



**ANALYSIS REPORT ON  
TRENDS AND PATTERNS IN  
RESILIENCE AND INNOVATION  
BY INFORMAL  
CROSS BORDER TRADERS  
IN EAST AFRICA:**

CASE STUDY OF YOUTH AND  
FEMALE-OWNED BUSINESSES  
BEFORE & POST-COVID-19

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# EXECUTIVE SUMMARY

This report presents a comprehensive understanding of the trends and patterns in resilience and innovation by informal cross-border trade (ICBT) in East Africa. By synthesizing data collected from more than 20,000 ICBTs throughout the region before, during, and after the COVID-19 pandemic, this report presents a case study of the innovations that helped ICBTs learn to ‘live with COVID’ and those adaptations that are driving recovery. Resilience and innovation are explored from three key perspectives, which are present throughout the report: digitalization; access to finance; and safety. Specific attention is paid to the unique experience of women and youth with the objective to identifying entry points for inclusive and meaningful development in the ICBT sector.

This report establishes an analytical timeline that focuses on three periods: the pre-pandemic period, between 2018-01 and 2020-03; the pandemic period, generally between 2020-03 and 2020-09; and the post-pandemic period, between 2020-09 and 2023-02.

The primary target sample was informal and small-scale ICBTs on the mutual borders of Kenya, Uganda, Rwanda, and Tanzania. ICBTs were previously identified from ICBT users of a cross-border market information platform present in the target sample countries, Sauti East Africa. Data was collected with four data collection instruments (number of respondents in brackets):

- 1.** Large-scale SMS/USSD-based structured questionnaires via Sauti East Africa’s ICBT-focused market and information platform, collected between 2018-01 and 2023-02 (~22,728 ICBTs)
- 2.** Cross-border trader’s digital experience with ICT tools via Sauti East Africa’s ICBT-focused market and information platform, collected between 2018-01 and 2023-02 (~22,728 ICBTs)
- 3.** Longer SMS/USSD-based structured questionnaires of targeted ICBTs collected between 2022-12 and 2023-02 (~508 ICBTs)
  - a. Digital Literacy (Response rate: 6.5%, 205 respondents)
  - b. Safety and Security (Response rate: 6.7%, 207 respondents)
  - c. Social Protection (Response rate: 5.5%, 169 respondents)
  - d. Financial Inclusion (Response rate: 6.6%, 203 respondents)
- 4.** Agricultural spot price data collected between 2018-01 and 2023-02 (~84,232 weekly prices)

With this data, East African ICBTs are profiled with specific focus on the characteristics of gender, youth, education level, and firm behaviour to 1) to build awareness of the importance of ICBTs to the success of regional trade agendas (such as AfCFTA and trade facilitation initiatives); and 2) to identify program-specific considerations when designing facilitative activities. Highlights from this profiling of East African ICBTs are:

- ❑ Women are estimated to comprise between 75-85 percent of ICBTs;
- ❑ 68.4% of ICBTs are identified as under the age of 35 and classify as youth.
- ❑ Between one-third and half of ICBTs have, at most, a primary education.
- ❑ Between 74.5 and 90.4% of ICBT trade in the region is in agricultural/food commodities
- ❑ Women traders make an average purchase of USD \$123.83 each time they cross the border, compared to \$167.90 by men.

The impact of COVID-19 on East African ICBT is analyzed from a macroeconomic and microeconomic perspective. In the immediate post-COVID period, the prices of products traded by the majority of ICBTs increased by an average of 4.7%, compared to the two years price average before the pandemic. Moreover, the most popular product traded by ICBTs, maize products, has increased by an average of 5.1%-6.3%. Microeconomic impacts included: challenges from restrictions on movement, health precautions, and official border closures; increased debt distress; increased corruption and harassment rates; and supply chain disruptions.

The business practices and innovations employed by ICBTs to ‘cope with’ and mitigate the impact of COVID-19 are also explored. Key findings are:

- ❑ A significant number of ICBTs coped with the pandemic by modifying their trade destinations to trade within domestic markets, rather than in cross-border markets. During the pre-pandemic period (between 2018-01 and 2020-02), traders indicated that 66.4% of their sourcing and selling was conducted in cross-border marketplaces. During the height of movement restrictions (2020-03 to 2020-09) in Kenya, this figure had dropped to 39.2% for the average ICBT.
- ❑ 55.4% of respondents in this report’s ICBT surveys indicated that they were members of a cross-border trade association, of which, 33.7% indicated that their association was a source of support to clear goods when the border was closed.
- ❑ 34.9% of survey respondents stated that they sought more loan financing than they typically would during the COVID-19 pandemic. Mobile lenders were one of the most frequently sought-after sources of emergency loans during the pandemic, with 29.5% of borrowers having most recently taken a mobile loan.
- ❑ 84.9% of survey respondents stated that they made/received most payments through mobile money during COVID-19. 36.4% indicated that they used their phones to buy and sell their products online.

In an analysis of the factors of recovery, key findings include:

#### *Digitalization*

- ❑ Smartphone use was relatively low among East African ICBTs: 38.5% were found to use smartphones in their business activities. Women and youth were found to be slightly more likely to use smartphones in their business.

- ❑ Despite the opportunities from e-commerce in East Africa's economic recovery, there are wider prerequisite issues that restrict ICBTs from taking full advantage of e-commerce, such as poor adoption of the necessary devices (e.g., smartphones or laptops) among ICBTs, limited internet connectivity, and lack of sufficient digital literacy.

#### *Access to Finance*

- ❑ A large majority (85.5%) of survey respondents indicated that they were willing to take on new business loans in the future to mitigate crisis shocks, however, many (36.6%) stated that they do not know where to get a loan applicable to their ICBT business, 28.3% indicated that they do not meet the traditional credit history requirements, and 13.2% of them do not have valid identification documents.

#### *Safety*

- ❑ The likelihood of negative experiences when ICBTs cross borders has reduced to 26.2% per crossing as of 2023-02, down from the pandemic high of 57.5%. These incident rates were much higher for WICBTs and for youth.
- ❑ A significant number (52.7%) of ICBT respondents indicated that they did not report incidents of corruption or harassment to official institutions for fear of intimidation.

An analysis of the historic and current data on East African ICBT gives a glimpse on the future trends and patterns of resilience in informal trade.

### **Recovery, Innovation, and Trends after COVID-19**

#### **The role of e-commerce systems in facilitating resilient trade**

- ❑ ICT-driven enhancements to East Africa's regional trade environment (e.g. Single Electronic Windows) have made significant progress reducing many of the transaction costs associated with trade across borders, expanding market access, and improving competitiveness.
- ❑ By far, social media platforms like Facebook, Instagram, and WhatsApp groups provide the main avenues for ICBTs to find and connect with each other.
- ❑ Other e-commerce platforms are providing opportunities for ICBTs to move further up regional value chains and work directly with higher paying (often urban) customers. However, very few ICBTs (9.7%) indicated that they currently use e-commerce platforms other than the social media channels above to support their business.
- ❑ Despite e-commerce being essential for economic recovery, its impact on East African ICBTs is constricted by poor adoption of the necessary devices (e.g., smartphones or laptops) among ICBTs, limited internet connectivity, and lack of sufficient digital literacy pose significant hurdles to a digital-led recovery in East Africa.



### **The role of digital payment platforms for mobile transactions**

- ❑ The pandemic accelerated the adoption of digital payment platforms (such as M-Pesa), and with the reduction of many mobile operators' transaction fees, and a large majority (84.9%) of survey respondents stated that they made/received most payments through mobile money during COVID-19.
- ❑ Traditionally, poor mobile wallet interoperability between countries and digital payment providers has limited adoption for ICBTs. However, innovations made during the pandemic suggest that these technical barriers can be overcome and would be welcomed by the ICBT sector, especially by women and youth.

### **The role of market systems digitalization and market data**

- ❑ For informal ICBTs, the volatility of informal market conditions and the small scale of their business activities make them especially sensitive to changing market conditions. Additionally, the volatility of climate change for farmers in high-risk areas (e.g. Northern Kenya) means that up-to-date information is more important in determining financing decisions.
- ❑ Increasing systems digitalization by government and private actors is making available new information resources for informal ICBTs to manage their business decisions.
- ❑ However, few information resources are available to (or in development for) ICBTs that meet a) the scope and scale of their comparatively smaller operations, relative to large multinational exporters, and b) accessibility for ICBTs. Few future and proposed solutions target both these barriers.

### **The role of innovative financing and ICBT trade finance in providing access to credit**

- ❑ Informal ICBTs are poorly suited to accessing formal debt finance, due in part to limited credit history, under-collateralization, or lack of comprehensive financial records.
- ❑ Microfinance is also being powered by digital solutions to increase the reach and accessibility of Africa's remote populations. For women especially, financial services delivered via mobile phone can bridge the last-mile gap and bring financial tools and services directly to women where they work and live.
- ❑ Village savings loan associations (VSLAs) have shown to be popular with youth-led ICBTs who, as members, can access capital several times larger than their own individual savings. The social and transparent nature of VSLAs also improves the accessibility of finance for ICBTs with lower financial literacy, who can instead bank on their social networks.
- ❑ Digital credit mechanisms are also one financing avenue that ICBTs are increasingly using to overcome the requirements of collateral and last-mile accessibility.

### **The role of justice mechanisms in ensuring safe trade**

### The role of justice mechanisms in ensuring safe trade

- ❑ Currently, a significant number (52.7%) of ICBT respondents indicated that they did not report incidents of corruption or harassment that they experienced to official justice institutions during the pandemic, for fear of further intimidation or self-incrimination.
- ❑ Communications are poor between ICBT communities and justice officials and do not show many signs of improvement. The lack of trust between these communities is likely to continue reinforcing barriers in access to justice for ICBTs.

### The role of trade associations in ensuring safe trade

- ❑ Survey data indicates that most respondents (55.4%) were currently members of cross-border trade associations, of which a third of those respondents were supported by their trade association during the pandemic.
- ❑ For many women traders, trade associations provide one of the few resources for meaningful and accessible information regarding sexual harassment reporting, sexual and gender-based violence (SGBV) resources, and SGBV rights information.
- ❑ Cooperatives have also been noted to help their members overcome collective action problems that may otherwise lead to harassment, such as collectively negotiating better prices for their commodities, organizing bulk transportation, and sharing secure storage resources.
- ❑ As avenues for advocacy are more robust for formalized organizations, cooperatives are likely to operate as significant players for ICBT advocacy in the future.

