of cooperatives and micro, small and medium enterprises in industrial development"***. In order to achieve this objective, the GRZ committed under the NIP to:

(a) strengthen the backward and forward linkages between cooperatives, MSMEs and large manufacturing firms;

(b) promote usage of cooperatives as a business model for start-up enterprises;

(c) develop a framework for the formalization of MSMEs;

(d) establish industrial yards based on the location and availability of resource endowments;

(e) promote and enhance access to affordable finance;

(f) facilitate MSME's access to information and markets;

(g) improve MSME's product quality; and

(h) provide capacity building programmes to Business Development Service providers.

3.3.6 Zimbabwe

For a longtime the authorities in Zimbabwe were hostile to informality as demonstrated by the events in May 2005, when the government embarked on a clean-up campaign – the infamous *"Operation Murambatsvina"*[22]. This move by the government was widely condemned

22 Translated as *'Move the Rubbish'*) also officially known as '*Operation Restore Order'*.

by local, regional and world organizations as an affront to human development, which forced the government to shift its position leading to the introduction of informal sector rebuilding measures. Below are the main policies put in place to support the informal economy in Zimbabwe.

1. Policy Document for the support of Small, Micro and Medium Enterprises (SMMEs)

The introduction of the SMMEs Policy Document in 2007 was a turnaround which was justified as being a result of "increasing awareness and recognition of the role played by small and medium enterprises and their contribution to the economy" (Mbiriri, 2010). If in the past, the informal sector was viewed as a "nemesis of the state's goals of economic development", going forward, it would slowly be viewed as a potential engine for growth (Ibid).

The main goal of the document was to generate sustainable jobs, reduce poverty, stimulate growth and generate foreign currency earnings thereby contributing to the well-being of all Zimbabweans.' Accordingly, it mapped out strategies to address various obstacles facing the small business operators … seeking to create an enabling environment for them to realize their full potential. Unfortunately, the goals and objectives of the National Policy for SMMEs were not achieved. Experts and observers attributed this failure to several factors, including corruption among key government officials, lack of decisive leadership, a lack of infrastructure, SMEs' continued limited access to credit, and, most importantly, and the beneficiaries' abuse of the various initiatives (Makiwa and Styn, 2019). There are allegations that significant amounts of money obtained from various institutions for the purpose of implementing the policy were diverted and spent elsewhere, which has resulted in these initiatives yielding poor results (Ibid).

2. The Zimbabwe Industrial Development Policy (IDP) (2012 -2016)

The IDP is the government's blueprint of what the government intends to implement in order to develop the SMEs. Its key strategies for the development of SMEs include:

- the promotion and support to SMEs, which are viewed as an important engine for employment creation and economic growth[23].
- development and strengthening of existing parastatals (such as the Small Enterprises Development Corporation [SEDCO]) in order to offer more support to SMEs;
- provision of infrastructural support;
- support for technology upgrades, quality control and improvement, research and development, market access and financing facilities;
- cluster development including the provision of capacity building for skills training of employees and setting up of common facilities (such as testing laboratories, common use machinery (lathes, grinders, industrial saws, etc).

3. National Trade Policy 2012-2016

23 The hope was that given the sector's high labour to capital ratio there will be need to use the sector as strategy for quick turnaround of the economy at a relatively cheaper cost than that of conventional larger industries (Musabayana, nd).

Under the above policy, the GOZ commits to support the country's SMEs export efforts. Specifically, to spearhead the establishment and coordination of linkages between SMEs and well-established corporate businesses. Such linkages range from supply contracts and other sub-contracting activities to joint ventures, and incentives to enable small firms' access to mentorship from large firms. It enjoins the relevant government agencies and stakeholders to work together to ensure policy coordination for SMEs and the rationalization and improvement of support services and access to technology to promote SMEs exports. It charges the national trade promotion organisation (ZimTrade) to continue with its export marketing training programme for SMEs with a view to inculcating an export culture within the SMEs.

4. Small Enterprises Development Corporation (SEDCO)

In 1984, the Government of Zimbabwe (GOZ) created SEDCO as a vehicle for provision of financial support, management counseling, training and provision of information and advice on SMEs issues, with the aim to increase industrial production, provide employment for the jobless and promote economic growth. Financial assistance was to be provided in form of loans subject to pledging of collateral security. However, most SMEs could not meet the requirements – they could not offer collateral security and for many the interest rate charge was high and unaffordable. Moreover, the corporation (SEDCO) was underfunded and there were allegations of funds not accounted for leading to questions about the transparency mechanisms in place to ensure that the intended beneficiaries of the program actually benefited. Furthermore, a large part of the budget allocation was being used for paying salaries and administration costs, leaving inadequate funds for lending to the SMEs (Mapeto et al, 2015).

In spite of the above challenges, some observers believe, SEDCO was able to record some successes, such as the construction and provision of factory space for SMEs in Nyika Growth Point, Gweru, Chitungwiza and Gazaland in Harare and Bindura, provision of machinery to entrepreneurs in Chitungwiza for metal fabrication, woodwork and machinery, etc. Furthermore, SEDCO is credited for advancing loans to 4,900 in 2010 (Ibid).

5. Other SME Support Measures/Programmes

The government put in place other funding mechanisms to support SMEs in the country. They included funding through the Zimbabwe Development Bank, the Credit Guarantee Company of Zimbabwe, the Agricultural Development Bank (Agribank), and the Venture Capital Company. However, their support has been piecemeal and uncoordinated (Mbiriri, 2010). Furthermore, the government committed to revise the relevant laws and regulations in order to reduce the burden of doing business. The idea was to ensure that regulations in place were pro-active and did not impose disproportionate costs, thus simplifying the existing complex regulations and creating an enabling environment for SMMEs to thrive. In particular, the government committed to establish a Small Business Act as a legal instrument to facilitate the growth of the sector. This Act was to form the basis for defining SMMEs and to facilitating provision of support targeted to either individual entrepreneurs or associations within this sector (Ibid).

Furthermore, the GOZ through the Ministry of SMMEs committed to engage in capacity building programmes and partnered with the Ministry of Industry and International Trade, Ministry of Youth Development, Gender and Employment Creation, Small Business Advisory Council (SBAC), Small Business Authority (SBA), Zimbabwe Investment Centre, Financial Institutions to mention few. Through these partnerships, government committed to encourage entrepreneurs to establish sector associations, such as the Zimbabwe Apex of Informal Sector Associations to facilitate networking and access to support packages targeted at this sector (Ibid).

6. Strategies introduced by the City of Bulawayo

Following the launch Operation Restore Order by the government in all urban centers in May 2005, Bulawayo City Council introduced a range of strategies aimed at rebuilding the informal economy in the city. This is what Gumbo and Geyer (2011) referred to as the "total package" that sought to ensure that the informal operators were restored to their original position or even a better one. They included: (i) identification and allocation of operating spaces; (ii) provision of infrastructure on the sites; (iii) training of informal operators; (iv) marketing of informal sector products and services, and (v) financing of informal business operations.

- *Identification and allocation of operating spaces:* The city authorities started by relaxing the conditions for locating informal sector enterprises. First, traders were allowed to operate from areas that were previously forbidden, including shopping complexes in low-density or high-income areas, parts of the central business district (CBD) and areas that were previously designated for formal and productive industries only. Secondly, they encouraged other players (including shopping complex developers and private individuals) to identify and provide suitable areas where the informal sector could operate from. As a result, new operating spaces for the informal sector operators were opened up. Thirdly, the city authorities embarked on construction of market stalls for informal operators which led to the opening of several new flea markets in the CBD in addition to those that had been destroyed in the ORO. Finally, informal trading, particularly over weekends, was legalized and some streets in the city were opened up for trading during weekdays.

- *Provision of infrastructure on the sites*: Under this strategy, the City authorities aimed to provide infrastructure for new markets and reconstruction of infrastructure of dismantled markets. In some cases, they entered into a partnership with the private sector to develop flea markets in order to accommodate the informal traders. At the same time, due to financial and other limitations, they also encouraged private businesses and rich individuals that owned informal markets to support the cause.

- *Training of informal operators:* In July 2010, following the realization that investment levels in the formal sector could not generate sufficient employment to absorb the 300,000 school leavers every year in the country. the government created the *Ministry of Micro, Small and Medium Enterprises (MMSMEs)* to map out strategies to address various obstacles facing the small-business operations (Gumbo and Geyer, 2011)[24]. In order to complement the efforts of the private sector and other service providers, the Ministry embarked on organizing and training informal business operators in the city of Bulawayo. Working with the ILO, the Ministry first trained its facilitators

24 This Ministry is charged with generating jobs, reduce poverty and stimulating growth and ownership of investment as a way of improving the well-being of all Zimbabweans (Ibid).

from among its staff. These, in turn, trained informal business operators and others who later became trainers. Most of the training programmes focused on business management, cash-flow management and marketing. One of the challenges of the Ministry was the shortage of funding to reach out to large numbers of informal business operators across the city.

- *Marketing of informal sector products and services:* Besides training, the *Ministry of Micro, Small and Medium Enterprises* also helped informal traders to market their products within the country and in neighbouring countries such as Botswana and South Africa (Ibid). For example, it organizes informal producers and facilitates them to display their wares at its stands during exhibitions such as the Zimbabwe International Trade Fair (ZITF). Other organizations also participate in marketing the urban poor's products in the city. They include the *Zimbabwe Cross Border Traders Association* which finances traders wishing to sell their merchandise in neighbouring countries with pre-paid bus and airline tickets, the *Zimbabwe Chamber of Informal Economy Association (ZCIEA)*, which lobbies the City Council for the allocation and improvement of operating spaces on behalf of informal operators, also assists traders with strengthening old and opening up new markets locally and internationally.
- *Financing of informal business operations:* Bulawayo City also joined the financing arrangement under SEDCO discussed earlier. However, as noted, most small businesses failed to secure and benefit from the financial assistance promised under the arrangement due to a inability to meet the requirements (e.g. lack of collateral security, etc).

7. The National Trade Policy

Zimbabwe has not developed specific policies and programmes aimed at promoting or supporting ICB traders. In fact, the National Trade Policy (NTP) 2012-2016 is silent on ICBT. However, the NTP commits the government to continue to enhance trade facilitation to expedite trade flows by streamlining and simplifying exporting and importing procedures, eliminating customs delays and improving customs administration. Following the successful establishment of the ***Chirundu One-Stop-Border-Post***, the GOZ commits to extend the concept to other ports of entry within the context of Spatial Development Initiatives (SDIs) and the North-South Corridor framework.

4

TRANSITION TO FORMALITY IN THE TARGETED COMESA MEMBER STATES

4.1 THE INFORMAL ECONOMY POLICY DEBATE AND FORMALIZATION

4.1.1 The ILO Recommendation on Formalization

Formalizing the informal economy has been a growing topic of interest around the world. In fact, the ILO has been at the forefront of the debate on formalization of the informal economy as part of its so-called "decent work" agenda. It came up with Recommendation 204 (R204) concerning the "Transition from the Informal to the Formal Economy", which was adopted by the 104th International Labour Conference in June 2015. The recommendation broadly included both the capital and labour views of formalization. It defines the informal economy as: "***all economic activities by workers and economic units that are (in law and practice) not covered or insufficiently covered by formal arrangements and does not cover illicit activities…"***. This definition of economic activities and units thus covers both enterprises and informal workers under any of the legislation.

The recommendation provides guidelines to members to: "(a) facilitate the transition of workers and economic units from the informal to the formal economy, while respecting workers' fundamental rights and ensuring opportunities for income security, livelihoods and entrepreneurship; (b) promote the creation, preservation and sustainability of enterprises and decent jobs in the formal economy …; and (c) prevent the 'informalization' of formal economy jobs". With respect to informal enterprises, it guides members to enable entry into the formal economy through reduction in registration and compliance costs, promotion of access to public procurement, access to financial services and improve coverage of social security (ILO 2015).

4.1.2 The Informal Economy Policy Debate in Africa

Growth rates in Africa have not been accompanied by equivalent reduction of poverty or inequality. In light of this, governments and policy makers in Africa have been compelled to pay increasing attention to strategies to create employment and decent job opportunities. The informal economy and related issues have gained momentum in the public debate: how to increase the productivity of informal firms, how to promote better working conditions, how to promote formalization and take advantage of the sector for the national and regional economic growth. The main fora for this debate have been the African Union (AU), the African Development Bank (AfDB) and regional economic communities (RECs).

A. The African Union

- ***The Ouagadougou Declaration and Plan of Action on Employment and Poverty Alleviation in Africa, 2004:*** Some of the key challenges facing Africa, have been underemployment, especially in the urban informal economy, and a lack of social protection, especially for informal workers. In light of this, the AU committed itself to improving the working and living conditions of those involved in the informal economy as a way to eradicate poverty. In the context of the Declaration, the AU set, among its goals, the empowerment of the poor and vulnerable, especially in rural areas and in the urban informal economy, in order to integrate them into the labour market. Measures mentioned are skills development and vocational training, access to finance, and business services such as infrastructure and access to markets.

In the framework of the Ouagadougou Summit, the African Union Commission (AUC) was tasked to come up with a comprehensive analysis of the informal sector in Africa to inform member states about existing policies and legal frameworks related to the informal economy, and to detail good practices and challenges that might offer policy options to create jobs and reduce poverty. Subsequently, the AUC (2008) study report found that the mainstream policies continued to favour big enterprises without adequately covering the informal sector. It identified four main policy areas to explore given their impact on the informal sector, namely: (a) labour and laws, (b) social security, (c) financial policies and practices, and (d) education and training. The study presented best practices by governments and non-state actors. The results were reviewed at the AU–ILO workshop on the informal economy in Dakar in 2008 (RNSF, 2018).

- ***Decent Work Agenda for Africa, 2007:*** The informal economy was the central theme of the 11th ILO African Regional Meeting held in Addis Ababa in April 2007, which adopted the Decent Work Agenda for Africa for the period 2007–2015. This reinforced the ILO–AU task force to achieve, among others, the goal by 2015 of:

  "Three-quarters of all African States adopt(ing) strategies to formalize the informal economy and extend(ing) protection to informal economy workers. Such strategies should integrate, among other things, policies for the increased registration of informal businesses, skills development, improved and safer working conditions, the extension of social protection coverage and the encouragement of freely chosen associations of informal economy workers and employers" (ILO 2007).

