

GENDER-SENSITIVE POLICY RECOMMENDATIONS TO SUPPORT WOMEN CROSS-BORDER TRADERS IN MALAWI, THE UNITED REPUBLIC OF TANZANIA AND ZAMBIA



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This advocacy document presents policy recommendations and introduces an implementation framework based on the findings of UNCTAD's (2019) report "Borderline: Women in informal cross-border trade in Malawi, the United Republic of Tanzania and Zambia",¹ which examines cross-border trade in these countries, focusing on women traders.

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¹ UNCTAD. 2019. *Borderline: Women in informal cross-border trade in Malawi, the United Republic of Tanzania and Zambia*, Geneva: UNCTAD.

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EXECUTIVE SUMMARY

Informal cross-border trade² has been a major feature of African economies since the colonial era. It contributes to job creation, especially for vulnerable groups such as poor women and unemployed youth, and food security through the trade of agricultural products. Supporting the growth of informal cross-border traders' trade capacity and their gradual integration into formal trade would help boost trade and the private sector, contributing to overall development goals. Informal cross-border trade is characterized by the predominance of female traders. This is mainly due to women's limited time, mobility, and access to productive resources and support systems, leaving them with few options and making such trade the main or even only source of livelihood for them. Despite their critical role in cross-border trade, women often benefit only marginally from their trading activity due to a number of factors, including policy, institutional, cultural, economic, and regulatory issues.

In the framework of its project on *Informal cross-border trade for empowerment of women, economic development and regional integration in Eastern and Southern Africa*, UNCTAD's Trade, Gender and Development Programme has developed an analytical report³ that examines cross-border trade in Malawi, the United Republic of Tanzania and Zambia, focusing on women traders; three booklets which present key information on existing trade procedures and simplified trade schemes, documentation requirements, rules of origin, taxes and tariffs meant to informal and small-scale cross border traders; and this advocacy document.

The document puts forth policy recommendations and introduces an implementation framework based on the findings of the analytical report. The aim of the advocacy document is to lay out targeted policy recommendations accompanied with relevant stakeholders for implementation. The policy framework aims to support the empowerment of women informal (and small-scale) traders and help them formalize and diversify their economic activities in these three countries, promote local ownership of the policy targets and facilitate follow-up.

Characteristics of women informal cross-border traders

UNCTAD's findings from the field study reveal a number of characteristics of informal cross-border traders in the three regions. Women mostly trade groceries, fresh fruit and vegetables, new clothes and shoes, household items, second-hand clothes and shoes, and meat and fish products.⁴ The top reasons why women engage in small-scale and/or informal cross-border trade are to supplement family income, source products that can be obtained more easily across the border, sell products that allow higher gains across the border, and the proximity of traders' residence to villages and markets in neighbouring countries rather than in their home country. A significant share of these women are single mothers or widows, or have been abandoned by their husbands. Cross-border trade activities are the only source of income for most of the traders, and contribute to their families' subsistence and wellbeing.

² Informal cross-border trade is defined as trade in legitimately produced goods and services that escapes the regulatory framework established by the government, thereby avoiding certain tax and regulatory burdens. These goods and services may be traded by (1) informal (unregistered) traders operating entirely outside the formal economy and passing through unofficial routes, or by (2) formal (registered) traders who fully or partially evade trade related regulations and duties.

³ UNCTAD. 2019. *Borderline: Women in informal cross-border trade in Malawi, the United Republic of Tanzania and Zambia*. Geneva: UNCTAD. The study relies on the results of desk research, online surveys of civil society organizations, and interviews and focus group discussions conducted by UNCTAD in October 2017 during its visits at the selected border crossings (Tunduma/Nakonde, United Republic of Tanzania/Zambia; Songwe/Kasumulu, Malawi/United Republic of Tanzania; and Mwami/Mchinji, Zambia/Malawi).

⁴ Blankets, bed sheets and curtains, and processed food items such as dried fruit or juices are also commonly traded.

Major challenges faced by women informal cross-border traders

Women traders in the three regions report lack of capital and heavy bureaucratic hurdles and obstacles encountered at the border (e.g. harassment and corruption) as the main factors discouraging formalization. Language is also a significant barrier as official documents are usually available only in English. The uncertainty about border procedures and the role of the competent authorities is listed as one of the main challenges across all the borders examined. Most women traders report that they are not clear about the requirements of trading within the law, available schemes to make their trade easier, or applicable duties. Therefore, some continue to pay tariffs even when intra-regional trade is duty-free, and most have little understanding of the value-added tax (VAT), excise duties, customs processing fees. Finally, there are very limited opportunities for higher value addition, diversification, or capital accumulation, leaving most female traders trapped in small-scale and low value-added activities.

