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The Treatment of Informal Cross-Border Traders (ICBT) In The
Legal Framework of the AfCFTA Trade Facilitation Regime
What Are The Issues and Recommendations?



Some interesting facts...

TRADERS WHO ENGAGE IN INFORMAL TRADE CAN BE:

Registered operators who evade trade-related regulations and duties by avoiding official border crossing.

01

In Rwanda, the Ministry of Trade and Development estimated that informal exports to neighbouring countries were more than 50% higher than formal exports in 2011.

Unregistered operators who operate entirely outside the formal economy.

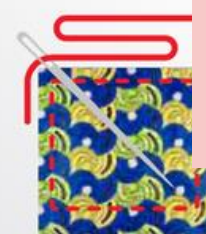
02

A large share of intra-Africa trade is informal, small-scale, cross-border and unrecorded.

Registered operators who use official border crossing but who partially evade trade-related regulations and duties, for instance by resorting to the practice of under-invoicing.

03

In West Africa, particularly in Benin and Nigeria, informal cross border trade represents approximately 75% and 20% of GDP in the respective countries.
- ECA



Chitenge fabrics



clothes

Some interesting facts...

CROSS-BORDER TRADE IS INFORMAL WHEN:

01

It is carried out by avoiding border stations.

02

It is carried out through border stations, but goods are partially concealed, are under-declared, misclassified or under-invoiced.

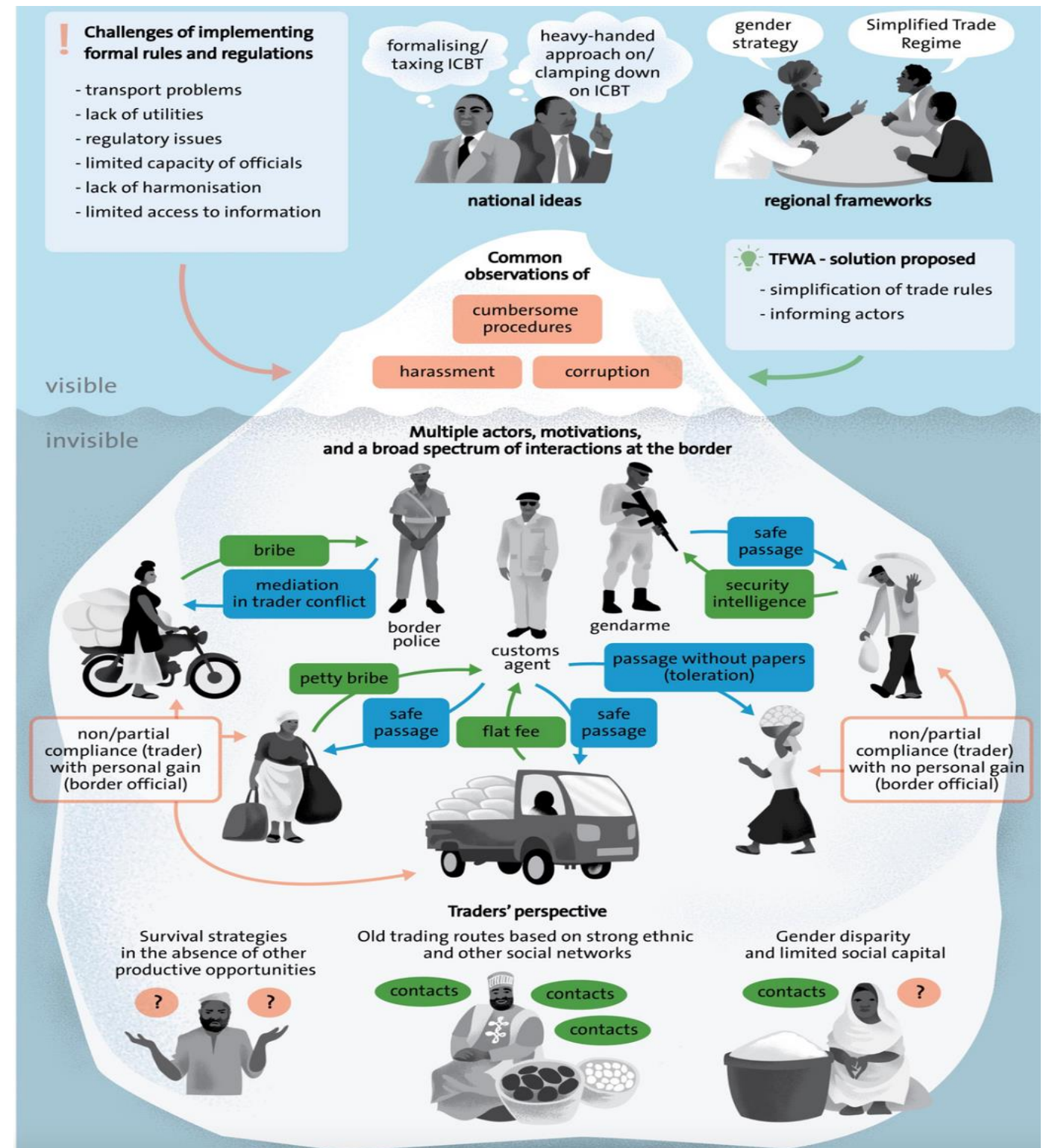
The majority of traders are women (60-70%) - AfDB