- ***AU Social Policy Framework for Africa, 2008:*** The interest of the AU in the theme continued, as the Social Policy Framework for Africa (AU 2008) demonstrates. This pioneering document, placing social policy at the frontline of the AU Agenda, recommended that member states, "give the informal sector the necessary support by removing administrative, legal, fiscal and other obstacles to its growth and facilitate its employment creation functions" and "develop and extend social security and social protection to cover rural and informal workers and their families" (RNSF, 2018).
- ***Programme on Upgrading the Informal Economy 2010-2016:*** The AU also created this specific programme based on three main strategies: (a) advocacy for informal economy visibility and recognition, (b) capacity building and empowerment of the informal economy, and (c) productivity and competitiveness for African informal workers and enterprises. An expert team was created in 2010 to act as a think-tank proposing strategies to the AU organs, with special regard to: social protection, the legal and regulatory environment, empowerment and social dialogue, microfinance, macroeconomic policies, apprenticeship and lifelong learning, productivity, public–private partnership, youth employment, and statistics.
- ***Agenda 2063:*** More recently, through its Pan-African Vision Agenda 2063, the AU has been calling on member states to set up strategies and policies for inclusive and employment-friendly growth. One of the strategies is upgrading the informal economy, which is to be achieved through:
    - social security and protection (at least basic social protection for all Africans);
    - coverage for at least 20% of workers in the informal sector and for rural workers);
    - technical and vocational training for informal workers;
    - increased access to financing, inputs and markets and gender-responsive modalities;
    - small and medium enterprises (at least 20% of informal sector ventures formalized);
    - policies and legal framework widening the scope of tax collection at the informal sector; and
    - decent job promotion.

B. The African Development Bank

The AfDB has also been paying increasing attention to the role of the informal economy in the context of economic development processes. Its focus has been primarily on three areas, namely: increased knowledge, private sector development and youth employment. The Bank recognizes the role of the informal sector at the core of its strategies, underlying which are three main pillars, namely: (i) raising governments' awareness about the sector, (ii) improving access to finance, and (iii) fostering knowledge.

Raising awareness aims at promoting a change in the attitude of African policymakers, who often consider the informal economy mainly from the point of view of tax evasion and criminal activities. The AfDB believes that formalization policies should be coordinated across the continent and focus on effective regulatory frameworks, good governance, improved government services, a better business environment and increased access to finance, technology and infrastructure. Accordingly, formalization interventions should focus mostly on larger informal firms, in order to promote their transition to the formal economy. Furthermore, the Bank encourages governments to promote social protection interventions for informal workers and support informal small and medium enterprises, which make up the bulk of the informal economy.

Improving access to finance, on the other hand, implies facilitating access to formal channels as one of the steps to promote formalization. The AfDB urges large commercial banks to be aware of the potential of the informal economy.

Finally, with regard to improved knowledge, the problem is that accurate data on the informal economy are scarce and the sector is often invisible in official statistics. The AfDB believes that this gap must be filled in order to shape effective interventions. In this regard, it states that its policy support to SMEs includes incentives for informal enterprises to promote their transition to formality, and policy support to governments to strengthen the administrative, business development and financial services context to create an enabling environment for formalization.

- ***Private sector development:*** This is another theme at the core of the Bank's strategies. RNSF (2018), quoting the AfDB (2013) suggests that in 2009–2011, the Bank helped at least 200,000 informal enterprises in Kenya, Cameroon and the DRC to get small loans to support their productivity. The Bank's private sector development policy identifies high informality, low productivity and weak integration within the value chain as major challenges (Ibid).
- ***Youth employment:*** The AfDB recognises that a significant proportion of African youth is in the informal economy. Accordingly, the Bank has developed the *2016-2025 Jobs for Youth in Africa Strategy* which aims to create 25 million jobs. The strategy recognizes that the lack of focus on the informal economy has been a major gap in addressing youth employment. Hitherto, in many African countries, interventions have been mainly based on market labour data, which reflect the formal market rather than the informal one. Interventions have been designed to address unemployment rather than informal employment and related decent job deficits. The strategy therefore gives special consideration to the informal economy. In particular, policy-based orientation and capacity building for member countries will promote supportive policies for youth working in the informal economy. These policies include social protection schemes for informal workers, interventions to promote formal job creation, and initiatives to promote youth transition to the formal sector. Thus, going forward, efforts are expected to promote access to finance for SMEs through guarantees and lines of credit with financial institutions and equity investments through the Boost Africa Investment

Fund. Flagship programmes for a more competitive business environment are to be established, covering engagement with the informal economy, increasing the income of young informal workers, and developing youth skills to promote the transition (Ibid).

C. Regional Economic Communities

Informal Cross-Border Trade: While Africa's RECs have participated in the policy debate on the informal economy, their main focus has been on ICBT. As the FAO (2017) observes, ICBT is the "real but invisible integration of Africa's economies". Considering its potential impact on women and on poverty reduction, ICBT has a prominent role in policy debate. However, ICBT has not featured in national trade policies, poverty-reduction strategies and development plans of many African countries (Ibid).

A lack of data on ICBT has often undermined the ability to outline policies. However, recently, some progress is being made in this direction. For example, organizations such as the Eastern African Grain Council (EAGC), the Famine Early Warning Systems Network (FEWS NET), the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA), and Brahima Cisse (CILSS) are collecting data on the sector. Uganda has institutionalized surveys on ICBT under the Uganda Bureau of Statistics (UBOS) and the Bank of Uganda (BOU). All these efforts aim to improve policies on the subject (RNSF, 2018).

ICBT has been tackled by recent policy initiatives that address cumbersome customs and administrative procedures that could favour informality. Specifically, COMESA and the EAC have introduced "simplified trade regimes" that recognize the role of informal traders in cross-border trade and free them from custom duties, streamline paperwork and simplify custom procedures. This initiative gathers data that are transmitted to the UNCTAD Automated System for Customs Data (ASYCUDA), thus capturing how much CBT contributes to the total trade (FAO 2017). But while they simplify procedures, these measures have had little impact on small-scale informal traders. First, they apply only to a common list of goods. Secondly, they do not provide exemptions to domestic taxes or other border requirements. Thirdly, the limited knowledge about the simplified procedures means that only few informal traders are able to take advantage of them.

SADC's *Advocacy Strategy on Informal Cross-Border Trade (2011)* is regarded as a best practice in targeting ICBT[25]. The strategy seeks to mainstream ICBT within economic and trade related policies, and within national and regional structures, thus recognizing its crucial role. It also seeks to harmonize regional trade policies with gender policies, advocating for gender-sensitive procedures and protocols at the borders, and collecting gender-disaggregated data (FAO 2017).

The Economic Community of West African States (ECOWAS) also pays attention to the issue of

ICBT. A Regional Programme of Support for the Regulation of Informal trade was adopted by member states in 2013. The Plan of Action on Gender and Trade (2015–2020) aims to improve the role of women in trade; one recommendation is to promote the formalization of ICB traders. Both the ECOWAS and EAC initiatives to promote the free movement of citizens can obviously have an impact on cross-border trade. In both regional economic communities, common passports and visa-free travel for citizens can enhance informal traders' activities.

25 It is discussed in more detail in Section 4.3.2 ahead.

SADC, ECOWAS and EAC have also implemented regional payment systems that may support

ICBT. The *SADC Integrated Regional Electronic Settlement System*, launched in July 2013, promotes formalization by reducing the incentive to use informal channels to send money across borders (FAO 2017). West and East Africa both have similar experiences: the West African Monetary Zone, and the East Africa Payment Systems. COMESA also has the Regional Payment and Settlement System (REPSS) for such purpose

Although the African Continental Free Trade Agreement (AfCFTA), signed in March 2018, does not explicitly tackle ICBT, it does reduce tariffs. This may enhance efficiency and encourage informal traders to operate within formal channels.

The Informal Economy: Beyond the focus on cross-border trade, there has been relatively little debate on the informal economy in Africa's RECs with the exception of SADC. The SADC's *Regional Indicative Strategic Development Plan* guides regional integration for the period 2005–2020. The Plan clearly identifies "the lack of a comprehensive regulatory mechanism to promote the informal sector" as one of the major challenges to be addressed (SADC 2001) and proposes that trade policies should "target vulnerable groups, such as the rural and urban poor, small business, informal operators and women". On the side of availability of information and data, the Plan argues that the SADC Statistical System should support the regional integration through collection and making available "timely and accurate statistical information" to be used in policy formulation in a number of cross-cutting areas, such as "informal sector statistics". Regarding ICBT, the Plan proposes that a "policy framework for the facilitation of ICBT for employment creation and income generation" should be implemented. Finally, aware of the difficulties that informal operators face in terms of financial services, the Plan states that:

> *"Financial institutions should be encouraged to provide a fuller spectrum of financial services to households in both the formal and informal sectors as well as in both urban and rural settings. For this purpose, they could develop and implement programmes to encourage household savings such as through (i) revisiting minimum deposit levels and discretionary administrative fee structures in order to encourage small savers to use the formal financial sector institutions; and (…) Government should encourage, directly and indirectly, the development of the microfinance sector to provide sustainable finance for the informal sector and financial services to the poor. On a regional level, Member States should be encouraged to exchange information on best practices on policy and regulatory frameworks for micro finance" (SADC 2001).*

Thus, unlike before, there is now renewed interest in policy intervention in the informal economy in SSA and some good practices and integrated approaches are emerging in the continent.

4.2 FORMALIZATION OF INFORMAL CROSS-BORDER TRADE

4.2.1 The Rationale for Formalization of ICBT

The prevalence of ICBT in the targeted COMESA Member States poses a number of challenges for these economies – the various advantages notwithstanding. As noted earlier, first informal imports present unfair competition to locally produced goods due to their low prices. This result from the fact that informal imports are usually not subjected to import duty and sometimes consist of cheap counterfeits. On the other hand, ICBT leads to high tax revenue losses, thereby limiting the governments' capacity to improve the business environment and infrastructure. Secondly, the ICB traders usually face difficulties in accessing credit and other services from the formal financial institutions due to their informal nature. Banks and other formal financial institutions consider them high-risk customers, as a result of which they are either denied or forced to access credit at very high interest rates.

Thirdly, women engaged in ICBT, continually face stigmatization, violence, harassment and poor working conditions. Fourthly, ICBT presents major regulatory challenges since the trade transactions and the details of the businesses or traders involved are hardly recorded or included in official statistics. Weak enforcement of regulation creates loopholes for trade in substandard or illegal products that negatively affect consumer welfare through health/ safety risks and undermine efforts to ensure national security. Finally, ICBT creates loopholes for abuse of workers' rights, the principles of decent work and wages. Thus, workers have no access to social security, medical schemes and other benefits enjoyed by their counterparts in the formal sector. This compounded by informal workers' inability to unionize and ensure enforcement of national and international labour standards and human rights conditions.

These challenges point to the urgent need to formalize ICBT. The question that then arises is how to ensure that informal trade across borders can be formalized. At the same time, as we indicated in the previous sections, some of the targeted COMESA Member States under study in this report have instituted policies and programmes at national level to support ICBT. However, it may be premature or incorrect to suggest that these policies seek to transition the ICB traders to formal cross-border trade. Rather, it may be proper to suggest they are intended to put it under control.

4.2.2 COMESA Measures for Low Value Transactions

A. ***The Simplified Trade Regime:*** In recognition of the importance of ICB traders as major players in cross-border trade, in 2010 COMESA launched the Simplified Trade Regime (STR) for small-scale cross-border traders. The STR, in particular enables the small-scale ICB traders to trade on a duty-free basis as long as: (a) the value of the goods does not exceed US$ 2,000[26] (b) the goods traded are on an agreed ***Common List*** by both exporting and importing country[27], and (c) the countries involved are participating in the COMESA FTA. The STR aims to formalize ICBT by putting in place instruments and mechanisms that are tailored to the trading requirements of small-scale traders especially in border areas where informal trade is widespread with the view to facilitate ease of access by small-scale traders. The STR reduces costs for small scale traders and increases the speed of crossing the border by using a

26 COMESA revised the STR threshold value upwards from US $500 to a minimum of US $2,000 and reduced the processing fees to under $1 and have dispensed of the certificate of origin.

27 Under the STR, COMESA member states have agreed on the lists of products that benefit from duty free treatment for small consignments. The applicable lists are displayed at border posts and available at the offices of the cross-border traders' associations and customs both at the border and in the main towns.

Simplified Customs Document (SCD) and simplified customs clearance procedures and without the involvement of clearing agents. As at December 2019, eight out of ten COMESA member states that had agreed to pilot the programme, were implementing the STR. These are Burundi, DR Congo, Kenya, Malawi, Rwanda, Uganda, Zambia and Zimbabwe (COMESA, 2019). The other two, Ethiopia and Sudan were not yet implementing the STR.

The STR has been credited with increasing trade by small scale cross-border traders dealing in small quantities of goods. The simplified clearing procedures are said to have significantly reduced the cost and time of clearing goods. Traders are not only able to make more trips across the border but there are reduced cases of harassment and seizure and loss of goods. According to the COMESA Annual Report 2012-2013, the programme has seen a rise in the number of transactions utilizing the STR averaging about 1000 traders per month with an average of US $580 consignments translating into a trade volume of over US $500,000 a month. Surveys carried out by the COMESA Cross-Border Desk in 2011-2012 revealed that for most of the borders the number of traders crossing was in the region of 10,000 to 30,000. Although not all these traders were dealing in 'originating' products, this assessment validated the fact that STR as a trade facilitation tool was being underutilized.

B. ***Trade Information Desks:*** The STR is generally accompanied by the deployment of Trade Information Desk Officers (TIDOs) at border posts to assist traders in clearing their goods and to sensitize them on how to benefit from this initiative. Thus, the role of the TIDOs is to provide trade facilitation services and relevant trade information including documents to traders crossing the border and where necessary to other traders and stakeholders that may require similar information or facilitation. The functions of TIDOs are summarised in Box 4.1 below.