Lastly, the report concludes with recommendations that UNDP and other stakeholders (e.g. private sector, business councils, regional organizations and governments) that target digitalization, access to finance, and safety as ICBT-related pathways for recovery after the COVID 19 pandemic. The recommendations are presented in the table below:

Digitalization	Access to Finance	Safety
<ul style="list-style-type: none"> <li>❑ Consider ICBTs level of technology and promote “accessible-first” ICT-led trade facilitation</li> <li>❑ Digital-based solutions are a promising avenue to target women and youth-led ICBTs</li> <li>❑ Promote cross-border fintech, paperless trading, and mobile money integration and interoperability</li> <li>❑ Promote data integration between ICBT-relevant data services</li> <li>❑ Promote e-commerce channels and platforms already in use by ICBTs</li> </ul>	<ul style="list-style-type: none"> <li>❑ Support scale-up financing programs and the development of financial products and services suitable for ICBTs</li> <li>❑ Work with mobile lenders to support innovative financing for ICBTs</li> <li>❑ Provide formalization and technical training support to microfinance groups supporting ICBTs</li> </ul>	<ul style="list-style-type: none"> <li>❑ Promote trust and dialogue with trade officials</li> <li>❑ Provide support for programs that address the accessibility and effectiveness of ICBT-related justice institutions</li> <li>❑ Capitalize on AfCFTA policy implementation to promote ICBT dialogue and official communication</li> </ul>

# ACRONYMS

<b>ABC</b>	Africa Borderlands Centre
<b>AFYWL</b>	African Young Women Leaders
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>COVID</b>	Coronavirus Disease
<b>EAC</b>	East African Community
<b>ICBT</b>	Informal Cross Border Trade(r)
<b>ICT</b>	Information And Communications Technology
<b>INGO</b>	International Non-Governmental Organization
<b>KAMIS</b>	Kenya Agricultural Market Information System
<b>SEW</b>	Single Electronic Window
<b>SGBV</b>	Sexual And Gender-Based Violence
<b>SMS</b>	Short Message Service
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNDP</b>	United Nations Development Programme
<b>USD</b>	United States Dollar
<b>USSD</b>	Unstructured Supplementary Service Data





## 4.0 INTRODUCTION

The COVID-19 pandemic brought new challenges for cross-border trade in Africa. To prevent the spread of the virus, countries in the East African Community (EAC) imposed restrictions, including border closures, lockdowns, curfews and travel bans. As a result, cross-border supply chains were significantly disrupted and the livelihoods, safety and well-being of informal cross border traders (ICBT) were placed at risk. Moreover, women and youth comprise significant segments of ICBTs and are heavily dependent on cross-border trade as their main source of income and economic empowerment.<sup>1</sup> With the most extreme COVID-related restrictions now lifted, analysts have an opportunity to evaluate cross-border traders experiences with vulnerability and resilience during the pandemic and ultimately identify areas for future economic development.

The United Nations Development Programme (UNDP) launched the Africa Borderlands Centre (ABC) in February 2021 to respond to the development gap in the borderlands regions. The centre integrates data, research, and policy with technical advice to better design, implement and adapt development programs for border regions across Africa.<sup>2</sup> Thus, playing a critical role in developing insights on ICBT dynamics and the process of resilience building and innovation by ICBTs in the pandemic.

### Purpose of the Study

This study was assigned by the United Nations Development Program's Africa Borderlands Centre (ABC) team to analyze the impacts of the COVID-19 pandemic on regional trade done by ICBTs. UNDP Africa Borderlands Centre seeks to develop a comprehensive understanding of the current and future trends and patterns in resilience and innovation by informal cross-border trade in East Africa. The knowledge curated will be utilised to stimulate the development of policies at national and regional levels for governments, regional organisations, development practitioners and other key stakeholders invested in borderlands development. Furthermore, the ABC initiative aims to strengthen and maximise ICBTs' opportunities to participate in African Continental Free Trade Area (AfCTA).

Specifically, the study was guided by the following objectives:

- To identify the trends and patterns of pre, during, and post COVID-19 resilience and innovation by ICBTs;
- To identify existing and potential opportunities that target recognition and reduction of the digital, financial, and safety burdens of women and youth cross-border traders in the informal sector at the community, borders, national and regional levels;
- To forecast ICBTs' progress towards closing the digital gap, financial gap, and creating a safer work environment, and ultimately generating concrete policy and practice recommendations that improve women and youth cross-border traders' resilience and coping mechanisms; and,
- To give specific recommendations for governments, development partners, and international non-governmental organizations (e.g. UNDP).



This methodology was applied to identify and measure patterns of resilience and innovation in:

- **Digitalization:** The level of digital literacy, smartphone adoption, access to the internet, and integration of digital resources (e.g. communication and e-commerce platforms) to address business vulnerabilities.
- **Access to Finance:** The use of formal and informal banking institutions, creditworthiness, entrepreneurial capacity, risk perception and mitigation and resilience strategies.
- **Safety:** The level of confidence in crossing the border, incidents of corruption/harassment, official and unofficial border routes, and the future of cross-border mobility.

## 5.0 METHODOLOGY

Working definitions of vulnerability are not uniform throughout the vulnerability literature and generally vary according to the nature of the threat under study. Additionally, related concepts such as risk, hazard, exposure, and resilience, complicate the synthesis of a uniform definition of vulnerability. The three parts of the analytical framework that guide this report are highlighted in the figure below.



The first part of the vulnerability framework is intuitive: the shock. The threat and spread of the COVID-19 pandemic grew rapidly and indiscriminately in the region. The second part, vulnerabilities & impact, highlights the immediate changes in ICBT economic behavior and damage to the ICBT system, due to their extreme exposure to COVID-related shocks (e.g. border closures). Lastly, resilience & adaptation focuses on ICBT's business changes as they learned to 'live with COVID.' At the same time, this also covers ICBTs drive to recovery and a return to 'normal.' This more closely relates to notions of 'business continuity' after the impacts of COVID. Further, innovation in resilience during this period refers to 'learning' and the adoption of new business strategies which was catalyzed by the shared COVID pandemic experience in the informal sector.

Additionally, an analytical timeline with three periods is also established to aid contextual comparisons of vulnerability and resilience. First, the "pre-pandemic period," between 2018-01 and 2020-03; then the "pandemic period," determined between 2020-03 and 2020-09 when the region imposed the most restrictive administrative measures; and finally, the "post-pandemic period" determined as 2020-09 to the time of writing this report (2023-02).

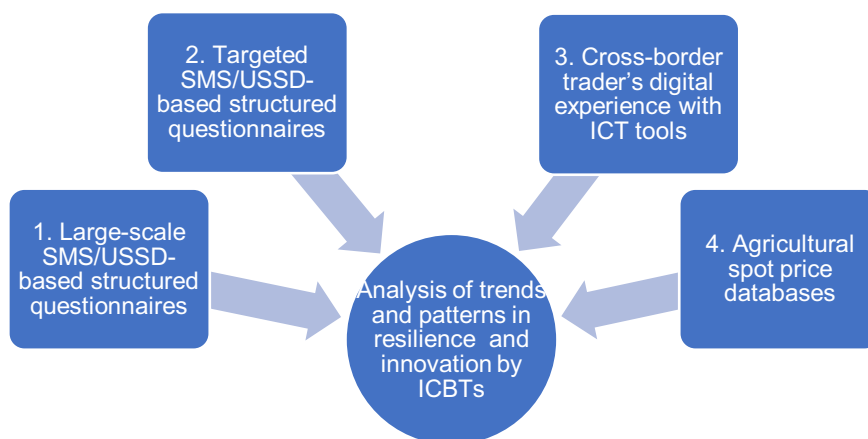
## 5.1 Data Collection Instruments

The broad nature of this assignment’s objectives required a variety of data collection techniques from multiple sources. The relevancy of initial thematic areas to collect data involved a literature review of research papers, case studies, newspaper articles and policy related to informal cross-border youth and women traders from the East African region.<sup>3</sup>

The primary target sample was informal and small-scale ICBTs on the mutual borders of Kenya, Uganda, Rwanda, and Tanzania. ICBTs were previously identified from a cross-border market information platform, Sauti East Africa, which makes available ICBT-related information in exchange for participation in surveys.

This study compiles data from four different instruments. Participation breakdowns (i.e. by country, gender, age) are provided in the table at the end of this section:

### *Data Collection Instruments for this report*



- 1. Large-scale Short Message Service (SMS) / Unstructured Supplementary Service Data (USSD)-based structured questionnaires:** A significant amount of relevant data to this project has previously been collected by Sauti East Africa and made available through the Sauti Trade Insights data portal. The Trade Insights platform compiles user profile and user behaviour data from Sauti’s mobile-based market and trade information platforms that are specifically marketed to ICBTs. Their method of data collection involves integrating SMS/USSD-based structured questionnaires on their ICBT-focused trade and digital market information platforms in Kenya, Uganda, Rwanda, and Tanzania. Regular users are invited to participate in questionnaires and build up Sauti’s database of ICBT demographics and behaviour. Data collection has been ongoing since 2018 and presents an extremely large-scale, and disaggregated, view of the ICBT landscape. ICBTs were identified from the wider pool of users that access Sauti according to the following criteria:

- User was domiciled in Kenya, Uganda, Rwanda, or Tanzania; AND
- i. User had self-identified as a trader, OR

- ii. User that marketed (either bought or sold) goods in regional markets other than their domicile country, identified by their platform behavior.

This resulted in a rich dataset comprised of various datapoints from 22,728 ICBTs.

2. **Targeted SMS/USSD-based structured questionnaires:** 11,996 ICBTs in Kenya, Uganda, Rwanda, and Tanzania were selected from the Sauti user data described above based on the completeness of existing profile data (e.g. gender, age, education), and sub-groups (described below) were invited to participate in four longer SMS/USSD-based structured questionnaires. The questionnaire involved topics specific to the objectives of this study (e.g., financial inclusion, social protection, etc), which were not available in the other data sources. Participants were invited to dial a code in each country and fill out the survey via USSD. The surveys were conducted between Jan 26 and Feb 2, 2023.
3. **Cross-border trader's digital experience with information and communications technology (ICT) tools:** Analyzing the digital experience of cross-border traders is a valuable and non-intrusive resource for understanding ICBT behaviour in a typically difficult-to-sample sector. Sauti East Africa's market and trade information platforms provide relevant, timely, and official information used ubiquitously by cross-border traders in Kenya, Uganda, Tanzania, and Rwanda. With an average of 630 user sessions per day, how users access this information (e.g. which marketplaces the request information for) can reveal market, demographic, and trade insights that are significant for the objectives of this study.
4. **Agricultural spot price databases:** Price data is a valuable indicator of local supply and demand. Moreover, the dynamics of price data and how prices shift together and over time can reveal important insights about the local economic conditions of cross-border markets. Relevant agricultural price data has been collated from the Sauti Market Prices Databank for Kenya, Uganda, and Rwanda. Data has been selected from 2018-01-01 to 2023-02-01.

The data from all four sources have been tagged with metadata to allow for joins between the sources. This means that data from one source (e.g., gender or smartphone adoption) can be used to disaggregate data from another source, enriching the potential comparisons in future analyses. For example, data from 4.2 (gender) can be used to create comparative groups in 6.2.1 (How safe did you feel crossing the border?)

## 5.2 Data Collection Results

The number of ICBT respondents for each data instrument are given in the table below. For the large-scale SMS/USSD-based structured questionnaires, and the cross-border trader’s digital experience with ICT tools datasets, respondent data is drawn from users of Sauti’s digital market and trade information platforms that are specifically marketed to ICBTs. Some notion of respondent’s self-selection may be present here, however, the criteria for inclusion (see 4.1) attempts to control for this based on user’s platform behaviour and self-identified occupation. Response rate metrics are not available as Sauti does not have data on the number of ICBTs that do not use their market and trade information platforms. However, based on the large number of respondents in the final dataset (22,728), a power analysis would indicate statistical representativeness for a population that far exceeds the general population of East Africa, let alone the East African ICBT population.