ICBT amounted to 30-40% of total intra-regional trade in the SADC OECD



Factors influencing informal trade

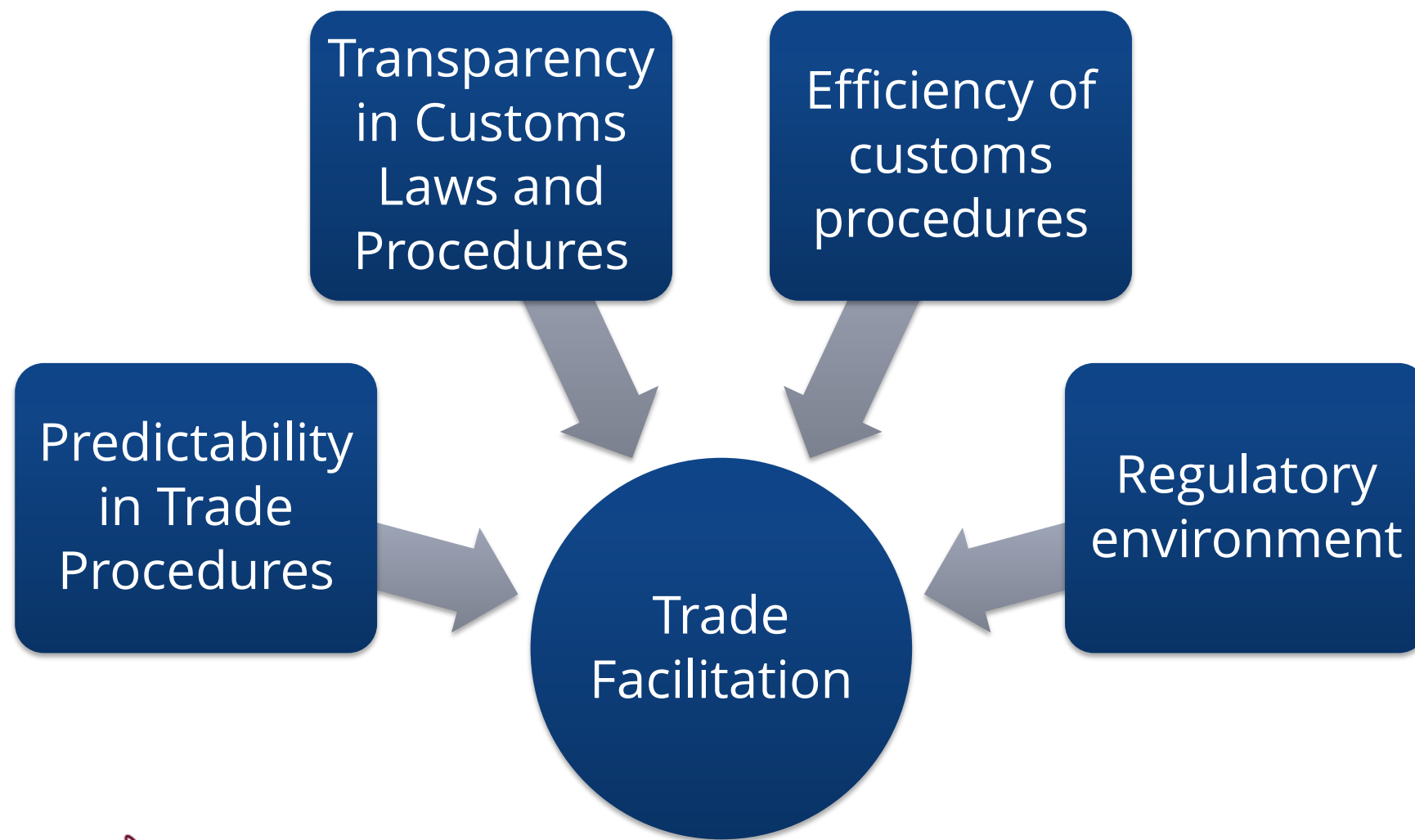
- Limited access to finance
- Limited access to and use of mobile technology
- Non-tariff barriers
- Sexual harassment, corruption, and red tape
- Poor trade-related infrastructure
- Cumbersome customs procedures and regulations