Box 4.1: The Functions of Trade Information Desk Offices

- Collecting all relevant information on: common commodities traded, trader traffic (trends in numbers of traders crossing the border under the STR), incidences of illegal and or unfair treatment of cross-border traders such as cases of corruption, harassment and any forms of non-tariff barriers, time taken to clear goods, availability of documentation and general capacity of the border agencies in handling increasing numbers of traders;
- Preparing monthly and quarterly reports for use by cross border traders associations (CBTA), COMESA and governments;
- Conducting sensitization efforts on behalf of CBTA;
- Obtaining market prices for commonly traded products.
- Providing information on customs procedures and any changes made;
- Providing information on accommodation, transport and any other critical services to traders;
- Guiding traders on customs, trade and border procedures and in filling out relevant forms and filing of the required documents to border agencies.
- Providing information and relevant documentation to small traders at an agreed fee.
- Keeping an update of all customs and other CBT procedures at all times
- Helping traders to fill forms or completing relevant cross-border procedures at an agreed fee.
- Acting as liaison officer on behalf of traders in cases of disputes.
- Providing secretarial/administrative services to CBTAs, traders and the general public at fee.
- Complementing Customs officers in attending to small scale traders` queries
- Supplying relevant information to the CBTA to assist in their businesses
- Providing any other relevant information required by traders.

Source: https://gltfp.comesa.int/trade-information-desks/

One-Stop Border Posts: In Africa improving cross-border procedures through one stop customs inspection or "One-Stop Border Posts" (OSBPs) is a relatively recent phenomenon. Generally speaking, the customs environment in Africa, including the COMESA region, is characterised by lack of coordination between the multiple government agencies on both sides of borders and duplication of procedures at each border, which increases the potential for fraud. Moreover, the lack of computerized customs management systems results in lengthy and inefficient manual operations carried out by traders and officials at borders.

COMESA embraced the concept of OSBPs as part of its corridor strategy to address congestion at border crossing points along major traffic corridors to complement other transit instruments and cross-border transport facilitation programmes in order to enhance mobility across borders. Annex 10 shows the status of OSBP development in the region.

An OSBP is a "one stop" border-crossing point, which is jointly managed by neighbouring countries and where activities are streamlined to maximize efficiency. OSBPs play a critical role in improving the performance of border crossing points by reducing in delays at the borders and by avoiding duplication of clearance procedures at borders for people and goods. Converting a two-stop border crossing point into a one-stop border-post, while ensuring that the regulations of the countries that share borders are complied with help to improve intra-regional trade by reducing bottlenecks and avoiding duplication of clearance procedures at borders for people and goods. Overall, OSBPs have brought important benefits to the region. These include:

(a) reduction in fraudulent activities of document alterations by importers' and agents resulting in correct revenue yields for the governments since drivers do not allow their papers to be delayed without seeking recourse from government officials. According to observers, there is little time for an agent to alter documents and from the time the OSBP was launched, we have only experienced one case of document alteration.

(b) Quick clearances of goods as the trucks only stop once for all formalities resulting in reduction in the cost of doing business. For example, while in the past the trucks were taking at least four days from arrival to departure at the Chirundu border crossing, they now take a day as long as all documents are in order and they are able to pay the taxes as soon as the assessment is completed

(GOZ, 2011).

(c) Effective and efficient passenger traffic clearance leading to reduction of time spent at the border as passengers are cleared in the country of entry where exit and entry formalities are performed; and

(d) Creation of competitiveness among the regional industry due to reduced cost of clearing the goods at the border. Demurrage charges that increase landing costs of goods have been reduced significantly since the transporters start to be charged after two days of the truck not being cleared at the border.

C. *The COMESA programme on small-scale cross-border trade:* This is a 4-year, EUR 15 million programme which is designed to increase small-scale trade flows, implement effective policy instruments, improve STRs and address gender-based violence and corruption that affect women informal cross-border traders. The specific objective of the programme is to facilitate small-scale cross border trade flows between targeted countries through effective policy and governance reforms, institutional capacity building, improved border infrastructure and better data collection and monitoring. The programme will initially focus on the following border posts: Mwami-Mchinji border (Zambia and Malawi), Kasumbalesa (Zambia and the DRC), Chirundu (Zambia and Zimbabwe), Tunduma-Nakonde (Tanzania and Zambia) and Moyale (Ethiopia and Kenya). The programme will also support the roll-out of ***COMESA Green Pass*** for small-scale traders (with simplified SPS inspection procedures and certificate requirements for informal traders) and will also benefit the Cross Border Traders Associations.

4.2.3 Implementation Challenges in the Targeted COMESA Member States

Reviews done by various experts – as well as the COMESA Secretariat – suggest that the implementation of the various measures in the target Member States has had several challenges. A good case in point is the implementation of the COMESA STR. A recent review of the regime to establish the implementation status, revealed a number of key implementation challenges.

First, while the STR lists do exist at all the borders of the participating countries, they are not fully respected and operationalized. For example, several manufactured goods and other products (such as smoked fish, fresh meat, maize flour and vegetables) on the lists are not allowed. Secondly, there is divergent application of the STR threshold. Overall, while the threshold is recognized, in some cases it is not fully respected with some borders applying the threshold of US$500 while others apply $700. Thirdly, although the COMESA Member States resolved that the certificate of origin (COO) is not a requirement as long as the goods appear on the Common List and their value is within the agreed threshold, there is continued demand for the COO on some border crossing points. Fourthly, there is a lack of awareness about the existence of the COMESA STR. This has led to traders in certain instances paying duties on goods that would otherwise be eligible for duty-free treatment under the STR. In most cases, officials do not inform traders about the STR or advise them on how to make use of it.

4.3 INTERNATIONAL BEST PRACTICE ON FORMALIZATION AND LESSONS FOR THE TARGETED COMESA MEMBER STATES

4.3.1 Measures Proposed by the WTO Negotiation Group on Trade Facilitation

The World Trade Organization (WTO) launched negotiations on trade facilitation in July 2004 and introduced some proposals in some GATT articles, namely: Article VIII (Fees and Formalities Connected with Importation and Exportation), and Article X (Publication and Administration of Trade Regulations) which bear relevance to formalization of ICBT. Consequently, the WTO recommended the following measures:

- ***Simplification and reduction of documentation requirements and formalities (GATT Article VIII):*** Experts contend that this measure can significantly reduce transaction costs associated with formal trade. This is particularly true for small scale traders who often lack the resources and capacity to deal with complex administrative requirements. Besides for small or low-value consignments handled by such traders, the costs of complying with complex requirements and formalities may be unequal with the transaction value. This in part explains the high incidence of ICBT. Consequently, the WTO recommends:

    (a) Simplification of documentation requirements: This includes accepting commercially available information and genuine copies, or applying international standards for document formats, eliminating requests for redundant data, etc. This measure can help to reduce costs of formal trading and encourage trading on a formal basis. As small-scale traders are not likely to satisfy the criteria for 'authorized trader' or 'fast track' schemes, it is all the more important for them that standard documentation requirements be as simple as possible.

    (b) Introduction of a Single Window or "One-Stop Shop": This measure in intended for the lodging of all trade-related documents (even those destined to different border agencies). Again, such an initiative is mainly important for small-scale traders who lack capacity to deal with numerous administrative procedures and border agencies. The benefits of a Single Window (SW) include: national data analysis and standardization, reorganization of information flows and processes, enabling legal environment, interagency collaboration, and cross-border collaboration. Moreover, a SW can help reduce both direct trade transaction costs related to compliance with document requirements and indirect costs related to long customs clearance time, thereby encouraging firms to formalise their CBT operations[28]. COMESA has gone along this path. Currently there are several SW initiatives in 11 Member States, including: Burundi, the DRC, Egypt, Kenya, Madagascar, Mauritius, Rwanda, Sudan, Uganda, Zambia and Zimbabwe, while two Member States, Ethiopia and Malawi are at project stages.

    (c) Phasing out the mandatory use of brokers: These are intermediaries that help traders to clear goods through customs (e.g. with preparation of documents

28 However, the implementation of a virtual one-stop-shop can be an extensive and costly undertaking, involving significant infrastructure and institutional investments. This is why countries often *gradually move* to such a system.

and/or electronic submissions, calculate and pay taxes and duties on behalf of the client, and facilitating communication between the traders and governmental officials). Their elimination can help to lower the number of formalities and reduce the incidence of corruption at the borders, which often incite firms to trade informally. This is because, as evidence seems to indicate, customs brokers are often the channels through which "facilitation payments" are demanded and paid, and added to the brokerage fees. Brokers regularly inflate the amount of the bribes paid by their clients and brokers keep the excess for themselves. This practice provides them with a strong economic incentive to perpetuate a cycle of corruption (OECD, 2009).

(d) Gradually eliminating pre-shipment inspection (PSI): PSI is conducted by specialized companies in the exporters' countries and aims to provide additional information on the actual shipment description and value which is then used by the importing country's government to control fraud. In practice, however, PSI controls add an extra layer of formalities and delays to the already complex local border procedures. Given the limited or poor interaction and co-ordination between the customs administration of the importing country and the PSI company, those added delays and formalities are generally not affected by facilitation efforts undertaken in the importing country. Besides, there is little or no transfer of know-how and operational responsibility from PSI mechanisms to the local administration, meaning not helping to gradually build capacity for border officials. Further, the PSI company usually charges the importer a fee of about 1% of the value of the traded goods irrespective of whether or not irregularities are found on the consignment which adds to the burden associated with formal cross-border trading, particularly for smaller traders. Finally, PSI information is sometimes exploited by corrupt customs officers who use it to extract higher rents from importers through bribery arrangement (Anson et al, 2003)[29]. Therefore, gradual elimination of PSI can go a long way in simplifying border formalities, lowering fees and charges and helping to prevent corruption and duty evasion.

(e) Use of the same documentation requirements and formalities for import clearance across all member states of a regional free trade agreement: Adoption and use of same documentation and requirements is especially important because it can encourage micro- and small traders, especially those who mainly trade regionally (with neighbouring countries), to formalise their cross-border transactions. COMESA has undertaken a similar initiative. It designed a single form for use as a customs declaration, the COMESA Customs Document, which was adopted in 1997. To date 15 countries[30] are using a Single Goods Document based on the

29 Private inspection agencies are often a source of grievance for African importers, mainly due to the amount of time they take to generate verification reports on routine imports. Most interviewed firms also feel that private inspection companies are not accountable to anybody for the delays and obstruction they may cause. In addition, in all the countries surveyed, such companies create new opportunities for corruption, mostly at an individual level. This phenomenon is particularly noticeable in countries where a single company has been granted the entire concession for inspection (OECD, 2009).

30 Angola, Burundi, DRC, Egypt, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Sudan, Uganda, Zambia and Zimbabwe

COMESA Customs Document. The remaining five countries (Comoros, Djibouti, Eritrea, Seychelles and Swaziland) are in the process of adopting a single goods document. Again, the objective is to facilitate trade in goods within the COMESA region[31].

- ***Transparent and lower fees and charges for importation and exportation (GATT Article VIII):*** Governments levy fees and charges for import- and export-related procedures and formalities. However, these fees and charges tend to be high. The WTO recommends that lower trade-related fees and charges, reflecting the approximate cost of the services rendered, can reduce the cost of formal CBT and encourage smaller traders, who are disproportionally affected by such fees, to formalise their CBT activities. It proposes that governments provide a clear legal basis for the applicable fees, and clarify and widely advertise how trade-related fees and charges are set (i.e. the criteria used), when and where these should be paid, which methods of payments are allowed and the conditions under which legal action and reimbursement might be undertaken in case of non-payment or overcharge of the trader (UNCTAD, 2006 and WCO, 2006). It suggests that businesses should be allowed to comment on any changed or new fees and charges.

Finally, the WTO encourages customs authorities to periodically review fees to ensure their appropriateness in light of technological advances and evolving business practices and merge and simplify the fee structure as much as possible. Lower, simpler and more transparent fees and charges for importation/ exportation will lower the cost of doing formal trade and, likely, also to increase the degree of compliance with existing trade-related regulations, and as such, act as an additional trigger to lower the incidence of informal cross-border trade (OECD, 2008).

- ***Simplified and expedited release and clearance of goods from customs (GATT Article VIII):*** In addition to the above measures, the WTO proposes to ease the release and clearance of goods from Customs to further reduce the waiting times at border crossing points, which particularly burdens small-scale traders[32]. Speedy customs clearance is particularly critical for perishable food products, which dominate ICBT, even in the COMESA region. Delays at the border not only negatively affect formal trade volumes, but they also reduce the likelihood that traders dealing in time-sensitive goods will be willing to formalize their operations. Reducing the time spent at the border could thus inspire such traders to enter formal CBT.

Specific measures proposed for speedy release include: separation of release from clearance, pre-arrival clearance, and post clearance audits and risk management[33]. These measures allow speedy movements at the border by shifting controls by border officials at an earlier or later stage, thus reducing waiting times at the border. However, their use requires ability to track and trace the consignment and the trader after the goods have crossed the border, which may

31 Similarly, the Southern African Customs Union (SACU) and the Southern African Development Community (SADC) adopted the implementation of shared documentation – the single clearance document SAD500 – in order to facilitate formal regional trade. All SACU Member States have adopted and implemented the SAD 500 form. In addition, the SACU Secretariat has developed a common SACU Single Administrative Document Manual to guide traders and customs officials in the use of the SAD.

32 Wilson (2007) cites a study by the OECD which found that an average 4.76% reduction in the time spent at the border (in terms of number of days) in SSA could help exporters from the region achieve a 10% increase in formal intra-regional export volume. A time reduction of 4.60% for importers into SSA could lead to a 10% increase in formal intra-regional imports.

33 For details of these measures see OECD (2009), page 32.

seem difficult, if not impossible, in the case of ICBT. Indeed, most COMESA Member States lack the capacity to implement these measures. While these are valid concerns, they should not obstruct the application of these measures to formal traders and transactions in these countries, in order to facilitate the release and clearance of formally traded goods.