Simplified trade regimes (STRs)

One of the policies to respond to some of these challenges is the introduction of simplified trade regimes (STRs). STRs aim to encourage small-scale traders to switch from informal to formal trade by lowering the costs of formal import and export procedures and easing the official trade rules. Both the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC) have in place an STR, whereas the Southern African Development Community (SADC) Secretariat started to develop the mechanism in 2017.⁵ While STRs are a much-needed development, a number of factors impede their full uptake. These include the still high cost of complying with legal requirements of STRs, the lack of exemption from a number of domestic taxes, and the high administrative burden (i.e. non-tariff barriers), which are cumbersome especially for those who carry out transactions of very low value. The list of products that are eligible for the simplified treatment is also quite limited, for example, between Zambia and Malawi. The threshold of US\$2,000 applied in most COMESA borders to allow consignments to benefit from the STR is considered too low. STRs do not apply to goods originating in non-FTA countries, such as imports from China and South Africa. The arbitrary application of rules and requirements by border officers hamper their full implementation. Limited awareness about the STR and issues with access to information about it (e.g. information on clearance procedures and the list of eligible goods) render many informal traders unable to benefit from the existing simplified procedures. Finally, the low presence of Trade Information Desk Officers (TIDOs) at border crossings, and the inconsistent provision of the service due to lack of resources further exacerbates these issues.

Border obstacles and supply-side obstacles

Both border obstacles and supply-side constraints hinder women's capacity to benefit from cross-border trade fully and make the formalization of their business rather unattractive. The findings of UNCTAD's online survey administered to cross-border traders associations show that the top five problems encountered by female informal cross-border traders are limited capacity to trade higher-value-added goods, bribery and corruption at the border, limited capacity to diversify the set of goods they trade, limited access to financial resources, and misinformation about customs procedures and regulations (for instance, regarding the STR). Harassment and personal safety, confiscation of goods at the border, restrictions on trade of certain goods, and payment of undue fees are reported as other major constraints.

Among the border obstacles, *lack of trade facilitation* increases time and costs associated with logistics as well as the number of documents required for each transaction. Such costs and delays create further

⁵ Malawi and Zambia are members of COMESA and SADC. The United Republic of Tanzania is a member of the EAC and SADC. Therefore, the applied tariff regimes among the three countries follow either COMESA or SADC regulations. Most trade among the three countries is free of tariffs. The few items to which tariffs apply are not those traded INFORMALLY.

disincentives for formalization of informal traders. *Inadequate border infrastructure* (e.g. public and private transportation systems, proper warehousing facilities, functional and sufficiently staffed border institutions and agencies) heavily impacts cross-border traders, especially women. For example, women suffer to a greater extent from poor road conditions and limited availability of public transportation, preventing them from reaching more distant and possibly more profitable markets. The results of UNCTAD's online survey confirmed that few border facilities appear to be in place at the borders where the surveyed associations operate. These typically include banking facilities and accommodation (35 per cent indicated that they are very often in place), warehouses and storage facilities (29 per cent indicated their presence), and information desks (27 per cent). Sanitation facilities appear to be even less common, as only 18 per cent of respondents indicate that they are very often available.

Immigration requirements create an additional barrier to the formalization of cross-border traders. A valid passport is required to enter all three countries for 90 days; passports are issued only in capital cities with varying costs. A national ID is also accepted, and border passes are sufficient when the border scheme is in place. There is no need for any documentation if cross-border traders are trading within a perimeter of 10 km from the border. The United Republic of Tanzania and Zambia also require yellow fever certificates from all visitors. *Corruption and insecurity* is another border obstacle that disproportionately affects female cross-border traders, who are more vulnerable to verbal and physical harassment than male traders. Women reportedly spend longer hours clearing their goods at the border due to prolonged inspections, and in some cases, there are reports of harassment by customs officials or security officers at the borders.

Supply-side obstacles hamper traders' capacity to produce and subsequently sell products through cross-border trade, as well as to expand their business and add value to it. Many of these obstacles are gendered affecting women to a greater extent than men. *Access to finance* is one of the biggest challenges (for instance, due to lack of collateral) for traders, especially for women; this was confirmed by UNCTAD's field findings at all borders visited. Moreover, the fluctuation of the national currency and the lack of foreign exchange services renders traders vulnerable to abuse by black market operators. The gender gap in *productivity in agriculture and access to land* (i.e. ownership or ability to operate land) hinders women's chances to transition into higher-value tasks, and to produce value-added agricultural products that could lead to higher cross-border trade earnings. Women's primary responsibility for childcare and other domestic chores further deprive women of time necessary for productive activities.

Access to markets and information and communications technology is critical for success in business, and it is a struggle for cross-border traders, and especially women, to find profitable markets beyond occasional street selling in border areas. Weak technical skills, such as in packaging and marketing, also negatively

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