The response rate for the smaller scale targeted SMS/USSD-based structured questionnaires is given below:

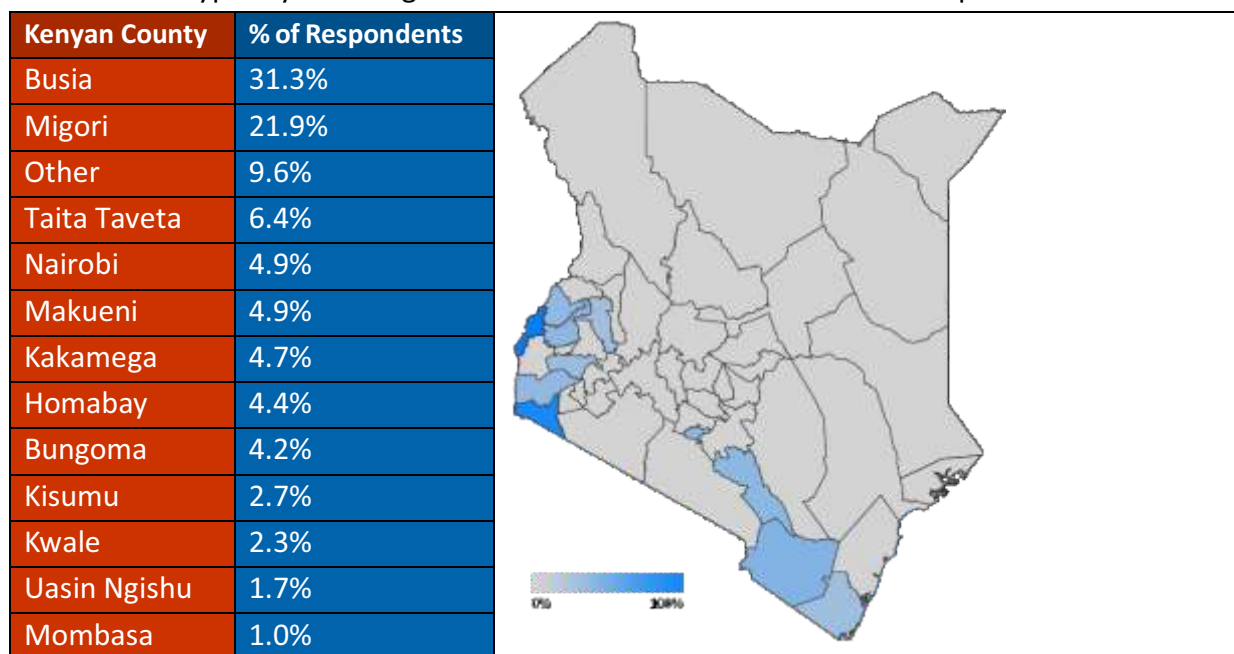
Data Collection Response Rate for Targeted SMS/USSD- based Structured Questionnaires			
Subgroup	Invited Participants	Respondents	Response Rate
Digital Literacy	3,153	205	6.5%
Safety & Security	3,099	207	6.7%
Social Protection	3,099	169	5.5%
Financial Inclusion	3,096	203	6.6%

Select disaggregated metrics are also presented, country, gender, and age group. Figures presented are approximate averages of all the relevant datapoints used from the source. Not all disaggregated metrics (gender, age) may add up to the total, given incomplete data collection. The values represent the number of individual ICBTs represented in the data for in this report.

Data Collection Participants, by Collection Instrument									
Data Collection Instrument	Country				Gender		Age		Total
	KE	UG	RW	TZ	M	F	Youth	>30	
Large-scale SMS/USSD-based structured questionnaires	14,704	5,472	1,709	843	3,612	2,598	3,354	2,478	22,728
Targeted SMS/USSD-based structured questionnaires	411	79	3	16	307	177	251	256	508
Digital Literacy	168	31	2	2	136	55	104	82	205

Safety & Security	173	25	0	8	116	83	104	87	207
Social Protection	136	30	1	1	97	67	82	79	169
Financial Inclusion	166	31	1	4	131	64	96	91	203
Cross-border trader's digital experience with ICT tools	14,704	5,472	1,709	843	3,612	2,598	3,354	2,478	22,728

Specific location data for the large-scale SMS/USSD-based structured questionnaires and cross-border trader's digital experience with ICT tools' respondents was only available for the Kenyan subsample due to user's profile completeness.<sup>1</sup> Location data is representative of where traders typically sell the goods the source from abroad. The data is presented below:



<sup>1</sup> Location data for user profiles on Sauti's information platforms is only requested from Kenyan users. This, however, makes up a significant subset of the overall ICBT data.



Data was also compiled from Sauti’s Market Insights East Africa Prices dataset to determine the macroeconomic impact of COVID-19 on East Africa’s local marketplace economies. The East Africa Prices dataset compiles data from 22 data publishers in the region, validates the data, removes outliers, and provides aggregation, and trend analyses. The figures below present the data points, by country, for each metric.

Macroeconomic Data Coverage					
Metric	Country				Total
	KE	UG	RW	TZ	
# of Marketplaces	9	27	5	8	65
# of Products	26	52	13	17	60
Price data points (weekly)	9,233	29,838	44,120	1,041	84,232







## 6.0 PROFILES OF INFORMAL CROSS-BORDER TRADERS IN EAST AFRICA

Definitions of informality in the context of trade by ICBTs vary between researchers, but generally involves trade in legitimately produced goods and services that traditionally escapes the regulatory framework of official (i.e. government) administrations. The nature of informal cross-border trade (ICBT) is an evolving concept. While distinct from “smuggling” and illegal trade in illicit and dangerous goods, informal trade typically refers to unrecorded trade in common commodities that often bypasses formal data capture mechanisms.<sup>4</sup> Trade of this type may involve business activities by unregistered traders or firms, and/or trade that is not registered, or complies with, existing trade-related regulations and duties. ICBT is especially significant for the East African region because it is estimated to make up a significant portion of total regional trade, by volume, value, and by number of participating ICBTs. Indeed, researchers have also highlighted that ICBT contributes to:

- Local food security;<sup>5</sup>
- Women’s economic empowerment;<sup>6</sup>
- Employment in vulnerable contexts;<sup>7</sup> and,
- Post conflict recovery.<sup>8</sup>

Highlighting the demographic, business, and social dimensions of ICBT’s involvement in East Africa’s intra-continental and regional trade is important for two reasons: 1) to build awareness of the importance of ICBTs to the success of regional trade agendas (such as AfCFTA and trade facilitation initiatives); and 2) to identify program-specific considerations when designing facilitative activities. Strategies and considerations for inclusive and meaningful impact for ICBT are presented in later sections of this report.

### 5.1 Women and ICBT

Women-owned and women-led ICBTs (WICBTs) make up significant segments of ICBTs across all regions of Sub-Saharan Africa. In East Africa, estimates suggest that women comprise between **75-85 percent** of ICBTs.<sup>9</sup>

Although WICBTs dominate informal cross-border trade across Sub-Sharan Africa, women tend to occupy different positions in the value chain of ICBT flows when compared to men. Across agriculture, livestock and animal products, and fisheries value chains, women’s contributions serve as important links between male-dominated production activities and small-scale post-harvest processes and retailing.

- In East Africa, for example, fewer WICBTs (17%) trade directly in livestock or poultry as compared to ICBT men (31.1%).<sup>10</sup> However, women’s participation is predominant in small-scale dairy production, collection, processing, value addition, and informal milk trading;<sup>11</sup>
- Women are also strongly represented in East African fishery value chains through processing and trade in fish and fish products.<sup>12</sup> In a survey of Kenyan landing beaches and inland fish markets surrounding Lake Victoria, 84% of the traders and processors were women – often the

fishers wives.<sup>13</sup> In Burundi for example, women are heavily involved in collecting and processing of tuna-derived flour, a fish byproduct which is near exclusively produced by women and ubiquitously stocked in all women-operated small shops and kiosks across the region.<sup>14</sup>

- Women are similarly involved in processing of food products from maize-meal, sorghum, and cereals before presenting for retail and wholesale.

While participation in informal cross-border trade is a critical opportunity for advancing women's economic empowerment in Sub-Saharan Africa, social norms greatly influence which activities are considered "acceptable work" for women, which can result in lower participation and representation of women in more lucrative positions in value chains, particularly in trade and production markets.<sup>15</sup>

Social norms and beliefs relating to women's responsibilities in the household typically require that WSMEs fulfill their family and caregiving responsibilities before pursuing income-generating opportunities outside of the home, thereby creating strenuous "double workdays."<sup>16</sup> These extensive obligations leave women with less time, compared to men, to dedicate to economic activities such as trade or agricultural production. This double-burden also limits WSME's time and mobility (an important factor when considering travel times to official institution) and depletes mental and physical capacity to access educational opportunities and information that could ultimately benefit their businesses.

Furthermore, the revenue of many women ICBTs in Sub-Saharan Africa is sufficiently high to be the primary source of income for their households and can exceed that of an individual earning the local minimum wage in the formal sector.<sup>17</sup> This household dynamic can challenge cultural norms around masculine roles as the primary economic provider and authority in the home and creates tensions that may discourage women from participating in trade or production. WICBT's activities may also generate prejudice and ill opinions about women traders in the community. Community members may consider the women's actions as morally "bad" because they must spend extended time away from home and regularly interact with other men such as border authorities to trade their goods.<sup>18</sup>

Moreover, exploitation and harassment take on a distinctly gendered perspective for many WICBTs, as the threat of sexual violence and pressure for sexual transactions is ever-present in a working environment characterized by asymmetrical power relationships. Further, for WICBTs, in-person border crossings (as opposed to using a broker) can carry additional risk, where regulatory violations (intentional or not) mean that women are more likely to have their goods confiscated or stolen while in detention, and, in some cases, are asked for heavy bribes or sexual favors to be released.<sup>19</sup>

Recognizing the unique experiences of WICBTs – who make up a significant portion of ICBTs – and integrating gender-responsive policies, procedures, and practices, therefore is important for ICBT-focused programming that targets inclusivity and meaningful impact in the region.

## 6.2 Youth and ICBT

Youth unemployment is a pressing problem in African economies; and indeed, expansion of economic opportunities for young people is one of the AfCFTA's primary objectives. Across the continent, youth account for approximately 60 per cent of unemployed people in sub-Saharan Africa.<sup>20</sup>

The demographic composition of ICBT suggests that cross-border trade is a significant avenue for youth employment in East Africa. Data collected by Sauti East Africa from 5,830 ICBTs suggests that 68.4% are under the age of 35 and classify as youth. Of ICBT men are more likely to be comprised of younger ICBTs 72.1%, compared to women ICBTs, who are comprised of fewer young ICBTs (62.7%).

As compared to older segments of the population, youth often have a greater mobility and tendency to migrate from their home regions to secure business opportunities, access new markets or find employment. Across the continent, intra-African migration has also grown in recent years, with now more than 21 million Africans living in another African country, up from 18.5 million in 2015. The same capacity for regional mobility, entrepreneurial opportunity-seeking, and low technical prerequisites makes ICBT an attractive endeavor for East Africa's youth.

A related trend associated with youth in the ICBT sector is the widespread and increasing adoption of information and communication technologies (ICT) in Sub-Saharan Africa, where youth have often been the key initial adopters.<sup>21</sup> In Tanzania, for example, 61 percent of youth reported having a good understanding of mobile technology, compared with 40 percent of older populations.<sup>22</sup> ICT may further enable youth to access opportunities for skills acquisition, social networks and access to capital that can help them to create new ICBTs or grow existing businesses.