- ***Enhanced transparency and predictability (GATT Article X):*** Enhanced transparency of trade-related laws and regulations, customs requirements, applicable fees and charges for importation/ exportation and related judiciary mechanisms can reduce the direct costs related to the gathering of information on such issues, and indirect costs arising from a lack of predictability of the trading environment. Improved transparency and accessibility of trade-related information will above all benefit small ICB traders, who generally lack the capacity to access trade laws and Customs procedures in various sources. Publication in official gazettes of comprehensive information on trading conditions[34] as well as the application and administration of trade-related regulations in a fair and reasonable manner can reduce the cost of formal cross-border business and can encourage small ICB traders to formalise their operations.

After observing trade flows in 25 African countries in 2003 and 2004, Njinkeu *et al* (2008) concluded that the degree of transparency of trade-related regulations (and the quality of the regulatory environment in general) in the importing country has a significant effect on formal trade flows. Enhanced transparency can, therefore, have a greater impact on the incidence of ICBT if existing regulations and procedures are simplified too. Simplification and enhanced transparency will not only cut transaction costs for formal traders, but also reduce administrative expenses for governments, and enable them to re-direct resources to tackle other challenges, such as informality, fraud and corruption.

- ***Border agency co-operation:*** It is important to recognize that delays and bottlenecks are often caused by other border agencies which oblige traders to comply with their requirements. This can be a major source of administrative costs and delays than meeting customs formalities. In our analysis, this was particularly the case with the DRC. Multiple regulatory requirements of border control agencies such as dealing with agriculture, veterinary, health and phytosanitary standards commonly result into duplicative formalities and controls, generating increased compliance costs, risks of error and delays. To reduce such costs and delays and incite traders to formalise, border agencies within one same country (e.g. customs, immigration and food inspection authorities) should co-ordinate their activities and requirements.

The International Finance Corporation (IFC) ***Guidebook on Reforming the Regulatory Procedures for Import and Export Lists*** several approaches to enhance coordination between different border agencies within one country. They include:

(i) establishing one-stop-shops and single windows to integrate the offices and staff of all border agencies under one roof with a single set of counters for customer service.

34 For example, on border agency procedures, duty and tax rates, fees and charges for importation and exportation, import and export restrictions, tariff classification, procedures for the appeal of customs decisions, information on advance rulings, etc.

(ii) Concentrating documentation verification within a single agency (e.g., Customs);

(iii) Coordinating physical inspections of cargo at one location and time, with all inspectors from the various agencies present.

(iv) Utilizing risk management techniques to ensure that cargo inspections initiated by other border agencies and samples taken for laboratory analysis are minimized.

(v) Implementing electronic messaging between Customs and other border agencies to ensure laboratory testing results are returned quickly and non-release "holds" that are placed by other agencies are subsequently removed with minimum delay; and,

(vi) Undertaking periodic reviews of the laws governing import restrictions, licensing, permits, labelling requirements, etc. to ensure they conform to international standards.

4.3.2 Other Best Practices

A. *Country Approaches and Practices*

In an effort to promote formalization of their ICBT, several countries have introduced measures to address the issue. The following country approaches serve to illustrate these measures.

(i) Data Collection: The Case of Uganda: Uganda is cited as one of the few countries in Africa (and the COMESA region) which have been keen on collecting data on ICBT. The country's ICBT Surveys which now been institutionalized under the Uganda Bureau of Statistics (UBOS) and the Bank of Uganda (BOU), collecting official the statistics on ICBT and improving the country's estimation of its total trade and its trade integration with neighbouring African countries and with different RECs. Thanks to this consistency in data ICBT data collection, the 2009 Uganda's ICBT survey report recommended that "a policy framework be formulated to guide informal trade activities where quality control and value addition issues take precedence to enable the traders to earn more revenue". Overall, experts and observers hailed this recommendation, because the fact that it appeared in official government reports, demonstrated government's readiness to initiate action in this direction. On the other hand, however, the experts noted the gap in the country's ICBT surveys, namely: its poor focus on sex/gender disaggregated data. They recommended to add the sex/gender dimension to the surveys to provide valuable information on the activities of women in ICBT (FAO, 2017).

(ii) Colombia's Formalization Law: One best known legal approach to the issue of formalization of informality is Colombia's "Formalization Law" (Law 1429 of 2010), which sought to solve the country's unemployment problem through formalization of firms and workers, and to generate new formal employment, thus enhancing the transition from formal and informal sectors. The idea was to inspire formalization in the early stages of a business by reducing its costs and simplifying the related paperwork, which were identified as key push factors for informality (FAO, 2017).

The measure was expected to help formalization by streamlining the process, especially for small and medium enterprises. First, it abolished the need to pay income taxes for the first two years of a firm's existence and introduced progressive payments of the due taxes in the following years. Accordingly, only in its sixth year of operation would a firm be expected to have the tax paid in full (or 100%). Secondly, the law tried to generate employment and reduce informality through fiscal incentives through, for example, the reduction of non-wage costs for firms in order to be able to hire women over 40 years of age and young, or displaced and disabled workers. Finally, progressiveness was also applied in the payment of payroll taxes and the company registration fee. The benefit was provided exclusively to companies that increased the number of jobs and therefore promoted formal employment.

(iii) *Charter for Cross-Border Traders in Malawi and Zambia: T*his measure was designed as a joint initiative of the World Bank and a network of stakeholders including the governments of Malawi and Zambia, border agencies, traders' associations, and civil society organizations (CSOs). It seeks to address challenges faced by small cross-border traders, namely: high duties, burdensome bureaucracy, corruption, harassment, etc at the borders. In this regard, the Charter introduced a framework of basic set of rights and obligations for traders and border officials in trying to improve behaviors and treatment of traders at the borders, for effective mechanisms for reporting abuses, leading to increased efficiency of trade flows. The idea is to ultimately promote the gradual formalization of ICBT. The Charter widely uses modern technology, particularly mobile-based SMS mechanism to report abuses. This is accompanied by intense training and broad dissemination to target beneficiaries.

The *Charter for Cross-Border Traders*, which was piloted at the Mwami/Mchinji border post, builds on the internal Codes of Conduct that exist in each border agency. However, it applies to all agencies, and in this sense it operates at a horizontal level. Also, it has a clear focus on gender-related issues: a number of provisions are specifically intended to tackle challenges faced by women traders at the border. It also comes with a credible complaint mechanism. The Charter is linked to toll-free numbers (including one specific for gender cases), that traders can call or text to report abuses and access information on duty levels, documentary requirements. etc. Those are in turn linked to an ICT platform that traders' associations and CSOs can use to check the status of reported cases and follow up with relevant authorities. Lastly, implementation is complemented by training for traders and border officials and large-scale dissemination.

In comparison to the internal Codes of Conduct that exist in each border agency, the Charter for Cross-Border Traders adds value in a number of areas. In particular:

- it introduces a credible complaint mechanism, based on the use of toll-free numbers/lines as a tool for real-time reporting of abuses, addressing emergencies arising from harassment and overall monitoring of the implementation of the Charter.
- it puts strong emphasis on the importance of maximum transparency at borders, both in trade-related transactions as well as in the quality and quantity of information publicly displayed and made available to traders.
- it has a clear focus on eliminating sexual harassment and other gender-related abuses, in order to reflect the prevalence of women among cross-border traders in Africa.
- it is designed to be accompanied by an effective performance measurement system, where context-tailored indicators are used to assess progress made in the improvement of the overall border experience.

Stakeholders in Malawi and Zambia have expressed support for the Charter. They see it as an effective charter whose implementation can lead to a scenario where traders can safely use the formal border post and avoid prosecution and goods confiscation. Their associations can provide members with better services, using state-of-the-art technology to promote social accountability. Border officials can perform their duties effectively and expect a boost in revenue collection. In such a scenario, a gradual formalization of informal cross-border trade can be possible. In Malawi, key stakeholders created an official division of roles and responsibilities in the implementation of the Charter, with the lead role being played by Malawi Revenue Authority (MRA), and designated Charter focal points. In Zambia, CSOs and Traders Associations agreed to cooperate in the monitoring of Charter enforcement and in the management of information queries and complaints through the Taarifa/ComCol platform.

B. *Regional Approaches and Practices*

There are also initiatives at regional level aimed at promoting formalization of the informal economy as illustrated by the following.

(i) *The SADC's Advocacy Strategy on Informal Cross-Border Trade (2011):* This is a best practice in the region, seeks to advance the promotion of ICBT as an accepted sector that is granted conducive policies and legislation as well as a favourable business environment. The strategy is meant to mainstream ICBT issues in economic and trade related policies and structures at national and regional levels. Specifically, it seeks to reduce poverty among SADC citizens, especially women, who comprise the substantial majority of ICBTs. The strategy presents best practice in terms of its holistic advocacy for the ICBT economic sub-sector as a whole, with gender mainstreaming. This is a more practical approach in influencing policy, rather than only advocating for women ICBTs.

The strategy emphasizes that effective cross-border trade for small-to-medium traders in the SADC region requires a well-planned and coordinated effort among an array of organizations, disciplines, and sectors. In this regard, trade-related institutions, services, and resources must provide supportive services to address the problems that ICBTs face. The Strategy advocates for an enhanced effective coordination of ICBT activities and their incorporation into SADC trade, economic liberalization, and development. It also argues for infrastructure support to provide a foundation for regional integration and sustainable development.

The strategy also presents a best practice in that it seeks to support the efforts of REC's in harmonizing their trade policies with their gender policies; simplifying and popularizing the provisions of regional protocols and agreements from a gender perspective; advocating for gender sensitive border control procedures and taxation systems; and systematizing collection and analysis of gender-disaggregated data on informal cross-border trade.

(ii) *The EAC National ID and Single Tourism Visa:* Within the East African Community (EAC), the use of national IDs and single tourism visa has been in place since January 2014 and brings together three of the EAC partner states: Kenya, Rwanda and Uganda. According to Rwanda's Immigration and Emigration Department, just within 3 months of the launch of the ID initiative, 304,520 Rwandans had used their IDs to travel to Uganda and Kenya respectively. On the other side, 61,614 Ugandans and 10,761 Kenyans had crossed to Rwanda with their IDs by the end of April 2014. Majority of the people crossing these borders with national IDs are ICBT actors.

4.3.3 Lessons for Targeted COMESA Member States

The above review of the best practices provides the following key lessons for the targeted COMESA Member States:

(a) ***Clear understanding of the dynamics of informality:*** Formalization in these countries will succeed if there is a clear understanding of its dynamics – the size, characteristics, driving factors, etc attained through regular monitoring and surveys of the informal economy in these countries. This will enable mainstreaming it in the national development plans and budgets in order to have a lasting impact.

(b) ***Good planning and coordination***: Mainstreaming ICBT requires a well-planned and coordinated effort among various organizations, disciplines, and sectors. Trade-related institutions and other agencies need to fully understand the problems that ICBTs face and be prepared to provide supportive services to address them. This means enhanced and effective coordination of ICBT activities and their mainstreaming into their overall programmes and policy agendas.

(c) ***Creating a favourable business environment:*** Formalization must seek to create a favourable environment for the informal operators in these countries to conduct business. This means lowering duties, fees and charges for trade-related services and other administrative costs, simplifying formalities and documentation, enhancing transparency of the various trade-related laws and regulations, eliminating burdensome bureaucracy, corruption and harassment, as well as reducing the time spent at the borders by traders.

(d) ***Creating a business-friendly culture:*** Formalization will succeed if governments endeavour to create a business-friendly culture and to improve service delivery. This is possible even without significant increases in resources. Creation of service charters in ministries, local administrations, at border customs and other crossing-points, establishment of one-stop shops in accessible locations to help firms understand and comply with their obligations, training of government officials in treating informal operators with patience and courtesy, etc can have a positive impact.

5

CONCLUDING REMARKS AND RECOMMENDATIONS

We set out in this study to identify the drivers of informality and to develop measures for supporting the formalization of informality in general and, informal cross-border trade (ICBT) in the target COMESA Member States. In order to achieve this objective, we have (i) analyzed the literature in order to identify, evaluate, and synthesize the existing information on the informal economy and ICBT in the target COMESA Member States, (ii) attempted to clearly show the nature, size and drivers of informality in the economies of these countries, (iii) analyzed and articulated the impact of the ICBT on the economies of these countries, (iv) examined the policy developments in these Member States aimed at formalizing the informal economy, including ICBT. Efforts were made to consult stakeholders in the targeted COMESA Member States to get their views regarding the needs of informal economy players, their capacity and copying mechanisms, their proposed solutions, and follow-up actions.

5.1 CONCLUSIONS

The results of our analysis confirm what we stated earlier in the background about the causes of informality, the challenges faced by informal economy operators and its impact for the economies of the countries under study. That said, however, a few observations and conclusions stand out.

First, the literature tells us that the main causes of informality are: a poor general business environment, poverty and unemployment, conflict and other forms of social disruption, the high costs of operating formally, and a poor or weak enforcement of laws and regulations. While these causes are relevant to the countries under study, nonetheless they also vary in terms of intensity and emergence in these countries. At the same time, in almost all of these targeted COMESA Member States, informality bears historical characteristics, which are unique to the country. For instance, in countries such as the DRC and Zimbabwe, the main catalyst for the informal economy were the collapse of the economy and political challenges that have persisted for a long time. This means, efforts aimed at tackling informality in these countries will be preceded by measures to sort out the political questions. For example, there cannot be any success with formalization of the informal economy in Eastern DRC where there is insecurity.

Secondly, overall, the size and magnitude of informality in the targeted COMESA countries is not clear because most of them do not monitor or conduct regular surveys to try to understand its dynamics. As a result, the informal economy is not mainstreamed in their policies and development programmes. What little mainstreaming there is in most cases is intended for controlling and managing it rather than supporting it to grow and transition to formality.

Thirdly, the attitude of government authorities towards informality in some of the countries under study is an issue of concern. The "informal" tag in a number of these countries is not seen in positive light, in spite of the benefits and contributions of the informal economy as the analysis has shown. This is a misnomer and should change. On the other hand, we have seen a gradual turnaround in some countries, with authorities viewing informality as the driver of economic growth in terms of job creation and poverty reduction. Yet, even in these countries, the measures introduced to support the informal economy fall short due to a number of factors, including implementation challenges and lack of funding.