ICBT and the AfCFTA Trade Facilitation Regime

Overall agenda of the AfCFTA trade facilitation annexes:

To put in place processes to eliminate trade barriers in the region, attain harmonisation of customs laws and procedures in the region and effectively implement trade facilitation instruments under the agreement establishing the AfCFTA across Africa.



Annex 3: Customs Cooperation And Mutual Administrative Assistance
Annex 4: Trade Facilitation
Annex 5: Non-tariff Barriers
Annex 8: Transit Trade And Transit Facilitation

ICBT and the AfCFTA Trade Facilitation Regime

So what do these trade facilitation annexes mean for ICBTs?

- ✓ Utilising digital tools and electronic payment systems such as mobile money options, online payments and digital credit services - PAPSS
- ✓ Make customs procedures and regulations more transparent in the region
- ✓ Introducing a [Continental Simplified Trade Regime \(CSTR\)](#), since the cross border traders operating under such a regime would no longer be trading informally.
- ✓ Efforts towards simplifying processes and administration, as well as reducing registration fees and compliance costs
- ✓ Lack of consultation with ICBTs as stakeholders in trade = lack of participation by SSCBTs in trade policy issues

The inclusion of an ICBT chapter in AfCFTA will help to **address some of the key challenges** for this sector.

The AfCFTA trade facilitation framework is an opportunity to present **harmonized policies** that brings the issue of ICBTs to the forefront and **address constraints to facilitating trade** for this group.

Using AfCFTA to informal cross border traders' advantage

There are many ways that the AfCFTA can support ICBTs and promote their participation in trade:

