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Informality and its trade impacts for MSMEs

Barriers to transitioning from informal to formal sectors, and supportive legislative frameworks and role of international cooperation

The Case of Small-Scale (Informal) Cross Border Traders (SSCBTs) in the COMESA & ECOWAS Regions

A presentation to: WTO Informal Working Group Meeting on MSMEs
By: International Trade Centre
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Informality & its Impact – SSCBT in COMESA Region

Barriers to transitioning to formal sectors

- **SSCBT** plays crucial role in the lives of millions of people in Africa: **jobs, income, livelihoods** and **food security** – fall largely under the **informal sector** – **women** taking the majority in the activity.
- **Key barriers** for SSCBT have remained to be:
 - Limited implementation of conducive trade frameworks such as the simplified trade regime (STR)
 - Social and demographic conditions
 - Education and literacy: awareness
 - Limited access to resources, such as finance.
 - Cost of doing formal trade across borders
 - Number and geographical locations of border posts
 - Inefficiency border processes, long customs delays encourage informality
 - Non-tariff barriers: corruption, bribery and harassment
 - The thrust to penetrate protected markets
 - Limited access to trade and market intelligence
- **Impacts** of informality:
 - compromises on the safety, security; quality and level of trade and traders, and hence the scale of opportunities.

Legislative Frameworks for transitioning to formality

- Continued efforts are paramount to substantially impact the **transitioning** of **SSCBT** to **formal trade practices**. These may include:
 - Implementation of appropriate (gender focused) policies, legislations and regulatory frameworks:
 - *that support and empower women in CBT,*
 - *reduce tax & regulatory burden,*
 - *facilitate access to finance,*
 - *build infrastructure (border markets and border posts) that appeal to the traders*
 - *Grant protection to vulnerable SSCBT communities from corruption, bribery and harassment*
 - Legislation promoting reduction of the cost of border-crossing
 - Ratification and implementation of Free Movement Protocols across borders
 - Implementation of the right institutional framework to capture data on the scope and level of SSCBT to aid the crafting of appropriate policy and legislations

Role of International Cooperation

- Over the last several decades **Increasing focus** has been given to Informal/SSCBTs by many international organizations and development partners: COMESA, SADC, ILO, UNCTAD, WB, UN Women, FAO, WFP, ITC, IOM, donor communities, etc.
 - *to support policy, legislative & regulatory frameworks as well as facilitate the trade and business environment for SSCBTs.*
- Overall, recognizing the role of SSCBT in livelihoods and food security, international cooperation can continue to foster initiatives to help:
 - *implement enabling environments to harness the potential of SSCBT*
 - *implement multi-sectoral responses to reduce non-tariff barriers, such as harassment, bribery and corruption experienced by SSCBTs*
 - *Improve structured awareness of regional, continental and global trade procedures and practices*
 - *Support institutional frameworks to facilitate access to trade support and business development services*
 - *Develop SSCBT business, including through facilitating access to finance*
 - *remove barriers preventing free movement of persons*
 - *Data management on SSCBT*

Case of ITC support to promote formal SSCBT in COMESA

Joint implementation of the COMESA Cross border trade initiative to support the formalization of SSCBT.

- **Awareness creation and capacity building trainings:** SSCBTs, TIDOs, border officials & relevant authorities to shape behaviors to doing safe, secure and formal cross border trade (5 border posts, 7 countries)
- Support to **public private dialogues** on establishment of joint border committee to advocate and facilitate the implementation of the simplified trade regime
- **Trade facilitation communication materials & campaigns** to raise and promote awareness of small-scale cross-border trade in the COMESA region.
- **Strengthening institutions:** cross border traders associations (CBTAs) to foster advocacy and improved service delivery for SSCBTs
 - *Enhanced operational, management and leadership capacities*
 - *Development of service portfolios: advocacy, information provision, training, etc.*
 - *Establishment of national level & regional CBTAs: Cross Border Traders Network of the Eastern and Southern Africa (CBTNESA)*
 - *Supporting advocacy conference e.g. Women Cross Border Traders Conference*

Informal Cross-Border Trade in ECOWAS – focus on data

- Actors:
 - WACTAF: trade, food and nutritional security – main implementing partner
 - CILSS: drought control in Sahel
 - ECOWAS
- Scope of ECO-ICBT database:
 - 70+ products: Agro-forestry-pastoral and fisheries
 - 18 countries: CILSS, ECOWAS, +
- Results:
 - Many transactions collected, concentration (products, corridors, transports)
 - Dissemination: [ECO-ICBT Tableau Dashboard](#) | [Tableau Public](#)

CEDEAO : commerce informel transfrontalier

- Acteurs :
 - AOCTA: commerce, nourriture et sécurité alimentaire – partenaire principal
 - CILSS: Lutte contre la Sécheresse au Sahel
 - CEDEAO
- Cadre de la base ECO-ICBT :
 - 70+ produits: Agroforesterie-pastorale et ressources halieutiques
 - 18 pays: CILSS, CEDEAO, +
- Résultats :
 - Beaucoup de transactions, concentration (produits, corridors, transports)
 - Diffusion : [ECO-ICBT Tableau Dashboard | Tableau Public](#)