Fourthly, ICBT is a prominent feature of the informal economy in the targeted COMESA Member States. It represents a substantial proportion of total trade in these countries, sometimes even greater than official flows. As everywhere in other COMESA Member States, a number of different characteristics underlie ICBT in the selected countries: trading in small quantities through official border posts, under-invoicing of traded values at official border posts, and smuggling. Yet ICBT in these countries, has both positive and negative impacts. In the short term, it has positive consequences on poverty and food security and to that extent it is a natural economic activity for many poor households. On the negative side, it results in loss of government revenues, distorts government economic policies and has potential negative health effects. Governments in these countries recognize the importance of ICBT in general and of its dual impact. They will need to implement policies that motivate informal traders to enter the formal sectors by reducing formal trade costs and increasing support mechanisms to engage in formal trade.

ICBT in these countries represents a unique, yet still largely untapped opportunity. As the literature review indicated, in some of these countries, ICBT is still regarded an illegitimate entrepreneurial activity and attracts hostility from governments. This is in spite of its contribution to livelihoods and food security, as well as serving as a basis for more formal activity and employment in the future. Yet, if it is nourished, ICBT has the potential to create stable jobs and make trade more broad-based and inclusive in these countries. The various policy, administrative and tax rigidities imposed by some governments raise the transaction costs resulting in informality being seen by the majority of small-scale traders as the only viable way of conducting business. On the other hand, the literature shows that excessively tight controls and high taxes are self-defeating as they are relatively easily avoided by traders, often with the complicity of border officials. Trade facilitation measures tailored to the needs and constraints of small-scale traders are therefore required.

Fifth, in most of the countries under study, there is what the FAO has referred to as "ICBT blindness". In other words, their trade policies are silent about informal cross-border trade. This is notwithstanding some of the promising and positive policies and initiatives most of these countries have put in place. Put simply, there is lack of appreciation of the potentials of ICBT in the mainstream policies, plans and strategies of these countries. For example, their national trade policies which should be the 'home' of ICBT strategies, are all silent about it. One of the consequences of this is that the players in ICBT are technically excluded from public resources available to the trade sector. Most importantly, this opaqueness about ICBT distorts the trade picture in the countries as well as the policy framework and planning efforts of the governments.

Sixth, in this report we are not talking about elimination of ICBT in the countries under study. In fact, it may not be possible to have a full elimination of ICBT because there will always be traders (such as the semi-literate, who trade very small amounts of goods with their family members and will avoid official border posts) for which the costs of trading formally will remain higher than the opportunity cost of trading informally, despite the introduction of facilitation and simplification measures. Yet, even if some degree of informality persists, greater incentives to formalise will clearly benefit all traders and the economy in general.

Finally, ICBT has implications not only for the countries under study, but also for the COMESA regional integration agenda. It will be recalled that, as in other RECs in Africa, the regional integration COMESA agenda puts emphasis on enlarging markets, although it seems to give little or no consideration to the sources of the traded goods. This is the same premise on which the African Continental Free Trade Agreement (AfCFTA) is being conceived. Yet as our analysis has demonstrated, a large proportion of the goods traded informally comprises consumer / manufactured goods and food stuffs such as rice, wheat, dairy products and others from third countries (such as China, India, Thailand, the EU, etc). This poses the risk of disrupting and compromising the trade policy agenda of the region to the benefit of the economies with stronger production and manufacturing capacities – both within the region, but most importantly, and outside it. This is likely to be compounded by the fact that most COMESA Member States have signed Economic Partnership Agreements (EPAs) with the EU. Through these EPAs the EU has the opportunity to flood their markets with cheaper industrial and other goods.

5.2 RECOMMENDATIONS

On the basis of our findings, we make the following recommendations going forward. Our recommendations are grouped into two categories as per the TORs. The first category are recommendations for mainstreaming the informal economy into the national development agenda. The second category are recommendations for mainstreaming ICBT into the national trade policy framework.

5.2.1 Measures for Mainstreaming the Informal Economy into the National Development Agenda

- ***Promote broad regulatory and administrative reforms:*** As earlier mentioned, one of the key drivers of informality in the targeted COMESA Member States are the burdensome regulations and laws in place. In order to encourage informal economy operators to gradually formalize, governments in these countries should consider instituting programmes of broad regulatory reform in order to eliminate the barriers to formalization, including unnecessary costs. The ultimate objective should be to create a business-friendly environment characterised by effective service delivery. This may include creation of one-stop shops for business registration, rationalizing business registration and licensing regimes using IT-based systems, etc.

- ***Create a business-friendly culture in government and to improve service delivery:*** Even without significant increases in resources, there are steps that can be taken to improve the delivery of services to business by government. Governments in the targeted COMESA Member States should take measures to create service charters in ministries and local administrations. They should also support one-stop shops in accessible locations to help firms understand and comply with their obligations and play an intermediary role between enterprises and government services, pressing the latter to improve service delivery when necessary.

- ***Simplify official administration for businesses:*** Governments in the targeted COMESA Member States should review and reduce paperwork for businesses and make use of information technology (IT) where possible. They should keep official forms to a minimum and consider exemptions for smaller firms, or more appropriate thresholds for entering into regulatory regimes.

- ***Simplify tax administration.*** Tax administration is more often cited as a problem than tax rates. Governments in the targeted COMESA Member States should consider single taxes for MSMEs as a way of reducing the number of payments. Offer different payment options, one-off or by instalment. Most importantly, they should share information on what taxes are used for and how businesses will benefit from enhanced services. Evidence suggests that compliance rates go up when businesses know what they are getting in return for their payments.

- ***Rationalize business registration and licensing regimes:*** Governments in the targeted COMESA Member States should consider making registration a simple, administrative process that is separate from licensing using IT where possible. They should:

  (a) separate the function of revenue generation from business registration and licensing;

  (b) remove registration from (usually overburdened) courts wherever possible;

  (c) limit licensing to activities where it is justified on health, safety, environmental, or other similar grounds, avoid multiple licenses and make it easier to submit applications, and eliminate licensing for as many firms as possible;

  (d) make it easier to register business and producer associations, and reduce registration fees and statutory requirements; and

(e) make sure that fees are set at a reasonable level and any requirements, e.g. for fixed premises or capital, are fully justified.

- ***Initiate dialogue with participants in the informal economy:*** Governments in the countries under study should seek to initiate dialogue with representatives of the informal economy in order to understand their constraints (including resistance to formalization) and to generate buy-in. This can sometimes take time, but it is necessary that the relationship between them and informal economy operators moves away from a state of mutual suspicion towards mutual support. Such dialogue can take the form of workshops, seminars, training, etc. Moreover, governments should endeavour to understand the motivations of the informal economy operators. Many of them will not be interested in formalizing their enterprises and may not enjoy their current informal status, but neither do they aspire to become formal. It is important that governments respond to the ambitions and motivations of informal actors and, where possible, offer affordable choices that lead toward formality. Governments should highlight the anticipated and actual benefits of reform so that all actors recognize how this will improve the circumstances of all private enterprises, especially informal enterprises.

- ***Invest in more evidence and better monitoring:*** Evidence from the literature suggests that in all the countries under study, the size of the informal economy is not clear. Governments in these countries need information about the informal economy. This includes statistical data that measures its size and character as well as information on the impact of formalization policies and programs. Chen (2007) suggests that compiling statistics on the size, composition and contribution of the informal economy is hampered by the lack of sufficient data. There is need for governments in the targeted COMESA Member States to invest in data collection and better monitoring of the informal economy.

- ***Improving access to financing.*** Access to finance is crucial for investment and production. It is even more crucial when exporters and traders need to finance a deposit for the release and clearance of goods at borders. Small-scale traders do not have tangible assets as collateral to access formal finance. Informal finance works but is costlier. This is why credit programs have been implemented in many African countries. In Rwanda, for example, a program facilitating access to credit for informal operators, particularly women, has been launched.

5.2.2 Measures for Mainstreaming ICBT into the National Trade Policy Framework

- ***Gaining a Clear Understanding of the Dynamics of ICBT in the Target COMESA Member States:*** As the analysis has shown, in all the countries under study the magnitude of ICBT is not clear. This is because most of these countries do not monitor the ICBT flows. What little is known about these flows in these countries is a result of studies and surveys commissioned to meet specific objectives as and when need arises. Going forward, however, there must be a systematic and regular effort to monitor and collect more accurate and systematic data on the ICBT flows at key border points, using annual surveys as is done in Uganda. Since the ICBT sector is heterogeneous, involving different types of traders and activities, the surveys should seek to understand:

(a) the specificity and nature of the different categories of informal traders,

(b) their motivations and characteristics,

(c) the type of goods and volumes traded,

(d) the particular hurdles they face when trading formally across borders, and

(e) the gender composition of participants in ICBT, etc.

Collecting and analyzing this type of information will help not only in establishing the magnitude of this phenomenon, but also in the design of correct food balance sheets, in initiating dialogue with the traders, show the impact on the domestic economies and help in articulating adequate policy responses with respect to ICBT and the entire economies of these countries.

- ***Reduce the cost of trading formally and enhance the efficiency of border controls to improve compliance with existing trade-related regulations:*** Governments in the target COMESA Member States should consider eliminating the incentives to trade informally by reducing the transaction costs associated with formal trade. More specifically, they should:

  (a) reduce or even remove the various import-export related fees and charges (which are often very high compared to the services provided to the traders) and bring more transparency in their setting;

  (b) simplify and, as much as possible, reduce the documentation requirements and formalities35;

  (c) simplify and expedite the release and clearance of goods from customs to reduce the time spent at the border crossings. This is particularly important for perishable agricultural commodities;

  (d) simplify SPS and TBT certification by de-centralizing their issuance and bringing them closer to the border crossing points;

  (e) improve border infrastructure, including storage facilities, transport infrastructure, accommodation, etc;

  (f) eliminate customs brokers/ clearing agencies who are known for abetting and promoting corruption at the border crossing points;

  (g) institute measures to reduce (and even end) corrupt practices requiring illegal payments at the border crossing/ check points;

35 Brenton et al (2014), for example, reports that in Malawi traders carrying agricultural products are required to provide a number of export/import documentation including trade licenses, phytosanitary certificates, certificates of standards compliance, foreign exchange certificates, and certificates of non-GMO conformity.

- ***Address the implementation challenges of the COMESA STR:*** Currently, as noted earlier, there are a number of implementation challenges of the COMESA STR, including lack of awareness of the regime among ICB traders, non-compliance by some countries with the agreed threshold value (US$ 2,000) or even the common list of goods, limited understanding of the requirements by the traders, among others. Participating countries among the targeted COMESA Member States should consider commissioning studies to try to understand the challenges of STR implementation and come up with recommendations on the way forward.

- ***Offer technical assistance and quality support services to formal traders and build greater trust between the private sector and border agencies:*** Governments in the target COMESA Member States should consider offering technical support to help traders understand and comply with existing trade regulations and procedures as well as efficient support services for formal importing and exporting to improve trading opportunities. This should include:

  (a) provision of market information (on prices, availability of goods and customers, etc). Poor access to market information poses a significant obstacle for the development of a formal trading sector in some of the countries under study, without which traders are forced to rely on costly market brokers. An improvement of price information at different locations will encourage investment in formal trade, particularly in large-scale trade, since it will improve knowledge of the profitability of trade operations.

  (b) capacity building to improve knowledge levels and skills. Training should be given to informal traders regarding regulations, administrative procedures, and access to credit, but should also focus on informing informal traders about the advantages of formalizing their activity. Training should also be provided to customs administrations about efficient procedures and codes of good conduct;

  (c) introduction of charters for ICB traders: There is need to replicate the initiative started between Malawi and Zambia and piloted at the Mwami/Mchinji border aimed at improving the treatment of traders at the various border crossing points and increasing the efficiency of trade flows, as well as for introducing effective mechanisms for the reporting of abuses, based on extensive use of modern technology. The Charter enshrines basic rights and obligations for traders and officials, and ultimately aims to improve behavior at borders and to promote the gradual formalization of ICBT.

  (d)

REFERENCES

A. General

1. COMESA (2014) Official Gazette of the Common Market for Eastern and Southern Africa (COMESA). Volume 19, No.1. February 2014.

2. COMESA (2016) Medium Term Strategic Plan 2016-2020. In Pursuit of Regional Economic Transformation and Development.

3. COMESA (2016). 2016-2017 Biennial Report: Inclusive and Sustainable Industrialization.

4. UNCTAD (2016) Diagnostic Trade Integration Study of Ethiopia. Update. June 2016.

5. World Bank (2015) Ethiopia's Great Run: The Growth Acceleration and How to Pace It. Report No. 99399-ET.

6. World Bank (2020) Economy Profile – Ethiopia. *Doing Business Report 2020.* Comparing Business Regulation in 190 Economies.

7. World Bank (2020). *Ethiopia Poverty Assessment: Harnessing Continued Growth for Accelerated Poverty Reduction*. Washington DC. © World Bank.

8. World Bank. 2019. *Global Economic Prospects, January 2019: Darkening Skies*. Washington, DC: World Bank. doi: 10.1596/978-1-4648-1343-6. License: Creative Commons Attribution CC BY 3.0 IGO.

9. IMF (2011b) The Federal Democratic Republic of Ethiopia: Poverty Reduction Strategy Paper. Growth and Transformation Plan 2010/11-2014/15. Volume II. IMF Country Report No. 11/305.

10. IMF (2011) The Federal Democratic Republic of Ethiopia: Poverty Reduction Strategy Paper.

Growth and Transformation Plan 2010/11-2014/15. Volume I.

11. COMESA (2016) COMESA Gender Policy: For Mainstreaming Gender Perspectives in Policies, Structures, Systems, Programmes and Activities of COMESA Member States and the Secretariat towards Attainment of Gender Equality, Women an Youth Empowerment and Social Development. August 2016.