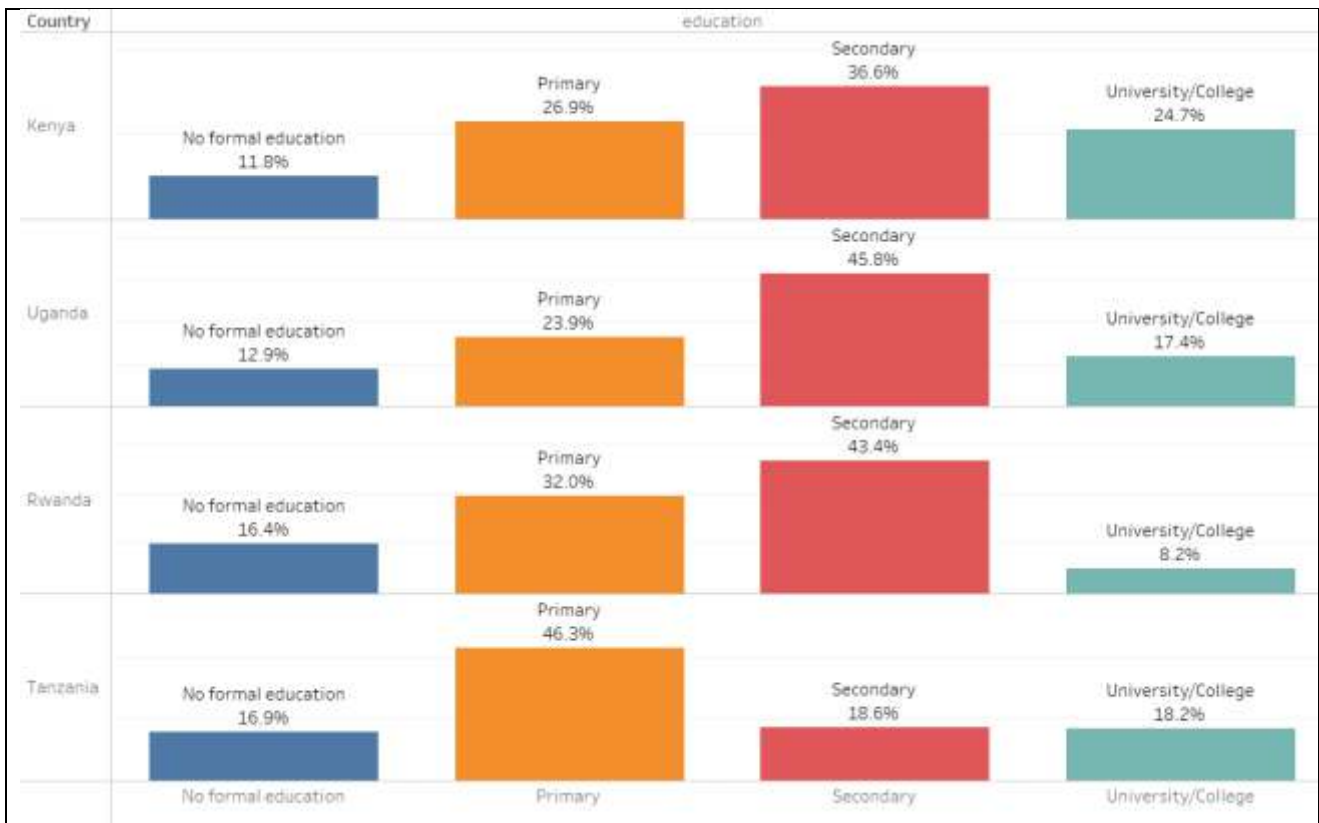
## 6.3 ICBTs' Education Levels

For many ICBTs with limited access to advanced education, ICBT is a significant avenue of economic empowerment.<sup>23</sup> Especially for young women who may have dropped out of school, faced teen pregnancy, experienced marital separation, or faced gendered barriers in the formal sector, ICBT presents lucrative (but potentially hazardous employment) for women.

### Data Analysis on Education levels by country

Data collected from 6,014 cross-border traders in suggests that between one-third and half of ICBTs have, at most, a primary education. There are significant regional differences in education attainment for ICBTs across East Africa too: in Tanzania, one-third of ICBTs report at least a secondary education as the highest level attained, whereas in Kenya, Uganda, and Rwanda ICBTs half of ICBTs report secondary education as the highest level attained. The chart below presents the results of the data, by country.





Gendered challenges in educational attainment also persist among ICBTs in East Africa. Across Kenya, Uganda, Rwanda, and Tanzania, the data indicates that women ICBTs are 10.1% less likely to have achieved a higher level of educational attainment, compared to men. Quantitative analyses suggest that ICBTs in Rwanda faced the most significant gendered barriers to educational attainment (35% less likely), whereas ICBTs in Kenya reported a relatively even split of educational attainment between men and women.

Moreover, education levels have significant correlations with financial literacy and access to credit, digital literacy and adoption of innovation, and access to justice. Considering the education levels of ICBTs is critical for the practitioner community when designing interventions and facilitative solutions.

#### 6.4 ICBTs' Firm Behaviour

ICBT is typically conducted by micro enterprises, often comprising one or few individuals who perform many different roles. Arbitrage-focused cross-border trade is a complex activity, with many dynamic considerations for ICBTs that influence which goods to trade, where to source products, which markets to sell in, how often to stock up, which trade route/border crossing to use, and more.

Cross-border trade in the informal sector also has distinct behaviours, relative to the formal sector. Firstly, there are comparatively fewer (and cheaper) practical barriers to entry, relative to the formal

sector. While there are fewer avenues to sell in high-value markets, like in international markets or to value-add processors, the market demand from informal marketplaces is sizable, requires little specialized export knowledge, and is often readily accessible for populations near borders. Further, not all cross-border traders go through the official border post; a majority of them (63%) instead use informal routes usually located on either side of the official border post, where they avoid taxes and tariffs, quality control, and other bureaucracy required at the official border posts.<sup>24</sup>

For poorer ICBTs these reduced entry barriers to lower-value markets is a significant factor: A survey of informal ICBTs from Rwanda showed an initial average start-up capital of USD \$32.35.<sup>25</sup> Informal trade may also be a better economic opportunity for some entrepreneurs, where formal employment is either unsustainable (ICBT for instance may yield profits 40x the minimum wage), or ICBTs may not have the assets, scale, or equipment to participate in formal value-chains.<sup>26</sup>

### Data Analysis on Firm Behaviour

The data collected by this report indicates that agriculture and livestock comprise the significant majority of products traded by ICBTs. The table below presents the breakdown for traders' products:

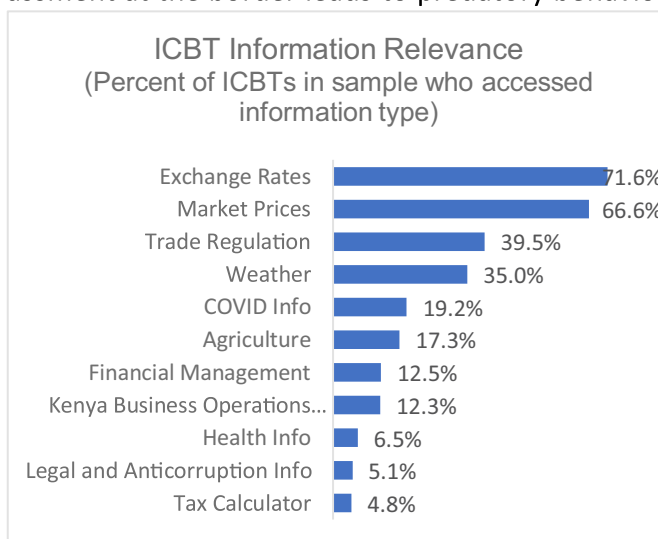
Country	Agricultural/Food Commodities	Livestock and Animal Products	Other
Kenya	74.5%	20.3%	5.2%
Uganda	88.6%	10.3%	1.1%
Rwanda	84.2%	14.7%	1.1%
Tanzania	90.4%	5.5%	4.1%

The data also suggests that traders in East Africa market an average of 3 products each. Within the majority commodity traded, agricultural and food commodities, unprocessed cereals and beans comprise nearly half of products traded by ICBTs in the region. Most traders operate between three regional marketplaces; sourcing goods from two other cross-border marketplaces and a home marketplace. Most traders cross the border at least monthly to source their goods, with 29% reporting daily crossings.<sup>27</sup> On average, each time ICBTs cross the border they report purchasing USD \$150.09 in goods. These cross-border purchases vary slightly among between gender and youth. The table below presents these averages:

	Women	Men	Total
Youth	\$132.40	\$176.47	\$158.66
Mature	\$108.50	\$152.57	\$134.76
Total	\$123.83	\$167.90	\$150.09

ICBT also serves as a channel by which small-holder farmers (or their family members) can obtain higher prices for their farm produce, rather than selling to brokers at the farmgate.<sup>28</sup> Data surveyed from 5,437 cross-border traders for this report indicated that 77.8% grew or produced the products they sold. Between men and women, women were 16.4% less likely to produce the products they sell, suggesting that men may use ICBTs to increase farm profit margins, while women may ‘specialize’ in ICBT as a singular source of employment.

It’s important to note that, in lieu of participating in the formal sector, ICBTs often bear a level of economic and personal risk. Market information is considerably less available and market prices are sensitive to daily supply and demand fluctuations, making longer term planning and ‘timing-the-market’ extremely difficult for ICBTs.<sup>29</sup> Informal money-traders at the border are more likely to offer price-gouging exchange rates. Corruption and harassment at the border leads to predatory behavior by border officials and police – and can involve sexual violence for women traders.<sup>30</sup> Information asymmetry too, makes ICBTs vulnerable to misinformation, disinformation, and sub-optimal economic decision-making. Surveying 21,619 ICBTs, the data gathered by this report suggests that, up-to-date exchange rates, cross-border market prices, trade regulations, and weather forecasts (related to travel conditions) are the most frequently demanded information types by ICBTs (pictured to the right). Indeed, the volatility of the ICBTs working environment is directly related to the volatility of ICBTs revenues, sometimes leaving ICBTs with few options but to engage in risky behavior, with short-time horizons, and minimal reinvestment into their ICBT businesses.



To be sure, most ICBTs indicate that they would prefer to participate in the formal sector for its pricing stability, better access to high-value markets, and regulatory protections. Revenues can be several times higher in the formal sector: a comparison of informal ICBTs, comprising of farmers, cross-border traders, and urban traders, with literature suggesting that exporters across Kenya indicated that informal ICBTs earned an average revenue of USD \$500/month compared to \$1,474/month for formal exporters.<sup>31</sup> Barriers that restrict ICBTs from accessing the opportunities in the formal sector, however, are multifaceted, pernicious, and, often, economically disincentivizing for ICBT’s businesses.

## 7.0 ICBT VULNERABILITY AND THE IMPACT OF COVID-19 IN EAST AFRICA

The COVID-19 pandemic presented an extreme hazard to the economy of cross-border trade and ICBTs. Several economic characteristics made cross-border trade especially vulnerable to the disruptions brought on by COVID-19:

- High transfer costs (due to distance and transport modes, among other things) and small-volume transfers mean that agricultural commodity value chains typically involve many cross-border traders who source goods from several intermediary marketplaces. This meant that ICBTs inherently depend on travel and physical exposure to multiple individuals, often in crowded marketplaces.
- the ICBT market system is extremely dynamic and interconnected, both across borders and in borderland regions: ICBTs constantly evaluate the transaction costs and profit opportunities in multiple nearby marketplaces, creating a market system characterized by overlapping and competing spatial feedback mechanisms. Disruptions in one region, therefore, are likely to have widespread impacts throughout the supply chain.
- Up-to-date, official, and reliable information can be costly and challenging to access for ICBTs. Before COVID-19, traders in Kenya and Uganda indicated that they spend an average of USD\$8.70 per week on information search costs (such as airtime for phone calls, internet, or transport) to find the relevant information they needed to source goods from across the border.<sup>32</sup> In a rapidly changing policy environment, the high cost of up-to-date information can make ICBTs slow to respond to disruptions in value chains, spread untrue rumors, and exacerbate information asymmetries between officials and ICBTs.