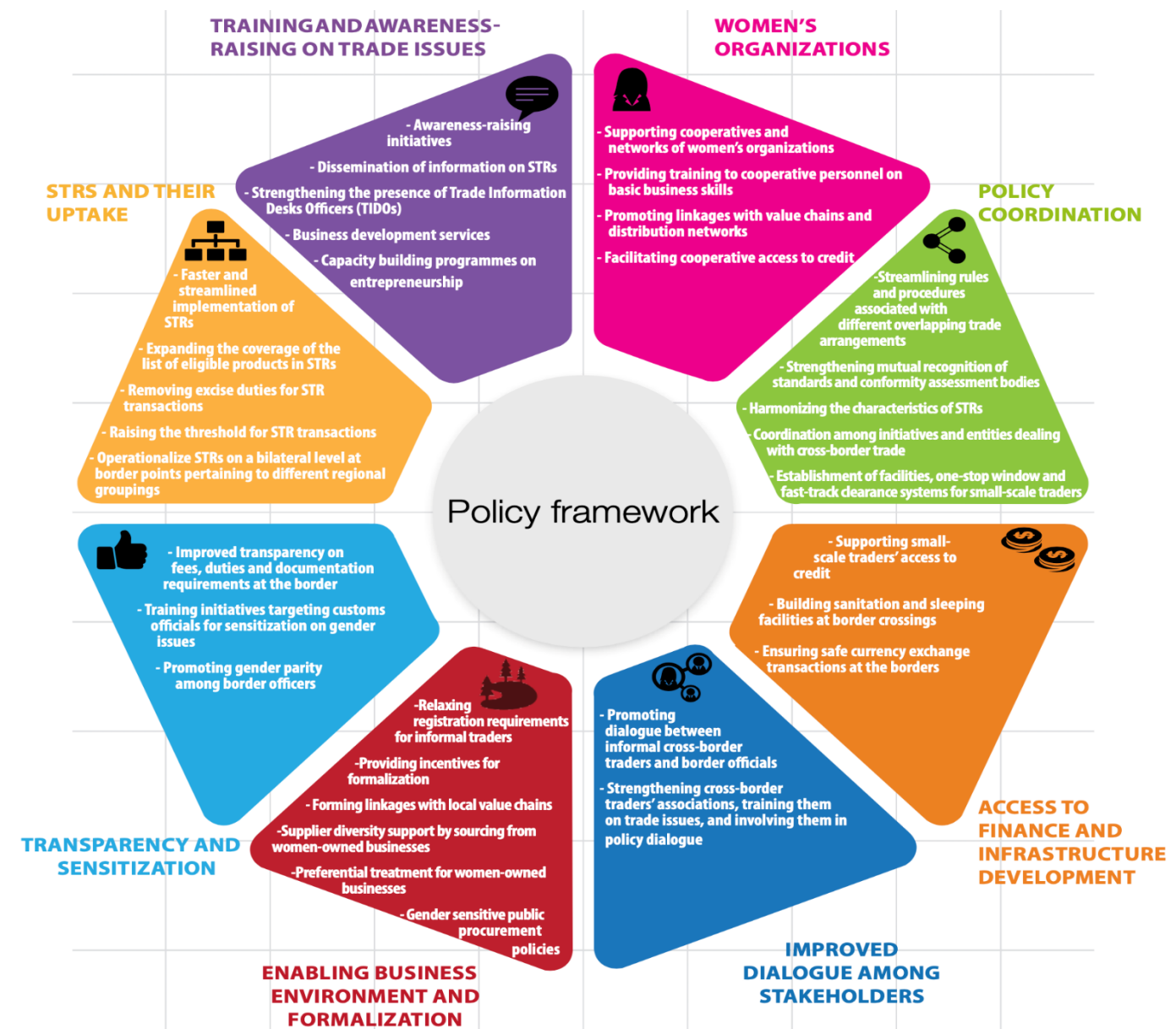
1. **Free movement** of informal cross border traders (Protocol on Free Movement of Persons, Right of Residence and Right of Establishment)
2. Develop **human and technological capacity** of SMEs in Africa
3. **Non-Tariff Barriers** (NTBs) and reduction of tariffs (Annex 5)
4. Supporting the **formalization** of ICBT (next slide)
5. **Financial inclusion**



Using AfCFTA to informal cross border traders' advantage

– Regional arrangements to facilitate the formalization of ICBT

- For example:
 - Single tax regimes (COMESA, and ECOWAS)
 - Charter for Cross-Border Traders (Malawi and Zambia)
 - Co-operatives to access credit (Rwanda)
 - Trade information desks (COMESA TIDOs)
 - One stop border posts (OSBPs)



Some recommendations...

- The AfCFTA, through new and continued research and capacity-building activities, must deploy interventions that tackle two main issues:
 1. Address the complexity and opacity of trade barriers to ICBT, in a context of multiple overlapping trade arrangements (RECs) in the African region.
 2. How to accommodate the specificities of ICBT, especially women, when designing and implementing suitable supply side services that support cross-border trade flows
- What is needed to ensure that the implementation of AfCFTA is a deliberate gender responsive instrument for women in ICBT is that the individual state commitments to the tenets of gender equality and to structural transformation in society are indeed integrated into national and regional policies to facilitate trade within Africa. – African Peer Review Mechanism (2022)

A query, my
dearies...

Kahoot!



References...

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- <https://ecdpm.org/wp-content/uploads/System-Not-Error-Informal-Cross-Border-Trade-West-Africa-ECDPM-Discussion-Paper-300-2021.pdf>
- https://au.int/sites/default/files/documents/41579-doc-study_on_opportunities_in_the_afcfta_for_women_in_informal_and_cross-border_trade.pdf
- <https://futureafricaforum.org/the-role-of-the-afcfta-in-improving-informal-cross-border-trade-in-africa-2/>

THANK
YOU
KINDLY

The
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