B. The Informal Economy

12. Adams, Arvil V., Sara Johansson de Silva, and Setareh Razmara. (2013) *Improving Skills Development in the Informal Sector: Strategies for Sub-Saharan Africa.* Directions in Development. Washington, DC: World Bank. DOI: 10.1596/978-0-8213-9968-2.

13. Aloysius Bongwa (2009) Informality in Ethiopia: Taxing the Hard to Tax. HIS Working Papers No. 22/2009. Institute for Housing and Urban Development Studies, Rotterdam, the Netherlands.

14. Asmamaw Enquobahrie (nd) Some Controversies on Informal Sector Operations in Ethiopia: Problems and Prospects for a Development Strategy.

15. Belal Fallah (2014) The Pros and Cons of Formalizing Informal MSMEs in the Palestinian Economy. Economic Research Forum Working Paper Series, No. 893. December 2014.

16. CRU (2015) Making Sense of Informal Economies in Fragile Contexts: Issues, Dilemmas and Questions. CRU Policy Brief.

17. DCED (2009) Business Environment Reforms and the Informal Economy. Discussion Paper.

18. Donald Brown and Gordon McGranahan (2015), The Urban Economy, Local Inclusion and Achieving Green Transformation.

19. Fred Lapayre (2009) The Informal Economy in Africa: Promoting Transition to Formality. Challenges and Strategies. ILO Technical Report.

20. Gebrehiwot Ageba and Wolday Amha (2001) Micro and Small Enterprises (MSE) Development in Ethiopia: Strategy, Regulatory Changes and Remaining Constraints. In: Ethiopian Journal of Economics. Volume X, No. 2. October 2001.

21. ILO (2007) The Informal Economy: Enabling Transition to Formalization. Tripartite Interregional Symposium on the Informal Economy. Enabling Formalization. Geneva, 27-29 Nov. 2007.

22. ILO (2014) *Promoting Transition towards Formalization: Selected Good Practices in Four Sectors.* Thomas Kring and Sandra Rothbeck, ILO, DWT for South Asia and Country Office for India – New Delhi. ILO, 2014.

23. ILO (2015) Formalization of the Informal Economy: Follow-up to the Resolution Concerning Efforts to Facilitate the Transition from the Informal to the Formal Economy.

24. ILO (2015b) Recommendation 204 Concerning the Transition from the Informal to the Formal Economy.

25. ILO (2016) Policies, Strategies and Practices for the Formalization of Micro and Small Enterprises. Introductory Brief – Enterprise Formalization.

26. Jacque Charmes (nd), The Informal Economy: Definitions, Size, Contributions, Characteristics and Trends.

27. Jan Fransia and Meine Pieter van Dijk (2008) Informality in Ethiopia. A Paper Prepared for the Conference: "Are Cities More Important than Countries?", Erasmus University Rotterdam – HIS, 30-31 October 2008.

28. Jeemol Unni (2018) Formalization of the Informal Economy: Perspectives of Capital and Labour. In: Indian Journal of Labour Economics. September 2018.

29. Martha Alter Chen (2007) Rethinking the Informal Economy: Linkages with the Formal Economy and the Formal Regulatory Environment.

30. Martha Alter Chen (2012) The Informal Economy: Definitions, Theories and Policies. WIEGO Working Paper No. 1, August 2012.

31. Nancy Benjamin *et al* (2014) Informal Economy and the World Bank. Policy Working Paper 6888.

32. Niels-Hugo Blunch *et al* (2001) The Informal Sector Revisited: A Synthesis Across Space and Time.

33. Nzinga H. B. and Tsegay G. T. (2012) Youth Unemployment: Ethiopia Country Study. Working Paper 12/0592. August 2012. International Growth Centre (IGC).

34. OECD (2007) *Part II, Chapter 6. Removing Barriers to Formalization.* In: Promoting Pro-Poor Growth Policy Guidance for Donors. OECD 2007. ISBN 978-92-64-02477.

35. OECd/ILO (2019), Tackling Vulnerability in the Informal Economy. Development Centre Studies, OECD Publishing, Paris. http://doi.org/10/1787/939bcd-en.

36. Omar E. Garcia-Bolivar (nd), Informal Economy: Is it a Problem, a Solution or both? The Perspective of the Informal Business.

37. Ricardo Pinto (2019) Part I: Assessment of Ethiopia's MSME Policies and Institutions.

38. Sher Verick (nd) The Impact of Globalization on the Informal Sector in Africa.

39. Thomas Kenyon (2007) A Framework for Thinking about Enterprise Formalization Policies in Developing Countries. *World Bank Policy Research Working Paper 4235*, May 2007.

40. Tilhun Girma Argaw, *et al* (2015) Women at Work: Rights, Work and Social Protection in the Informal Economy. A Research in Addis Ababa, Jimma and Hawassa, Ethiopia.

41. World Bank (2015) Informality and Inclusive Growth in Sub Saharan Africa. DPRU Brief. PB 15/44.

C. Informal Cross-Border Trade

42. Taneja, Nisha; Joshi, Sanjana; Prakash, Shravani; Bimal, Samridhi (2018): Trade facilitation measures to enhance women's participation in cross-border trade in BBIN, Working Paper, No. 350, Indian Council for Research on International Economic Relations (ICRIER), New Delhi.

43. AfDB/UNDP/UNECA (2012) Africa Economic Outlook 2012: DRC Country Note.

44. Antoine Bouet, Kathryn Pace and Joseph Glauber (2018), Informal Cross-Border Trade in Africa. How Much? Why? And What Impact? *IFPRI Discussion Paper 1783*. Washington DC: International Food Policy Research Institute (IFPRI).

45. Belayneh Bogale, Moti Mosisa, Abreha Mesele and Negese Bogale (2015) Cross-Border Contraband Trade Across the Main Route from Moyale to Hawassa: An Exploration into the Causes and Consequences. In: Journal of Business and Administrative Studies (JBAS). Volume 7, No. 2. ISSN-2077-3420. December 2015.

46. Bert Weijs, Dorothea Hilhorst and Adriaan Fert (2012) Livelihoods, Basic Services and Social Protection in the Democratic Republic of the Congo. *Working Paper No. 2*. Wagenigen University. Wagenigen UR.

47. Cantens, Thomas; Ireland, Robert; Raballand, Gael Introduction © World Bank, published in the Journal of Borderlands Studies30(3) 2015-12-16 CC BY-NC-ND 3.0 IGO http://creativecommons.org/licenses/by-nc-nd/3.0/igo http://dx.doi.org/10.1080/08865655.2015.1068207

48. Crush Johnathan et al. (2015), Calibrating Informal Cross-Border Trade in Southern Africa. Migration Policy Series, No. 69.

49. CUTS-GTZ (2010) Informal Cross-Border Trade in the EAC: Implications for Regional Integration and Development.

50. Danielle Resnick, Ella Spencer and Twive Siwale (2020) Informal Traders and COVID-19 in Africa: An Opportunity to Strengthen the Social Contract. ICG Policy Brief. August 2020.

51. EIF (2004) Diagnostic Trade Integration Study. Ethiopia. Volume 1. Ethiopia: Trade Transformation. Summary and Recommendations. July 2004. Final Version.

52. EIF (2010) DRC Diagnostic Trade Integration Study.

53. European Union (2017) Action Document for the COMESA Programme on Small-Scale Cross-Border Traders.

54. FAO-CUTS (2017), Formalization of Informal Trade in Africa: Trends, Experiences and Socio-Economic Impact. *Policy Brief 2017*.

55. Fassioti C. and Kalisa N. (2008) Secure Cross-Border Social, Economic and Commercial Activities in the Great Lakes Region. Research on Cross-Border Trade at Rusizi (Rwanda) / Bukavu (DRC) Entry Point.

56. Guy Lamb, et al (2012) Assessing the Reintegration of Ex-Combatants in the Context of Instability and Informal Economies. The Cases of the Democratic Republic of the Congo, the

Central African Republic and South Sudan.

57. Habtamu Hailemeskel Gulbe and Mulugeta Getu Sisay (2016) Policy Research on Cross-Border Trade: Challenges and Prospects in Ethiopia. Conference Paper, May 2016.

58. ITTO (nd) Domestic Markets, Cross-Border Trade and the Role of the Informal Sectdor in Cote d'Ivoire, Cameroon and the Democratic Republic of the Congo.

59. Putzel J., Lindeman S., and Schouten C. (2008) Drivers of Change in the Democratic Republic of Cong. The Rise and Decline of the State and Challenges for Reconstruction. A Literature Review. *Crisis States Working Paper Series No. 2.* January 2008. ISSN 1749-1800.

60. Jean-Guy Afrika and Gerald Ajumbo (2012), Informal Cross-Border Trade in Africa: Implications and Policy Recommendations. *AfDB Africa Economic Brie*f. Vol. 3, Issue No. 10, November 2012. Abidjan: African Development Bank.

61. Kristof Titeca (2009) The Changing Cross-Border Trade Dynamics between North-Western Uganda, North-Eastern Congo and South Sudan. *Working Paper No. 63.* Cities and Fragile States.

62. Kugonza Julius (2017) *Informal Cross-Border Trade in Uganda: A Case Study of Mpondwe and Mutukula Customs Border Points.* In: COMESA (2017) Key Issues in Regional Integration. Volume 5.

63. Lesser, C. and E. Moisé-Leeman (2009), "Informal Cross-Border Trade and Trade Facilitation Reform in Sub-Saharan Africa", *OECD Trade Policy Working Papers*, No. 86, OECD publishing, © OECD. doi:10.1787/225770164564.

64. Paul Brenton and Carmine Soprano (2018), Small-Scale Cross-Border Trade in Africa: Why it matters and how it could be supported.

65. Paul Brenton and Coroline Shenaz Hossein (2011) Facilitating Cross-Border Trade Between the DRC and Neighbours in the Great Lakes Region of Africa: Improving Conditions for Poor Traders. *Technical Report. June 2011*.

66. Paul Brenton et al (2014), Improving Behaviour at Borders to Promote Trade Formalization: The Charter for Cross-Border Traders. *Policy Note No. 41*, July 2014.

67. Paul Brenton, et al (2011) Risky Business: Poor Women Cross-Border Traders in the Great Lakes Region of Africa. *World Bank Africa Trade Policy Notes. Note No. 11*. January 2011.

68. Peter Little (2005) Unofficial Trade When States Are Weak: The Case of Cross-Border Commerce in the Horn of Africa. Research Paper No. 2005/13.

69. Peter Little, Waktole Tiki and Dejene Negassa Debsu (2015) *Formal or Informal, Legal or Illegal: The Ambigous Nature of Cross-Border Livestock Trade in the Horn of Africa.* In: Journal of Borderland Studies.

70. SSHAP (2018) Key Considerations – Uganda-DRC Cross-Border Dynamics.

71. SSHAP (2019) Key Considerations – Burundi-DRC Cross-Border Dynamics. (Updated August 2019).

72. SSHAP (2019b) Key Considerations – Rwanda-DRC Cross-Border Dynamics. April 2019.

73. Tom De Herdt and Wim Marivoet (2007) Information, Poverty and Inequality in Kinshasa – DRC. Institute of Development Policy and Management, University of Antwerp. Prepared for the Living on the Margins Conference, Stellenbosch – 26-28 March 2007.

74. UNEP (2011) The Democratic Republic of the Congo: Post-Conflict Environmental Assessment. Synthesis for Policy Makers.

75. UNEP and MONUSCO (2015) Expert's Background Report on Illegal Exploitation and Trade in Natural Resources Benefiting Organized Criminal Groups and Recommendations on MONUSCO's Role in Fostering Stability and Peace in Eastern DR Congo. Final Report, April 15th 2015.

76. Wassie Berhanu (2016) *Informal Cross-Border Livestock Trade Restrictions in Eastern Africa: Is there a Case for Free Flows in Ethiopia-Kenyan Borderlands?* In: Ethiopian Journal of Economics. Vol. XXV, No. 1, April 2016.

77. World Bank (2012) Resilience of an African Giant: Boosting Growth and Development in the Democratic Republic of the Congo.

78. WOW (2019) Violence Against Women Traders at Border Crossings. *WOW Helpdesk Query 31*. November 2019.

79.

ANNEXES

Annex 1: The Business Environment in the Target COMESA Member States in 2010-2020

Indicator/ Ranking	DRC		Ethiopia		Kenya		Malawi		Tanzania		Zambia		Zimbabwe	
	2010	2020	2010	2020	2010	2020	2010	2020	2010	2020	2010	2020	2010	2020
Ease of Doing Business	**182**	**183**	**107**	**159**	**95**	**56**	**132**	**109**	**131**	**141**	**90**	**85**	**159**	**140**
1. Starting a Business	154	54	93	168	124	129	128	153	120	162	94	117	145	167
2. Dealing with Construction Permits	146	144	60	142	34	105	163	128	178	149	151	67	178	140
3. Getting Electricity*	175	177	82	137	151	70	181	171	87	85	126	129	153	167
4. Registering Property	157	159	110	142	125	134	101	90	145	146	94	149	84	109
5. Getting Credit	167	152	127	176	4	4	87	11	87	67	30	4	113	67
6. Protecting Investors	154	176	119	189	93	1	73	79	93	105	73	72	119	97
7. Paying Taxes	157	180	38	132	164	94	24	135	119	165	36	17	130	146
8. Trading Across Borders	165	187	159	156	147	117	172	127	108	182	157	155	167	159
9. Enforcing Contracts	172	178	57	67	126	89	142	149	31	71	87	130	78	169
10. Resolving Insolvency*	189	168	74	149	134	50	166	134	105	116	95	79	148	142

* For 2015. There was no data for the previous years for this indicator.

Source: World Bank *Doing Business* Reports for the respective years

Annex 2: DRC's Formal (Recorded) Trade with its Neighbours in 2010-2019 (in US$)

Country	Imports			Exports		
	2010	2015	2019	2010	2015	2019
1. Uganda	183,992	152,561	204,309	7,278	3,641	34,492
2. Rwanda	18,137	193,631	372,592	30,918	11,010	14,294
3. Burundi	7,269	80	19,904	701	50	2,785
4. Tanzania	156,081	198,290	144,926*	1,134	628	559*
5. Zambia	332,523	541,020	864,636	1,271,279	1,053,672	231,704
6. Angola	0	113,146	121,814	2,563	6,308	4,189
7. Congo	0	43,831	3,557	0	4,732	2,095

Note: (a) For Tanzania imports and exports are for the year 2018; (b) No trade data for Congo and South Sudan.