While the vibrancy of ICBT is heavily reliant on facilitative border governance, the measures for containment and mitigation presented an extreme disruption to ICBTs livelihoods. Particularly in attempts to control the spread of COVID-19, East African countries embarked on lengthy domestic lockdowns and strict border crossing restrictions. To keep regional trade alive, cargo trade was typically still allowed by air, sea and vehicles, under strict testing and sanitary conditions. However, the lack of personal protective equipment for customs and other agencies' staff, as well as quarantines imposed on truck drivers, resulted in long congested queues at the border, sometimes up to 35km from the border post.<sup>33</sup> Nation-wide curfews added further time constraints to ICBTs wary of becoming stranded on the other side of the border. When foot traffic was resumed, restrictions on both sides of the border continued to stress the health concerns of ICBTs, where sourcing goods from across the border meant navigating two health regimes: once while crossing to the destination country, and again on the return journey. Moreover, community-level concerns concerning individuals who had recently travelled also discouraged traders from crossing over to border markets.

This section continues a discussion of the shock of COVID-19 to East Africa's ICBTs by first outlining a timeline of the policy responses, including COVID-19 restrictions, bans, and measures. Then macro and microeconomic impacts are highlighted.

## 7.1 Timelines of COVID-19 Restrictions in East Africa

The tables below give indicative timelines of the pandemic and associated restrictions, bans, and measures that impacted ICBTs.

### **KENYA**

COVID-19 Restrictions/Bans/Measures	Start Date	End Date
Establishment of the National Emergency Response Committee on COVID-19. <a href="#">(Source)</a>	2020-02-28	-
Travel ban-All international meetings and events, all international flights in and out of the country and all borders with neighboring countries <a href="#">(Source1, Source2)</a>	2020-03-06	2020-08-01
Mandated spread precautions i.e.-mandatory mask wearing policy, provision of public hand washing stations and a ban on all social gatherings, all public service vehicles, including public transit, may only operate at 50% or below full passenger capacity, and drivers are required to meet certain safety requirements before being allowed to operate vehicles <a href="#">(Source1, Source2, Source3)</a>	2020-04-04	2022-03-11
Safaricom implemented a fee-waiver of 90 days on Kenya's leading mobile-money product, M-Pesa, to reduce the physical exchange of currency in response to the COVID-19 outbreak. <a href="#">(Source1, Source2, Source3)</a>	2020-03-17	2020-12-31
Closures of schools and higher learning institutions <a href="#">(Source)</a>	2020-03-20	2021-01-01
All entertainment, bars and other social spaces, are to close their doors to the public by 7.30pm every day <a href="#">(Source)</a>	2020-03-23	2022-03-12
Public service vehicle operators to observe high levels of hygiene. In order to maintain social distance requirements in public service vehicles, it is directed that: i. For 14 seater matatus, a maximum of 8 passengers ii. For 25 seater vehicles, a maximum of 15 passengers iii. For 30 seater vehicles and above, to maintain 60% maximum of seating capacity. This similarly applies for SGR and commuter train services. <a href="#">(Source)</a>	2020-03-23	2022-03-12
Travel restrictions in Nairobi and 4 surrounding counties i.e Kajiado, Machakos, Nakuru and Kiambu would be treated as one zone, and residents would be barred from crossing over to other areas. <a href="#">(Source1, Source2)</a>	2020-03-26	2021-05-01

Curfew - From dusk until dawn ( <a href="#">Source</a> )	2020-03-27	2020-07-07
Prison populations released. Kenya's judiciary announced that it had released about 4,800 prisoners to help contain the spread of the virus ( <a href="#">Source</a> )	2022-04-02	-
The cessation of movement into and out of the Nairobi Metropolitan Area, Mombasa County and Mandera County( <a href="#">Source</a> )	2020-04-06	2020-07-06
Kenya lifted all mandatory COVID -19 restrictions ( <a href="#">Source</a> )		2022-03-11
Domestic air travel is also set to resume in Kenya on July 15, with international flights resuming operation on Aug. 1. ( <a href="#">Source1</a> , <a href="#">Source2</a> , <a href="#">Source3</a> , <a href="#">Source4</a> )	2020-03-23	2022-03-12
The nationwide curfew that is currently in force between the hours of 9 p.m. and 4 a.m. local time daily has been extended by a further 30 days. ( <a href="#">Source1</a> , <a href="#">Source2</a> )	2021-03-29	2021-05-01

#### **UGANDA**

<b>COVID-19 Restrictions/Bans/Measures</b>	<b>Start Date</b>	<b>End Date</b>
Closing all education institutions ( <a href="#">Source1</a> , <a href="#">Source2</a> )	2020-03-20	2022-01-10
All borders closed ( <a href="#">Source1</a> , <a href="#">Source2</a> )	2020-03-21	2020-09-20
All public means of transport suspended for 14 days ( <a href="#">Source1</a> , <a href="#">Source2</a> )	2020-03-25	2021-08-02
Operation of non-food shops and markets suspended with immediate effect until further notice ( <a href="#">Source 1</a> , <a href="#">Source 2</a> )	2020-03-25	2021-08-02
Curfew ( <a href="#">Source1</a> , <a href="#">Source2</a> )	2020-03-31	2022-01-25
Lockdown ( <a href="#">Source1</a> , <a href="#">Source2</a> )	2020-04-01	2022-01-25

#### **RWANDA**

<b>COVID-19 Restrictions/Bans/Measures</b>	<b>Start Date</b>	<b>End Date</b>
Lockdown ( <a href="#">Source</a> )	2020-03-21	2020-04-30
Motorcycles restricted from carrying passengers	2020-03-21	2020-04-30
Electronic payments and online banking services encouraged ( <a href="#">Source</a> )	2020-03-21	-
Curfew ( <a href="#">Source1</a> , <a href="#">Source2</a> )	2020-03-21	2022-03-05
All employees to work remotely ( <a href="#">Source1</a> , <a href="#">Source2</a> )	2020-03-21	2020-05-04

Borders closed and travel restricted ( <a href="#">Source1</a> , <a href="#">Source2</a> )	2020-03-21	2022-03-07
Lockdown ( <a href="#">Source1</a> , <a href="#">Source2</a> )	2020-03-21	2021-08-01
All bars closed ( <a href="#">Source1</a> , <a href="#">Source2</a> )	2020-03-21	2021-09-23
Restaurants and cafes to offer take-away services ( <a href="#">Source1</a> , <a href="#">Source2</a> )	2020-03-21	2020-05-01

### **TANZANIA**

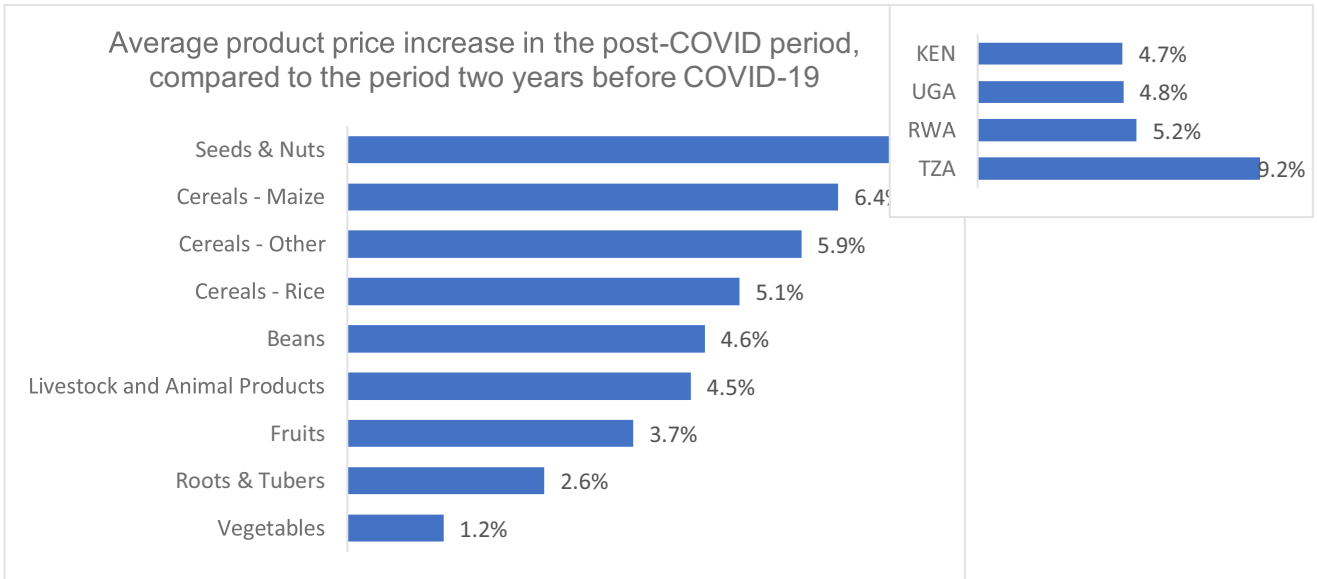
<b>COVID-19 Restrictions/Bans/Measures</b>	<b>Start Date</b>	<b>End Date</b>
Schools shut down ( <a href="#">Source</a> )	2020-03-17	2021-07-05
Tanzania bans Kenya airways ( <a href="#">Source</a> )	2020-08-01	2020-09-21
Government issues guidelines for citizens to wear facemasks in public places ( <a href="#">Source</a> )	2021-02-25	2022-09-09

## **7.2 COVID-19 Macroeconomic Impacts on ICBTs in East Africa**

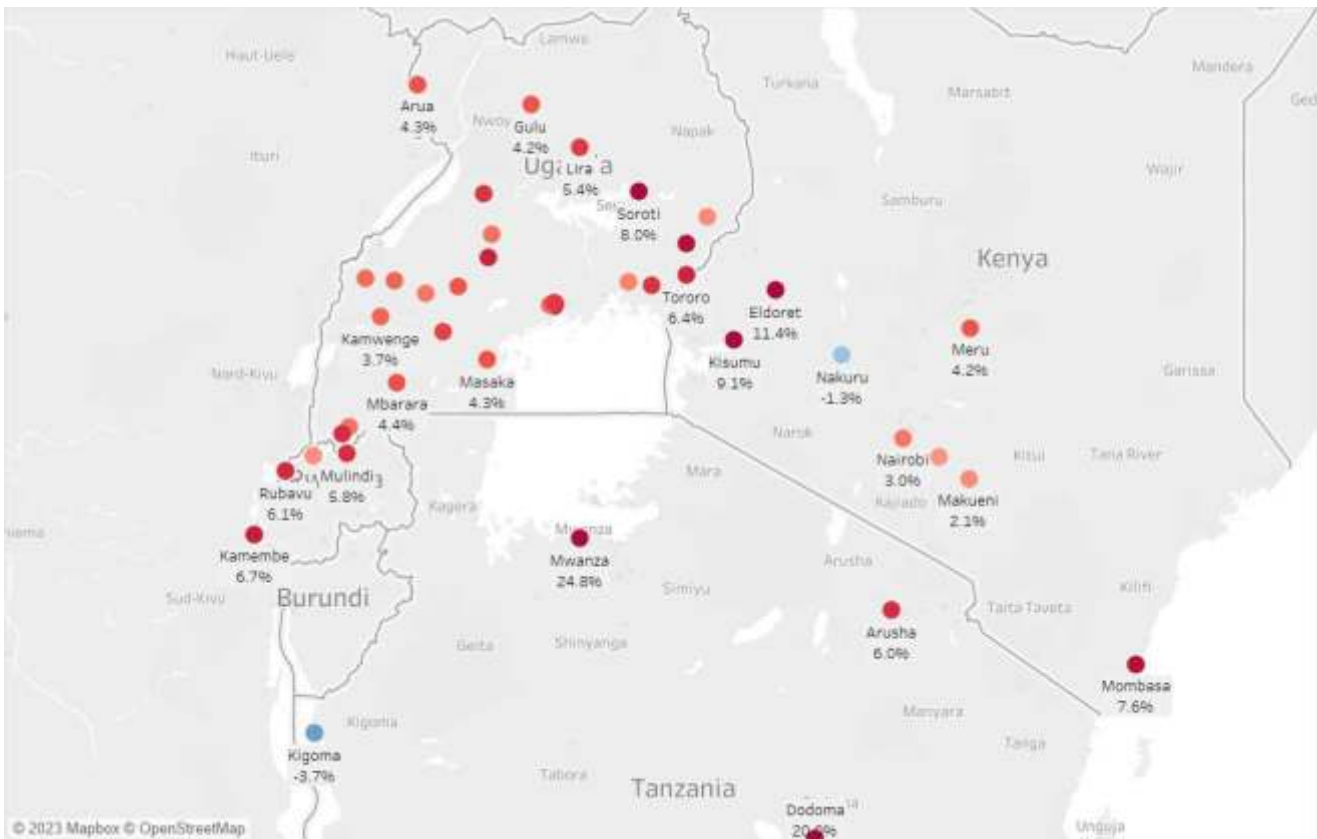
The immediate post pandemic period has been characterized by higher prices relative to before the pandemic.<sup>34</sup> In an analysis of wholesale prices across Kenya, Uganda, Rwanda, and Tanzania, and controlling for inflation, time-related trends, product type, marketplace, and seasonality, ICBT product prices have increased by an average of 4.7% compared to the two years before the pandemic. The analysis included 47 marketplaces and 59 products.

