

## Leveraging the AfCFTA trade facilitation regime to advance formalisation strategies for Informal Cross-Border Traders (ICBTs) in Africa

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Economists estimate that a sizeable part of intra-African trade currently goes unrecorded, and this presents challenges for the regional integration agenda in the region[1]. The Economic Commission for Africa (ECA) (2021) estimates that the contribution of informal trade is equivalent to 16% of formal intra-African trade flows, and between 30% and 72% of formal trade between neighbouring countries. Although a significant portion of trade, informal cross-border traders (ICBTs) face the most challenges to cross-border trade and are usually overlooked in trade facilitation reforms. The increasing magnitude of ICBTs and their importance to African trade and food security suggest that policy reforms should be targeted at addressing the extensive barriers to ICBT trade.

The African region can leverage on the African Continental Free Trade Area (AfCFTA) to propel its formalisation strategies for the informal sector. State parties must utilise the AfCFTA platform and rapport to propel formalisation strategies, including strategies that focus on the protection of human rights[2]. These approaches recognise the basic human rights of women traders (as they make up the majority of small-scale cross-border traders and informal traders) and ensure that women traders are protected from harassment. Additionally, the human rights approach ensures that the gendered needs of women – which are normally not catered for in cross-border trade policies – are met. The region can thus utilise women empowerment mechanisms at AfCFTA level and the African Union to propel more women-owned small businesses to integrate into regional value chains[3].

The AfCFTA has decided to implement trade facilitation measures based on the “good practices” principle, hence, mechanisms that have been proven to be effective towards ICBT improvement will be disseminated to other RECs in the region to ensure harmonisation of trade policies across AfCFTA State Parties. Therefore, State Parties can utilise these mechanisms to support formalisation by exploiting efforts and initiatives by African RECs meant to facilitate and support ICBTs. For example, the uptake of electronic payment systems such as mobile money options, online payments and digital credit services can be distributed throughout the RECs to facilitate payments for goods and associated duties. Digital platforms include the SADC Integrated Regional Electronic Settlement System (SIRESS) launched in 2013 and the M-Pesa that has been implemented in Tanzania, Uganda, and Kenya[2]. Also, single tax regimes have been implemented in COMESA and ECOWAS – as part of the simplified trade regime (STR) – as policy and legislative interventions to aid formalisation[4]. These encourage ICBTs to register and file for taxes through simplified processes and improve data capture. STR measures are particularly important for ICBTs because they have limited capacity and resources to deal with complex compliance requirements and cannot easily absorb trade-related fees. Under the AfCFTA, plans are underway to develop a continental STR to facilitate small-scale trade; adopt standards for the treatment of ICBTs to facilitate quicker clearance of goods; reduce trade costs, and ensure the benefits of the AfCFTA extend to ICBTs[5].

Some AfCFTA State Parties have put in place incentives and compliance measures to support formalisation. These measures ensure better access to markets and credit facilities for ICBTs and other traders. For example, co-operatives have enabled traders in Rwanda to access credit facilities[6]. In the EAC, the African Banking Corporation, the East Africa Exchange and the East Africa Farmer Federation set up a Grain Trade Financing facility that gives farmers access to credit and other crop management services. Other initiatives bring together the private sector, development partners in the region and the government to assist with formalisation campaigns. For example, the Charter for Cross-Border Traders, found in Malawi and Zambia, is a joint initiative to address issues faced by ICBTs[2]. African states must leverage on the AfCFTA stakeholder sensitising campaigns to educate ICBTs on these schemes and on the advantages of formalising their cross-border transactions such as access to up-to-date information on cross-border business opportunities; marketing and business development advice; and opportunities to participate in trade fairs.

Strategies to address non-tariff barriers (NTBs) are part of the agenda of the AfCFTA trade facilitation regime. The AfCFTA – through the objectives of its trade facilitation annexes – thus presents an opportunity for State Parties to regulate ICBTs to generate revenue. The AfCFTA trade facilitation provisions are expected to incentivise ICBTs to register to trade formally by:

- simplifying trading formalities and reducing documentation requirements;
- reducing import/export fees;
- expediting the release and clearance of goods;
- enhancing transparency and predictability of trade-related processes;
- and improving border agency cooperation (both within and across countries)[7].

These issues will ensure that cross-border traders of all sizes can benefit from the AfCFTA trade facilitation regime.

For the benefits of the AfCFTA to trickle down, policy makers should adequately consider ICBT when designing and implementing trade policies. The objectives of the AfCFTA trade facilitation annexes cannot be fully achieved if some challenges affecting ICBTs are not addressed. This is so especially if these issues have the potential to impact the implementation of the legal instruments of the AfCFTA. For instance, issues likely to affect effective implementation include a lack of consultation with ICBTs as stakeholders and/or low consideration for ICBTs in trade policy issues[8]. It can also be argued that because of the oversight of ICBTs in the regional integration framework, some of the issues faced by these traders are due to the deficient implementation of regional trading protocols. Therefore, the AfCFTA framework is an opportunity to harmonise ICBT policies, bring the issue of ICBTs to the forefront, address poor implementation of trade facilitation mechanisms, and address constraints to facilitating trade for this group. It is very clear though, that national strategies for the formalisation of ICBTs are needed to complement the opportunities offered by the AfCFTA.

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## End notes

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tralac gratefully acknowledges the support of its Development Partners