Source: ITC, https://www.trademap.org/

Annex 3: Agencies Operating on the DRC Border

1. *The Department of Migration* (Direction Générale de Migration [DGM]): mandated to apply policies, laws and regulations on immigration and emigration, and verify documentation (individual permits for Congolese nationals and visas for foreigners).

2. *The Customs and Excise Authority* (Direction Générale des Douanes et Accises [DGDA]): charged with collecting duties, taxes and excise payable on imports, exports and the transport of goods, monitoring the borders, and combating fraud and contraband.

3. *The Export Control Agency* (Office Congolais de Contrôle [OCC]): charged with verifying the quality, quantity and conformity of all goods. In the case of mining and other products (coffee in particular), the OCC issues an export verification certificate.

4. *The Hygiene Department* (Direction de la Quarantaine Internationale): responsible for giving vaccinations, verifying sanitary documentation and checking the state of hygiene of foodstuffs.

5. *The Border Police* (Police des frontiers): charged with monitoring border crossing points and territorial borders in locations other than official crossing points, combating fraud and cross-border criminality, monitoring flows of nationals and foreigners (under the authority of the central police force but in coordination with provincial police), and settling isolated conflicts between individuals which may arise on the border.

Annex 4: Ethiopia Sectoral Distribution of GDP, 2010-2019 (in %)

Sector	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Agriculture	46.13	44.37	43.1	42.0	40.2	38.7	36.7	36.3	35	33.3
Industry	10.17	10.4	11.5	13.0	13.8	15.0	16.7	25.6	27	28.1
Services	42.6	43.7	45.23	45.9	45.5	46.6	47.0	47.3	39.2	39.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: National Bank of Ethiopia

Annex 5: The Gender Distribution of Informal Economy Operators in Ethiopia

Sex	Owners		Employees		Total persons engaged	
	Number	Share (in %)	Number	Share (in %)	Number	Share (in %)
Male	328,808	41.13	70,271	35.49	399,079	40.1
Female	470,545	58.87	127,751	64.51	598,296	59.99
Total	799,353	100.0	198,022	100.0	977,380	100.00

Source: CSAR on Ethiopia's Urban Informal Economy, 2011

Annex 6: Ethiopia's Formal Trade with its Neighbours in 2010-2018 (in '000' US$)

Country	Imports from			Exports to		
	2010	2015	2018	2010	2015	2019
1. Kenya	32,602	36,434	40,148	4,684	31,738	23,485
2. Somalia	186	889	475	1,209	303,581	64,220
3. Sudan	0	0	0	0	80,254	34,389
4. South Sudan	0	0	12	0	0	1,049
5. Djibouti	13	314	578	27,886	94,191	71,734
6. Eritrea	0	0	121	0	0	154

Source: ITC TradeMap.

Annex 7: The Structure of ICBT in Ethiopia – Sample of Exports and Imports

ICBT Exports	ICBT Imports
Livestock (cattle, sheep, goats, camels) Hides and skins; Coffee; Chat; Fruits and vegetables; Grains; Arabian gum; Petroleum products.	Textiles, leather products (shoes, bags, etc); Electronics (radios, TV sets, computers and accessories, etc); Food items (sugar, rice, milk powder, vegetable oil, spaghetti, macaroni, etc); Cosmetics and detergents; Household furniture; Pharmaceuticals; Cigarettes.

Source: Adopted from Teka and Azeza, 2010, page 22.

Annex 8: Distribution of Informal Economy Activities in Zambia by Sector

Production (Small-scale Manufacturing) Textile products Carpentry and other wood-based business Light engineering and metal fabrication Food processing Leather products Handicrafts Processing of semi-precious stones Essential oils Ceramics	**Trading (Commerce)** Consumable products Industrial products Agricultural inputs Agricultural produce Printing Street vending
Services Restaurants and food vending Hair salons and barber shops Passenger and goods transportation Telecommunication services Financial services Business centres Guest houses Cleaning services Building and construction	**Mining** Small-scale mining Small-scale quarrying

Source: Adopted from Mubita, et al (2017).

Annex 9: Zambia's Formal Trade with its Neighbours in 2010-2019 (in '000' US$)

Country	Imports from			Exports to		
	2010	2015	2019	2010	2015	2019
Angola	38	416	226	3,037	3,389	3,122
Botswana	17,478	17,820	17,429	16,915	31,918	24,998
DR Congo	1,271,279	1,053,672	231,704	322,523	541,020	866,133
Malawi	12,968	18,095	21,526	102,671	112,222	99,751
Mozambique	16,731	89,912	82,652	5,200	49,758	17,537
Namibia	12,441	112,360	106,070	18,802	35,475	18,850
Tanzania	40,861	56,852	206,000	31,835	56,338	58,577
Zimbabwe	120,597	287,207	98,266	71,938	95,008	62,002

Source: ITC TradeMap.

Annex 10: Informal Economy Policies in the Target COMESA Member States

Policy	Policy Objective (s)
ETHIOPIA	
1. Growth and Transformational Plan I & II (2010 and 2015)	• Supporting ***the growth of MSMEs***
2. The Industrial Development Strategic Plan (2013-2025	• Increasing the ***share of the industry sector*** in GDP (from 13% in 2013 to 27% by 2025); • Attracting ***investment in priority sectors*** based on their capacity to create employment opportunities.
3. Technical and Vocational Education Training (TVET) Sector Growth and Transformation Plan (2015-20205)	• Making ***TVET institutions centres of technology transfer***; • Providing ***industrial extension support*** to MSEs;
4. Micro and Small Enterprise Development Strategy (1997, 2011)	• Making ***MSMEs competitive*** in the market; • Building ***cluster-based production*** in urban centres as focal points for creation of entrepreneurs; • Facilitating economic growth and laying the foundation for industrial development.
5. National Entrepreneurship Strategy (NES)	• Optimizing the ***regulatory framework***; • Enhancing ***entrepreneurship education and skills*** development; • Facilitating ***technology exchange and innovation***; • Improving ***access to finance***;

6.	The Petty Periphery Cross-Border Trade (1995)	Allowing border communities to import limited amounts of basic commodities from markets across the borders without having to travel long distances to buy them in domestic markets; Curbing illegal ICBT and controlling ICBT by allowing people to freely import basic commodities and encourage them to follow and implement the formal trade procedures.
KENYA		
1.	Sessional Paper No. 2 of 1992 on Small Enterprise and *Jua Kali* Development in Kenya	creating an enabling environment (through an appropriate legal and regulatory framework) for the growth of the informal economy.
2.	Sessional Paper No. 2 of 2005 (Development of MSEs for Wealth and Employment Creation for Poverty Reduction.	developing a vibrant MSE sector capable of sustainably contributing to economic growth and employment in Kenya. o Growth of the number of enterprises and their competitiveness; o integrating the MSE sector into the national economic development agenda; o strengthening the existing institutional framework for MSEs; o promoting partnership between key stakeholders.
3.	Micro and Small Enterprises Act, 2012	regulation of the micro and small enterprises. Provides for the establishment of: o the ***Office of Registrar of Micro and Small Enterprises Association*** giving identity and direction & creating formal structures to address the informality; o the ***Micro and Small Enterprise Tribunal*** to arbitrate disputes of MSEs; and o the ***Micro and Small Enterprise Fund*** (access to affordable credit)
4.	National Trade Policy (2009)	giving ***recognition to ICBT*** as the entry point for the majority of the business starters; recognizing the important role of "Jua Kali" in job creation; articulating the challenges facing ICBT and proposing strategies for addressing these challenges; ***mainstreaming informal trade into the national development agenda***, placing emphasis on infrastructure development, market improvement, business skills improvement, and enhancement of trade finance.

MALAWI		
1.	The Micro, Small and Medium Enterprise Policy Strategy (2012)	creating a modern and effective framework for the development of profitable, competitive and sustainable MSMEs; improving the MSME operational and regulatory environment
2.	The Malawi Industrialization Policy (2014)	Recognizes the importance of the informal economic activities (especially the MSMEs) in the economy and the challenges they face. Hence seeks to: facilitate MSMEs manufacturing access to technology for priority clusters; ensure effective coordination of MSME support to facilitate MSME upskilling; facilitate business linkages for market entry and technology transfer; facilitate and ensure ease of meeting tax and regulatory obligations; and raise awareness of support available.
3.	Vision 2063 (Malawi's development blueprint for the next 40 years)	Recognizes the role of the private sector in spurring economic development and wealth creation through provision of innovative solutions, creation of jobs and mobilization of domestic revenue. It seeks to: ***create a dynamic private sector*** capable of structural transformation of the economy.
TANZANIA		
1.	The Sustainable Industrial Development Policy - SIDP (1996 - 2020)	***promotion of small and medium industries*** by: o supporting existing and new promotion institutions, simplification of taxation, o licensing and registration of SMEs and improve access to financial services. encouraging **formalization of informal sector businesses**; supporting indigenous entrepreneurs, ***women, youth and people with disabilities***.

2. The Small and Medium Enterprises Policy (2002)	• promoting ***'job creation and income generation*** through supporting the creation of new SMEs and improving the performance and competitiveness of the existing ones to increase their participation and contribution to the Tanzanian economy'; • introducing ***improvements in the legal and regulatory framework*** (reduction of bureaucratic red-tape, improvement of the tax regime, introduction of incentives, simplification of registration, etc); • promotion of ***entrepreneurship development*** (improved access to finance and non-financial services, better access to information, facilitating acquisition and adaptation of technologies, better access to markets, etc).
3. The National Employment Policy	• enhancing **skills and competencies** for those in the informal and formal sectors especially in the rural areas; • promoting ***decent and productive employment*** as a national priority and enable all participants in the labour force to ***gain productive and full employment***; • promoting ***equal access to employment opportunities and resources endowments*** for vulnerable groups of women, youth and People with Disabilities (PWDs); and • creating a conducive and enabling environment to promote growth of the private sector and ***transformation from informality to the formal economy***.
ZAMBIA	
1. The MSME Development Policy (2008)	• contributing to the country's GDP and overall job creation; • facilitating growth in value-addition using local raw materials; • enhancing the ***growth of forward and backward linkages*** between MSMEs and large enterprises; • improving the ***productivity of the MSME*** sector; and • ***enhancing local economic developmen***t thereby stimulate broad based economic growth.

2.	The National Industrial Policy (2018)	One of its objectives is ***"To promote growth of cooperatives and micro, small and medium enterprises in industrial development"*** by: strengthening the backward and forward linkages between cooperatives, MSMEs and large manufacturing firms; promoting usage of cooperatives as a business model for start-up enterprises; developing a framework for the formalization of MSMEs; establishing industrial yards based on the location and availability of resource endowments; promoting and enhance access to affordable finance; facilitating MSME's access to information and markets; improving MSME's product quality; and providing capacity-building programmes to BDS providers
ZIMBABWE		
1.	Policy Document for the support of Small, Micro and Medium Enterprises (SMMEs)	generating sustainable jobs, reduce poverty, stimulate growth and generate foreign currency earnings
2.	The Zimbabwe Industrial Development Policy (IDP) (2012 -2016)	promoting and supporting SMEs developing of clusters including the provision of capacity building for skills training of employees and setting up of common facilities;
3.	National Trade Policy 2012-2016	supporting the country's SMEs export efforts; trade facilitation to expedite trade flows by streamlining and simplifying exporting and importing procedures, eliminating customs delays and improving customs administration.
4.	Strategies introduced by the City of Bulawayo	identification and allocation of operating spaces; provision of infrastructure on the sites; training of informal operators; marketing of informal sector products and services, and financing of informal business operations

Annex 11: Formalization of the Informal Economy: A Comprehensive Approach

1. Formalization of Informal Enterprises ▯ ***Registration and taxation:*** o simplified registration procedures o progressive registration fees ▯ ***Appropriate legal and regulatory frameworks, including:*** o enforceable commercial contracts o private property rights o use of public space o occupational health and safety regulation ▯ ***Benefits of operating formally:*** o access to finance and market information o access to public infrastructure and services o enforceable commercial contracts o limited liability o clear bankruptcy and default rules o access to government subsidies and incentives, including procurement bids and export promotion packages o membership in formal business associations o access to a formal system of social security
2. Formalization of Informal Jobs ▯ ***Legal recognition and protection as legal recognition and protection as workers*** ▯ ***Rights and benefits of being formally employed:*** o freedom from discrimination o minimum wage o occupational health and safety measures o employer contributions to health and pensions o right to organize and bargain collectively o membership in formal trade unions

Source: Adopted from Chen, 2012

Annex 12: Status of OSBP in the COMESA Region (as of December 2018)

	Name of Border Post	Neighbouring Member States		Current Status
	Namanga	Kenya	Tanzania	Operational
	Malaba	Kenya	Uganda	
	Mutukula	Tanzania	Uganda	
	Chirundu	Zambia	Zimbabwe	
	Malaba	Kenya	Uganda	
	Kagitumba/Mirama Hills	Rwanda	Uganda	
	Kobero/ Kabanga	Burundi	Tanzania	
	Kanyaru	Burundi	Rwanda	
	Gasenyi/ Nemba	Burundi	Rwanda	
	Nemba	Rwanda	Burundi	Completed
	LungaLunga/Hororo	Kenya	Tanzania	
	Taveta	Kenya	Tanzania	
	Isebania/Sirari	Kenya	Tanzania	
	Busia	Kenya	Uganda	
	Rusumo	Rwanda	Tanzania	
	Tunduma/Nakonde	Tanzania	Zambia	Under Construction/ Designing
	Victoria Falls	Zimbabwe	Zambia	
	Gatuna /Katuma	Rwanda	Uganda	
	Moyale	Ethiopia	Kenya	
	La Corniche	Rwanda	DR Congo	
	Mugina /Manyovu	Burundi	Tanzania	
	Galabat-Matama,	Ethiopia	Sudan	Planning Stage
	Kasumulu/Songwe	Tanzania	Malawi	
	Akanyaru Haut	Rwanda	Burundi	Feasibility Studies
	Rusizi 1	Rwanda	DR Congo	
	Mwami–Mchinji	Malawi	Zambia	
	Galafi	Ethiopia	Djibouti	
	Kasumbalesa	DR Congo	Zambia	

Source: COMESA Annual Report, 2019.