Not all products have increased at the same rate. The data shows that vegetable product prices have been least impacted COVID-19, increasing 1.25%. Worryingly, cereals, which comprise a large segment of ICBT, make up most of the products with the largest price increases following the height of the COVID-19 restrictions, increasing by an average of 5.1%-6.3%. The chart below gives the product increase averages for each category of products.





Price increases have also been spatially distributed through East Africa. The map below highlights where prices have increased the most. Darker marketplaces indicate larger average increases in product prices. The table in the top left of the map indicates the average price increase for products in marketplaces of each country.



Higher prices can have an extremely disruptive effect for ICBTs. Arbitrage pricing depends on the profit condition determined by the price difference between two marketplaces. As prices rise, customer demand elasticity may eat into cross-border traders profit margins. In other words, unwillingness to pay higher prices may limit the profit margins for ICBTs and reduce the incentive to trade.

### 7.3 COVID-19 Microeconomic Impacts on ICBTs in East Africa

The pandemic's impact on the microeconomic trading environment placed significant pressure on the capacities of many ICBTs. Health precautions, administrative orders, and increased reporting of corruption and harassment by border officials, restricted the opportunities for ICBTs to profit from cross-border trade – resulting in financial loss, debt distress, increased inequality and food insecurity.

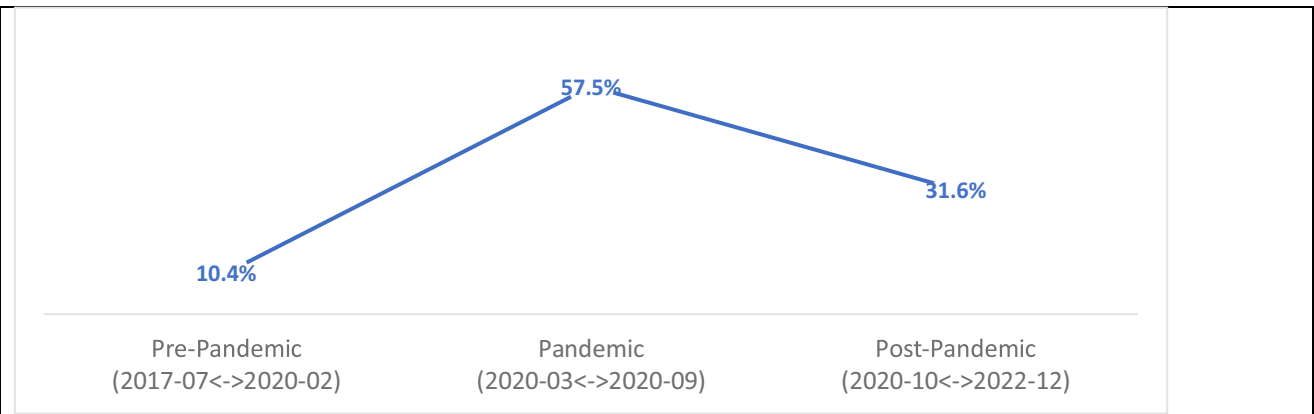
**Increased Debt Distress:** The closure of borders to everyone but cargo drivers meant that for many traders, the revenue for their business was essentially paused. ICBTs typically use informal loans to make bulk stock purchases with arrangements that money borrowed early in the morning is paid back in the evening.<sup>35</sup> So, when losses were experienced from the sudden and unexpected announcement of lockdowns and incomes depleted, many traders plunged into debt, especially those trading in perishable agricultural products.<sup>36</sup> Informal creditors also raised their lending rates, further limiting the financing opportunities for cross-border traders who had to cross borders frequently to replenish their stock.

**Increased Corruption and Harassment:** A survey analyzing cross-border trade behaviour reveals increased incidences of harassment and corruption, with police officials at the border having higher bargaining power to request for higher than usual bribes from traders.<sup>37</sup> Moreover, the formal border closure during the pandemic led some traders to rely on non-gazetted border routes, which created more opportunities for clashes between police officials and traders. In Uganda, for example, traders complain about the Uganda Revenue Officers enforcement officers and government soldiers (which are seconded for enforcement tasks), who were viewed as particularly aggressive.<sup>38</sup>

Physical disputes with fellow traders are also common at border points. It was found that the pandemic increased opportunities for violence in early May, with 21% of the violence happening between individuals. By the end of the month of May, violence between individuals increased to 31 % of total violence cases.<sup>39</sup> Lack of effective policing at border points and market ports increases the incidence of crimes against traders, and many opt to travel in groups to protect themselves.<sup>40</sup> When asked about their perceptions of safety when crossing the border during the pandemic, half (54.2%) of the survey respondents indicated that they felt safe while crossing the border.

#### Data Analysis of ICBT Experiences Crossing the Border

Data from Sauti East Africa's harassment and corruption reporting platform reveals important quantitative insights into the changes in ICBT experiences crossing the border.



Based on 2,895 border crossing reports collected by Sauti East Africa, where ICBTs were asked whether they had a good or bad experience crossing the border, the data reveals that the average probability an ICBT experiencing a negative border crossing experience, holding other variables constant, increased from a pre-pandemic level of 10.4% to 57.5%.

Analysis of the data also reveals a differentiated effect based on demographic characteristics of ICBTs. Holding other demographic factors (age, education, country, gender) constant during the pandemic, on average:

- Women traders were 59.9% likely to have a negative experience, compared to 55.6% likelihood for men during the pandemic;
- Youth traders were 59.4% likely to have a negative experience crossing the border, compared to 54.0% likelihood for mature ICBTs during the pandemic; and,
- The more educated a trader is, the less likely they will have a negative border experience. Traders with no formal education were 65.9% likely to have a negative experience, traders with a primary education were 61.1% likely to have a negative experience, traders with a secondary education were 56.1% likely to have a negative experience, and traders with a tertiary education were 51.1% likely to have a negative experience.

Combining the highest risk factors during the pandemic, being a young, poorly educated women ICBT reveals a 69.9% chance of a negative border crossing experience each time they crossed the border. This is 24.3 percentage points higher compared to a mature, tertiary educated, ICBT men, which was associated with a 45.6% likelihood of a negative crossing experience.

**Supply Chain Disruptions:** The ICBT economy is characterized by a high degree of broker competition, small-volume transactions, and aggregative supply chains. Altogether, the integrated nature of cross-border markets creates arbitrage opportunities that sustain the economic livelihoods of ICBTs. However, rapidly implemented border restrictions and variably enforced regulations at the beginning of the pandemic negatively impacted ICBT’s capacities to consistently organize their business activities. Especially for traders who trade in fast-spoiling goods, such as fruits, relatively short notice was given for ICBTs to move their product. In many cases, ICBTs were forced to cope with large

spoilage losses as a result.<sup>41</sup> Disruptions in production, challenges in transport, and panic buying also increased the price volatility of ICBT's commonly traded products, adding more information challenges to the ICBT economy – where market information is already poor.<sup>42</sup>

Few literature resources have attempted to quantify the microeconomic loss to ICBTs in East Africa. However, surveys by Wiseman (2022) suggest that sales and profits suffered significantly during the first few months of the pandemic with average sales falling by 37% and profits by 54% compared to pre-pandemic levels.



## 8.0 RESILIENCE AND ADAPTATION DURING COVID-19

This section explores the business practices and innovations employed by ICBTs to ‘cope with’ and mitigate the impact of COVID-19. Indeed, nearly all ICBTs (92.2%) surveyed for this report indicated that they had received guidelines to understand how to safely trade during the height of the pandemic. While the health repercussions of COVID-19 preoccupies a large body of extant literature, the economic strategies that ICBTs used to cope with the impacts of COVID-19 are less well-explored.

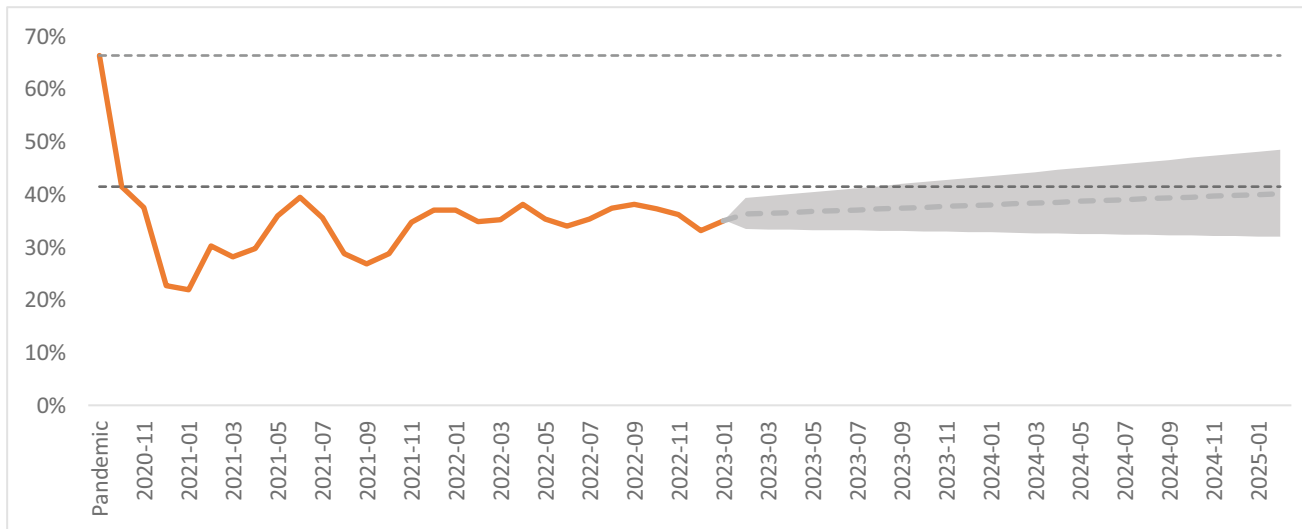
### 8.1 Adapting Business Models

Many ICBTs adapted to the restrictions and precautions brought on by COVID-19 by changing their business model. A coping mechanism that was adopted by Ugandan ICBTs was the shift in traded commodities from non-food to food items since the initial ban in Uganda excluded food markets.<sup>43</sup> In a study assessing informal trade among small-scale traders in Kenya, it was found that informal cross-border traders coped with trade decline during border closures by switching to new supply chains and/or new trade routes. The study found that when informal cross-border traders worked with domestic suppliers, they were still less likely to be out of business compared to domestic traders.<sup>44</sup> Survey data collected for this report indicated that 35.7% of respondents indicated that they changed how they did business by shifting towards selling other goods.



### Data Analysis on Cross-border Trading after COVID-19

Behavioural data from 2,548 Kenyan ICBTs suggests that a significant number of ICBTs coped with the pandemic by modifying their trade destinations to trade within domestic markets, rather than in cross-border markets. The chart below presents the monthly average of cross-border destinations for ICBTs.



During the pre-pandemic period (between 2018-01 and 2020-02), traders indicated that 66.4% of their sourcing and selling was conducted in cross-border marketplaces. During the height of movement restrictions (2020-03 to 2020-09) in Kenya, this figure had dropped to 39.2% for the average ICBT.

Certain regions appeared more resilient to changing their marketing destinations compared to others in Kenya. ICBTs in the regions of Busia and Homa Bay, which are proximate to the border with Uganda, appear to have been resilient to the movement restrictions at the border; maintaining their cross-border trade ratios by 17.2 percentage points and 26.7 percentage points higher compared to other regions in Kenya and Uganda.

The data also suggests that education was a statistically important factor of resilience during and after the pandemic. For every level of education attained by ICBTs,<sup>45</sup> they are likely to have retained 4.2% of their cross-border markets as marketing destinations. This is likely attributed to being able to navigate the complexity of the movement restrictions more easily.

While the pandemic significantly affected cross-border traders' ability to trade goods across borders, recovery has been extremely slow. A statistically significant post-pandemic trend of 0.2 percentage points per month was identified in the data. This adoption rate of cross-border markets into ICBT trade destinations does not forecast a rapid bounce-back to pre-pandemic levels, and instead suggests that ICBTs have diversified their supply chain and more permanently incorporated local marketplaces into their market sources.

## 8.2 Association and Cooperation

Before COVID-19 emerged, cross-border traders typically bought commodities as individuals. However, at the beginning of the pandemic, many ICBTs in the region developed cooperative practices with their business clusters or trade associations. 21.6% of respondents from survey data collection for this report indicated that ICBTs changed the way they did business by partnering with other ICBTs (e.g. ICBTs, transporters, etc). 55.4% of respondents in this report's ICBT surveys indicated that they were members of a cross-border trade association, of which, 33.7% indicated that their association explicitly supported them to clear goods when the border was closed. One common example of this resilience practice includes suppliers from across borders collaboratively procuring and moving goods in large aggregate consignments. This means that only truck drivers and group representatives would move across borders to one collection point where associated traders would gather and collect their share of the consignment, who would then proceed with trading domestically at their different points of sale.<sup>46</sup>

## 8.3 Institutional Support

Institutional and social support initiatives were also provided by governments and private entities to revitalize the economy and provide relief to individuals, families, small businesses and industries impacted by the economic slowdown caused by the COVID-19 pandemic. In surveys for this report, most respondents (60.8%) mentioned that they were aware of social and economic support programs in their area during the height of the COVID-19 pandemic. 34.1% of respondents indicated that they received support from the Central or County Government. An example of this kind of support was the regulation enforced by the Kenyan National Treasury to temporarily reduce the turnover tax on ICBTs from 3% to 1%. The chart below shows respondents' answers from a multiple select survey focused on identifying which institutions were most prominent in providing support for ICBTs.



## 8.4 Emergency Financing and New Savings Practices

Pursuing loan financing is a common strategy for ICBTs to cope with unexpected costs and shocks. 34.9% of survey respondents stated that they sought more loan financing than they typically would

during the COVID-19 pandemic. The chart below presents the popularity of loan financing sources that ICBTs engaged with during the pandemic.



The data shows that mobile lenders were one of the most frequently sought-after sources of emergency loans during the pandemic. Formal commercial loans were rarer with 23% of ICBTs responding to have pursued formal loans. More informal sources, such as micro finance and SACCOs, were even rarer. An additional source of finance support was from cross-border trade associations. Most survey respondents, who indicated that they were part of a trade association (55.4%) stated that they received loans as a form of support from their association during the pandemic. The data shows that there are alternative places for traders to access loans during the pandemic besides the traditional loan sources e.g. banks and loan sharks.

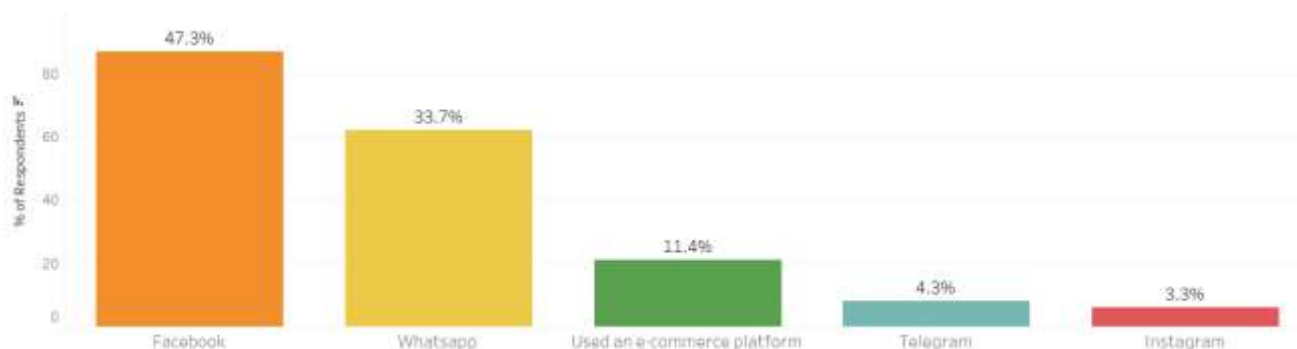
Lastly, a large proportion of ICBTs modified their savings behavior in anticipation of the pandemic's lasting impact. 33% of ICBTs responded that they saved more for business and put-off expansion or investments to stay liquid during the pandemic.

### 8.5 Business Digitalization and an Accelerated Shift to Digital Payments

The adoption of digital technologies played an important role to mitigate the initial impacts of COVID. In Kenya, efforts were made by the Kenyan government to reduce transfer fees for mobile money payments to encourage everyone to stop using cash and switch to mobile money to reduce the spread of COVID-19. Indeed, a large majority (84.9%) of survey respondents stated that they made/received most payments through mobile money during COVID-19. Most respondents (61%) preferred to receive or make payments directly to numbers (not typically registered as a business).

While the majority (42.7%) of survey respondents stated that during the pandemic they mostly used their phones to access mobile money services, nearly a third (36.4%) indicated that they used their phones to buy and sell their products online. The chart below presents a breakdown of the e-commerce platforms they used to sell their products online during COVID.





This is mostly conducted through Facebook (47.3%) where ICBTs can provide a catalog of their products, advertise them, and receive or place orders for goods through Facebook buy or sell groups. The second highest proportion of users (33.7%) stated that they use WhatsApp to engage in e-commerce activities. ICBTs indicated that they use WhatsApp to showcase pictures of their products to customers or provide customer care/support.

This section highlighted some of the factors that mitigated the initial impacts of COVID. The next section focuses on longer-term recovery for ICBTs to pre-pandemic levels.

## 9.0 RECOVERY, INNOVATION, AND TRENDS AFTER COVID-19

The low entry costs to participating in ICBT (relative to formal trade) and inherent dynamism to the business behavior suggests that ICBT may be faster able to bounce back to pre-pandemic levels, compared to other sectors in East Africa. In fact, when surveyed, most ICBTs (63.6%) expressed confidence in being able to get another source of income if they lost their primary one. This may indicate that respondents have a good level of preparedness in terms of backup systems e.g. savings. Alternatively, this may also indicate the lack of investment and longer-term barriers to specialization.

When pressed, most respondents (48.6%) stated that should they lose their primary source of income, they would turn to their savings to meet their needs. The next highest proportion of respondents (20%) stated that they would turn to other small jobs to assist them to meet their needs. This shows the respondents are equipped with backups to cushion them from sudden economic shocks. Savings that are grown over time as emergency funds can cover basic expenses and help to cope with immediate needs.

Three areas of discussion are highlighted for this report: renewed importance of innovation in digitalization; increasing access to finance; and, ensuring safe trade. The sections correspond with advances in innovation during the pandemic, their importance in building resilience; and their relevance to ensuring equitable trade.

### 9.1 Renewed Importance of Innovation in Digitalization

COVID-19 put renewed importance on the capacity of ICTs and digitalization to literally reduce the required touchpoints and associated costs of doing business for ICBTs. Digitalization not only refers to

the adoption of ICT-led innovations, but the transformation of ICBT activities to integrate digital data that expands their pool of best-practices, evidence, and experience. Accessible and meaningful data is already changing how ICBTs operate, allowing them to make more responsive, informed, and sustainable market decisions – all necessary factors for remaining resilient in the face of future shocks to ICBT’s business.

There are barriers, however, that lower the adoption rate of cross border digital platforms by ICBTs, including low smartphone adoption, limited digital literacy, and internet access costs. These challenges can hinder opportunities for growth of informal cross-border businesses as they are often unable to access digital solutions. There is therefore an increasing need for innovation around digital solutions that meet the needs of ICBTs to drive more uptake and usage by women and youth ICBTs.

### **Access to the internet**

A high proportion (80.7%) of the respondents reported having at least one way to access the internet with their phones. Most (67.3%) respondents stated that they use data bundles to connect to the internet. This means that they either own smartphones or function phones (non-touch screen phones that have some level of access to the internet via mobile data (e.g. WhatsApp enabled feature phones), also much cheaper). They may be slowly transitioning out of feature phone use into smartphone use. 11.1% of respondents do not use or have access to the internet, while 5.5% access the internet from Wifi connections.