Annex 13: Stakeholders Consulted

Name	Position/Institution	Contact Details
1. Monsieur Jack KABEYA NZAU	Chef De Bureau Secretariat Generale l"Intrgration Regionale	Email: jackkabeya1@gmail.com Phone: +243826492204
2. Monsieur Floribert MBAMBI NKONSHI	Chef de Division, Secretariat Generale l"Intrgration Regional	
3. LUSAMBA MULOWA Léonie	Chef de Bureau Courrier, Ministère de l'Intégration **Régional**	
4. MWAMBA WA MWAMBA Jean Gary	Chef de Bureau COMESA, Ministère du Commerce Extérieur/Secrétariat Général	
5. Malax Luhanga SUNGURA	Coordonnateur Principal CPTTK OU ATTCO ASBL: Corporation des Petits Transporteurs Transfrontalier à KASUMBALESA	
6. Athanase TSHIMONA	Vice President ACT/CBTA	
I. Federal Democratic Republic of Ethiopia		
7. Samuel GIZAW	Senior Expert Trade Relation and Negotiation Ministry of Trade and Industry	Tel: +251 094 258 49 90 Email: Sami.gizaw@yahoo.com
8. Ato Terefe ESHETE	Ministry of Trade and Industry (Licensing Directorate)	Tel.: +251 091 200 1259 Email: Terefees52@gmail.com
II. Republic of Malawi		
9. Mufwa MUNTHALI	Deputy Director, Foreign Trade Ministry of Trade	Tel.: +265 993 324 933 Email: mufwa98@hotmail.com
10. Silas SINDI	Acting Director Ministry of Industry	Tel.: +265 888 860 996 Email: ssindi@yahoo.co.uk
11. Patricia GONDWE	Malawi Revenue Authority	Tel.: +265 888 397 712
12. Barbara BANDA	Executive Director National Association of Business Women Bingu National Stadium, Corporate Office E15 P. O. Box X157 Lilongwe, Malawi	Tel: +265 995 752 813 +265 884 814 681 +265 212 250 081 Email: bandabarbara@gmail.com
13. Madalitso M. KAZEMB	Director, Business Environment and Policy Advocacy Malawi Confederation of Chamber of Commerce and Industr	Tel.: +265 999 292 166 Email: mkazembe@mccci.org

14. Manfred MAGURU	Policy Analyst Malawi Confederation of Chamber of Commerce and Industry	Tel.: +265 997 024 680 Email: mmaguru@mccci.org
15. Edward CHILIMA	Director of Information and Trainer, Small and Medium Enterprises Development Institute	Tel.: +265 888 844 974 Email: chilimaeddie@gmail.com
III. Republic of Tanzania		
16. Freddy Aaron KAVULA	Trade Officer Ministry of Industry and Trade, P. O. Box 2996 Dodoma, Tanzania	Tel.: +255 717 640574 Email: freddy.kavula@mit.go.tz
17. Neema Nuru MTEI	Economist Ministry of Finance and Planning	Tel: +255 692 302827 Email: neema.mtei@hazina.go.tz
18. Faith GUGU	Policy Analyst Tanzania Private Sector Foundation P. O. Box 11313 Dar es Salaam, Tanzania	Tel: +255 743 785831 Email: faith@tpsftz.org
19. Josephine EDINGTON	Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA), P. O. Box 9713 Dar es Salaam, Tanzania	Tel: +255 769 404145 Email: jooeddy12@gmail.com
20. Hamza MWAJUMA	Chief Executive Officer Tanzania Women Chamber of Commerce (TWCC)	Tel.: +255 754 916 038 +255 789 608 289 Email: mwajhamza@gmail.com
21. Mariam MOLLEL	Small Scale Industry Development Organization (SIDO) P. O. Box 2476 Dar es Salaam, Tanzania	Tel.: +255 764 776000 Email: mariam.mollel@sido.go.tz
22. Clara KALANGA	Senior Programme Officer and Resource Mobilization Tanzania Gender Networking Programme (TGNP) P.O. Box 8921 Dar es Salaam, Tanzania	Tel: +255 788 737 913 Email: Clara.kalanga@tgnp.or.tz
IV. Republic of Zambia		
23. Christine P. SIKOMBE	Women in Business Association	Tel: +260 977 472894 Email: chrisikombe@yahoo.com
24. McDonald	Zambia Chamber for Small and Medium Association	Tel: +260 955 883789
25. Alfred CHITALU	National Chamber of Commerce and Industry	Tel: +260 979 518054
V. Republic of Zimbabwe		

26. Barbra MBANDA	Employment Officer Ministry of Public Service, Labour and Social Welfare	
27. Arthur MUROMBA	Chairman, Zimbabwe Informal Traders Council	Tel: 0773449442 Email: amuromba@gmail.com
28. Christine MWALE	Zimbabwe Women in Trade and Development	Tel: +263 772 819 441 Email: lexmwale@gmail.com
29. Augustine TAWANDA	Zimbabwe Cross Border Traders Association	Tel: +263 772259620 Email: zimcross@gmail.com
30. Elijah MUKANJARI	Trade Officer, Ministry of Industry and Commerce	Tel.: +263 773029506 Email: elimukanjari@gmail.com

Annex 14: List of Participants of Validation Workshop

D.R. CONGO

1. M. Franck Mukanya, Email: franckmukanya.lusanga@gmail.com;
2. M. Katalay, Email: katalaymashuwa@gmail.com;
3. Mme Laetitia Nyota, Email: laetitia88nyota@gmail.com;
4. M. Jean Gary Mwamba, Email: garymwambana@gmail.com;
5. M. Socrate Nsiku, Email: celestin.nsiku@gmail.com;
6. Hubert Cirimwami, Email: hubertntondo@gmail.com;
7. M. Youssef Olela, Email: youssefolelaminfin@gmail.com;
8. M. Kiboko, Email: prosperkpt@yahoo.fr;
9. M. Kaboto, Email: nkonkodeni@gmail.com;
10. M. Philippe Munganza, Email: philippemuganza3@gmail.com;
11. M. Jacques Kabeya, Email: jackkabeya1@gmail.com;
12. Floribert Mbambi, Email: fmkonshi@gmail.com;
13. M. Louis Nyembo, Email: louinyembo@gmail.com;
14. M. Athanase TSHIMONA, Email: athanasetshimona@gmail.com;
15. M. Malax Luhanga, Email: malaxluhangasungura@gmail.com ;

ETHIOPIA

16. Mr. Mussie Mindaye, Ministry of Trade and Industry, Email: mindaye.mussie@gmail.com
17. Mr. Tewdros Bogale, Email: tedibogimm@gmail.com
18. Mrs. Ababe Kiros, Ethiopian Custom Commission, Email: abebak.ecc@gmail.com

KENYA

19. Bramah Kaleve, Email: kbramah@gmail.com
20. David Kariuki, Email: kariukidave22@gmail.com
21. Maureen Abungu, Email: abungumaureen@yahoo.com
22. Carol Kahuya, Email: kahucaro@gmail.com
23. Hellen Mithi, Ministry of Trade, Email: helenmlotha@yahoo.com;

MALAWI

24. Mufwa Munthali, Ministry of Trade, Email: mufwa98@hotmail.com
25. Kelphas Mvula, Ministry of Trade, Email: kelphas.m@gmail.com
26. Fredrick Mpeusa, Malawi Revenue Authority, Email: fmpeusa@mra.mw;
27. Chimwemwe Kawalewale, Malawi Revenue Authority, Email: ckawalewale@mra.mw;
28. Patrick Kachingwe MRA, Email pkachingwe@mra.mw
29. Thokozani Kefasi, Malawi Police Service, Email: kefasithoko@gmail.com;
30. Fred Simwaka, Ministry of Gender, Email: fred.simwaka@yahoo.com;
31. Wiskes Nkombezi, Ministry of Industry, Email: wdgnkombezi@gmail.com;
32. Ken Khoswe, Reserve Bank of Malawi, Email: kkhoswe@rbm.mw;
33. Wilson Nagoli, Ministry of Agriculture, Email: wilsonnagoli@gmail.com;
34. Tapiwa Nsanja, Small and Medium Enterprise Development Institute, Email: tapiwa.nsanja@gmail.com;
35. Steve Yohane, CBTA, Email: steveyohane@gmail.com

ZAMBIA

36. Emmanuel Kafumukache, Email: alanakache@gmail.com
37. Lawrence Mwalye, Email: Lawrence.Mwalye@mcti.gov.zm

38. William Mwale, National Association of Small and Medium Entreprise, Email: williammwale91@yahoo.com;

39. Kabuswe Bwalya, Email: Kabuswebwalya@yahoo.com

40. Eddington Chikoti, Email: eddingtonchikoti3@gmail.com

ZIMBABWE

41. Mr. Kindon Gandanga. Ministry of Foreign Affairs and International Trade, Email: kgandanga@yahoo.com/ kindgandanga@gmail.com;

42. Mrs. Stella Nyagweta, Ministry of Foreign Affairs and International Trade, Email: stellamnyagweta@gmail.com;

43. Mr. Amon Nyahada, Ministry of Foreign Affairs and International Trade, Email: amonnyahada@gmail.com;

44. Mrs Nomusa Mugwambi, Ministry of Foreign Affairs and International Trade, Email: ncmugwambi@gmail.com;

45. Mamvura Mabika, Small and Medium Enterprises, Tel. No: +263 772 118368, Email:mabikamamvura@gmail.com;

46. P. Manwa, Tel. No: +263 773 828521, Email: privilege.chinengundu@gmail.com;

47. F. Bhunu, Gender Department, Tel. No: +264 717919119, Email: veebhunu@yahoo.com;

48. Dr. M. Sibanda, Permanent Secretary, Ministry of Industry and Commerce, Tel. No: +263 42 707548, Email: margaretmura@gmail.com;

49. Mr. G. Guvamatanga, Permanent Secretary, Ministry of Finance and Economic Development, Tel. No: +263 4250967, Email: cosmbambe@gmail.com;

50. Mr. J. Chakasikwa, Zimbabwe Revenue Authority (ZIMRA), Email: jchakasikwa@zimra.co.zw;

51. Ms. T. Shadaya, Immigration Department, Tel. No: +263 772369350, Email: shadayathamari@yahoo.com;

52. Mr. E. Chikukwa, Zimbabwe Cross Border Traders Association (ZCBTA)+263 783702349, Email: chikukwaeric@gmail.com;

53. Angeline Nyatanga, Zimbabwe Association for Women in Industry, Tel. No: +263 775 069 903, Email: angelinanyatanga@gmail.com;

54. Mr F. Mutambanengwe, Small to Medium Enterprise Association of Zimbabwe, Tel. No: +263 778 055 076, Email: farai@smeaz.org.zw;

55. Mr D. Chinyemba, Zimbabwe National Chamber of SMEs, Tel: +263 772 731 134, Email: dchinyemba@gmail.com;

56. Mr C. Itai, Combined Cross Border Traders, Tel. No: +263 772 946 504

57. Mr A. Muromba, Zimbabwe Informal Traders Council, Tel. No: +263 773 499 442, Email: Chairperson@zitcouncil.org;

58. Mr Makotose, Professional SMEs Chamber of Commerce and Industry, Tel. No: +263 773 028 095, Email: demakotose@gmail.com

59. Sithabile Mangwengende, Professional Women, Executives and Businesswomen Organisation (PROWEB) Tel. No: +263 773 610 913, +263 4 2916240, Email: Moirangarua@gmail.com;

60. Mrs. Mukarakate, Women in Business Alliance of Zimbabwe (WABAZ) Tel. No: +263 772 421 371, +263 783 460 646, Email: info@wabaz.org.zw; irenemukarakate@gmail.com;

61. Dr. J. Mutasa, Indigenous Businesswomen Organisation (IBWO), Tel. No: +263 773 400 733, Email: superq@iwayafrica.co.zw;

Mr. W. Malaya, ZICHEA, Email: wisbonmalaya@gmail.com; Tel. No:+263 772361905

62. Christine Mwale, Zimbabwe Women in Trade and Development, Tel. No: +263 772 819 441, Email: lexmwale@gmail.com;

INTERPRETERS

63. Ms. Rojo Tiana JOSOA, Tel+261 34 02 505 54, Email: r.ratovona@gmail.com

64. Mr. Nampoina Rabenasolo, Tel.:+261 34 86 275 62, Email: nampmada@gmail.com

COMESA SECRETARIAT

65. Beatrice Hamusonde, Director, Gender and Social Affairs Email bhamusonde@comesa.int

66. Benedict Musengele, Senior Research Fellow, Trade and Customs Division, Email: bmusengele@comesa.int

67. Jane Kibiru, Research Fellow, Trade and Customs Division, Email: JKibiru@comesa.int

68. Tasara Muzorori, Team Leader/ Cross Border Trade Expert, Trade and Customs Division, Email: TMuzorori@comesa.int

69. Moreblessing Pedhuru Loxton, Infrastructure Expert, Small Scale Cross Border Traders Initiative, Trade and Customs Division, Email: mloxton@comesa.int

70. Ms. Emma Kandeo, Administrative Assistant, Trade and Customs Division, Email: ekandeo@comesa.int

71. Ms. Roider Kabisa, Administrative Assistant, Trade and Customs Division, Email: rkabisa@comesa.int

72. Arthur Zulu, ICT Officer, Information and Networking Email AZulu@comesa.int

CONSULTANT

73. Dr. Evarist Mugisa, Consultant, Tel. No: +256700725574, Email: mugisae02@gmail.com

COMESA SECRETARIAT
COMESA Center
Ben Bella Road
P.O. Box 30051

+260 211 229 725

www.comesa.int

info@comesa.int

facebook.com/ComesaSecretariat/

@twitter.com/comesa_lusaka