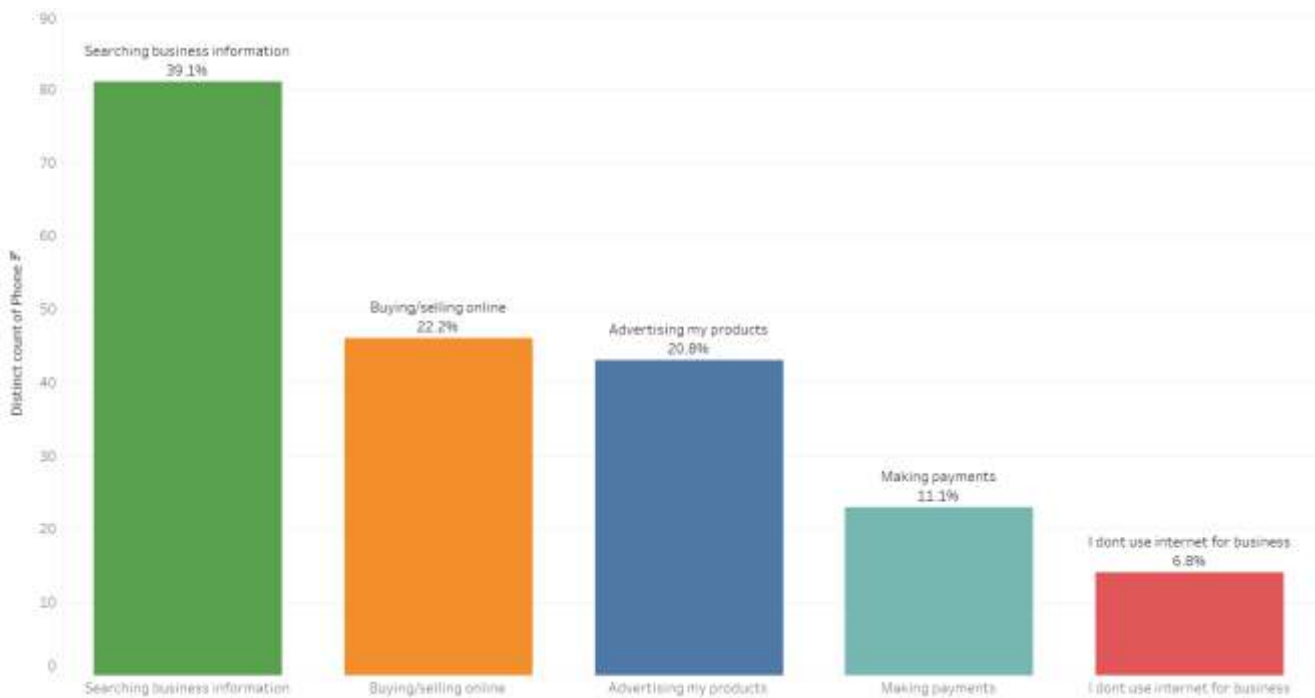
### **Smartphone Adoption**

In a technical evaluation of 8,809 ICBT’s mobile numbers, 61.1% of East African ICBTs were found to have feature phones, while 38.5% were found to have smartphone access. Smartphone adoption was found to be homogenous between Kenya, Uganda, Rwanda, and Tanzania, however, three factors were correlated with whether an ICBT owned a smartphone:

- Women were found to be 5.7% more likely to own a smartphone;
- Youth were found to be 5.2% more likely to own a smartphone; and,
- Every level of education increased an ICBTs likelihood to own a smartphone by 4.8%.

### **Mobile phone usage**

The majority (39.1%) of respondents used the internet to search for business info. The chart below presents how ICBTs used their internet-enabled phones, following the pandemic.



### 9.1.1 THE ROLE OF E-COMMERCE SYSTEMS IN FACILITATING RESILIENT TRADE

ICT-driven enhancements to Africa’s regional trade environment have made significant progress reducing many of the transaction costs associated with trade across borders, expanding market access, and improving competitiveness. The proliferation of digital resources, the growth of internet accessibility, and the ubiquity of digital technologies – especially smartphones – are giving ICBTs unprecedented access to market and trade information, official resources, and each other, among other things. The scale of reach that is now possible with ICT-enabled program interventions is unprecedented. Solutions vary, but the approach is generally the same, to build connective infrastructure throughout the value-chain that is more accessible (especially for informal ICBTs), expands the networks of actors, and facilitates professional/official relationships.

The establishment of Single Electronic Window (SEW) systems, for instance, have simplified border clearance processes in 15 African countries.<sup>47</sup> SEWs allow traders to submit consignment details online and forward the information in their required form to the necessary agencies through a single electronic gateway. In the past, traders were asked to present the same information several times in different forms to multiple government entities during the cargo clearance process, resulting in lengthy wait times and lost business opportunities.

The design motivation for SEW systems eliminates unnecessary duplication by positioning traders at the centre of border management practices. People-centered ICT can bring the business needs of traders to the forefront of service delivery by strengthening information sharing, streamlining procedures, and bolstering coordination across border management entities. In Kenya, 30 government agencies were integrated into the National Single Window system, the Kenya TradeNet System. This partnership reduced the average number of documents that traders must submit to clear

their goods by 50%. A similar SEW system implemented by Rwanda reduced the average time required to clear imported goods through customs from 264 hours (11 days) to 34 hours (1.5 days) between 2012-2014. In the same period, export clearance times fell from 67 hours (about 3 days) to 34 hours (about 1.5 days).<sup>48</sup>

ICT-led enhancements to supply chain management are significantly expanding business opportunities for new sectors and entrepreneurs by easing logistics-related intraregional trade barriers. Retail entrepreneurs, for example, frequently struggle to source profitable, quality goods from wholesale markets. *Twiga Foods* in Kenya is a notable example of a mobile-based business-to-business food supply platform, which sources and delivers low-cost, high-quality products from trusted ICBTs to retail vendors. *Sendy* is a similar ICT-enabled transport company, which allows East Africans to “move anything from point A to B at the touch of a button.” Using a mobile app, *Sendy* allows users to specify a vehicle, pickup point, and destination to connect to a nearby pool of registered drivers who can make the delivery.

The growing relevance of e-commerce to the global economy creates new opportunities for East Africans to connect with wider markets. Moreover, the digital nature of e-commerce also promises increased resilience for ICBTs against localized market shocks. By far, social media platforms like Facebook, Instagram, and WhatsApp groups provide the main avenues for ICBTs to find and connect with each other. The Global Digital Stats and Report 2021 reveals that there are an estimated 11 million active social media users in Kenya thus attracting sellers who create pages in these social media platforms with the aim of advertising their products or making sales.<sup>49</sup> WhatsApp too, also plays a significant part in promoting regional trade, enabling enhanced messaging (with images for example) between buyers and sellers and networking between professional groups.<sup>50</sup> Data collected during the pandemic indicates that these channels comprised 83% of the e-commerce platforms used by ICBTs, whose usage is likely to continue in the post-covid recovery period.

While much less ubiquitous, some ICBT-specific e-commerce platforms are providing opportunities for ICBTs to reach buyers and sellers across borders. Examples include: the Eastern Africa Grain Council G-SOKO grain trading system, which provides a portal for buyers of cereal grains in East Africa; and *Wasoko*, which provides informal ICBTs in Côte d'Ivoire, Kenya, Rwanda, Senegal, Tanzania, and Uganda with a digital platform where they can order their stock via SMS or through a mobile app with a guarantee of free and same-day delivery.

E-commerce platforms are also giving opportunities for ICBTs to move further up regional value chains and work directly with higher paying (often urban) customers. While not ICBT-specific, ICBTs are finding innovative ways to market the products that they source from rural areas to more affluent urban customers. In Kenya for example, Jumia, Greenspoon, Kilimall, and Masoko are allowing ICBTs to reach and advertise in markets that would ordinarily be restricted to the typical small scale of ICBTs.

Despite the opportunities from e-commerce in East Africa's economic recovery, however, there are wider prerequisite issues that restrict ICBTs from taking full advantage of e-commerce. Specifically, poor adoption of the necessary devices (e.g., smartphones or laptops) among ICBTs, limited internet



connectivity, and lack of sufficient digital literacy pose significant hurdles to a digital-led recovery in East Africa.<sup>51</sup> Moreover, a survey of 14,484 ICBTs across East Africa revealed that 78% worked with only basic feature phones, without access to the internet.<sup>52</sup>

Indeed, INGOs have been slow to recognize the accessibility and ubiquity challenges that limit the uptake of e-commerce among ICBTs. While, less pertinent for already digitally-enabled ICBTs (who are often larger scale ICBT men), many internet-enabled solutions threaten to leave behind the vast majority of poorly connected ICBTs. Moreover, these solutions often ignore the overwhelming ubiquity of social media ecommerce platforms already in use by ICBTs: in surveys for this report, only 9.7% of ICBTs indicated that they had used an e-commerce platform that did not include Facebook, WhatsApp, Telegram, or Instagram. Poor profiling of ICBTs and their digital access needs and preferences threatens to make trade facilitation initiatives vulnerable to duplication, slow learning, and increase competition for similar funding resources. An illustrative example of these consequences can be seen in the duplication of e-commerce platforms for ICBTs in East Africa developed, or currently under development, by a variety regional trade organizations over the past two years:

- TradeMark East Africa “iSoko” (2022)
- Afro Ark of Rwanda and the Resilience Organization of South Sudan “Buy East Africa e-Commerce Platform” (Elias Hakizimana 2022)
- East African Business Council and “Online MSME In Business Platform Development Project” (2022)
- International Alert “Trade and Market Information Platform” (2021)
- East Africa Women in Business Platform “Virtual Marketplace” (2021)
- International Trade Centre “SheTrades” (Erogbogbo 2021)

Innovative ICT-driven accessibility workarounds are present: Sauti East Africa uses a USSD and SMS interface (accessible with any kind of phone) to connect over 100,000 ICBTs in East Africa to online trade and market information digital resources. By dialing a simple 3-digit code with any kind of phone (e.g. \*716#), ICBTs can access up-to-date market prices, simplified trade procedures, exchange rates, and connect with buyers and sellers of commodities from across the region in up to six different languages. The impact is significant for these previously disconnected ICBTs: a randomized control trial evaluation of Sauti’s information impact revealed that users of the information platform improved their monthly profits by 13% and decreased their transport costs by 10%.

### **9.1.2 THE ROLE OF DIGITAL PAYMENT PLATFORMS FOR MOBILE TRANSACTIONS**

The ubiquitous adoption of mobile phones by ICBTs, and especially women ICBTs, has increased the potential of digital payment technologies to support cross-border business operations by making transactions faster, safer, and more convenient. During the pandemic, cross-border traders at the Kenya and Uganda border reported the growing usage of mobile money for cross border payments – where carrying cash is often associated with personal risk and can incur time and direct costs from money traders. The pandemic period saw mobile money service providers provide more affordable flexibility in mobile money transactions including lowering of costs and opening of accounts. In Kenya,

Safaricom implemented a 90-day (from March 2020 to May 2020) fee-waiver on most ubiquitous mobile-money product, M-Pesa, to reduce the physical exchange of currency in response to the COVID-19 outbreak. The number of transactions through mobile money platforms rose to 20% in 2020 from the previous year, a slightly higher increase than normal attributed to the COVID-19 prevention measures imposed by the government when cashless transactions were recommended over cash.<sup>53</sup>

Moreover, where smaller ICBTs would not normally qualify for business till (Paybill) numbers and the business suite of tools provided by Safaricom, M-Pesa users have the option to use a scaled down business solution, 'Pochi la Biashara' (business wallet), which enables small business owners to separate their personal funds from their business funds. These digital wallets are also powering better financial record keeping for ICBT businesses as historical transactions can be downloaded to support business decisions and access to finance.

Mobile wallet interoperability between countries, that is, whether mobile wallet systems from one country (e.g. MTN in Uganda) can transact with countries in another country (Safaricom in Kenya), has traditionally been a significant barrier that prevented wider adoption of mobile wallets among ICBTs in their business. Recently, M-Pesa has expanded its partnerships with other mobile wallets in the region to enable cross-border payments.<sup>54</sup> This has enabled, for instance, that Kenyan traders purchasing goods in Uganda do not need to physically change currencies, saving costs on currency brokers and bank fees. Digital wallets also decrease the risk of theft for ICBTs while outside their home countries.

This said, and despite high ownership rates of mobile money accounts among cross-border traders, cash still remains the most preferred and commonly used payment mode among ICBTs. A number of factors influence this preference: Cash payments and negotiations are settled faster than with digital payments, transactions are believed to be too small save much time or money with digital transactions, transaction fees and high exchange rates between mobile wallet operators.<sup>55</sup> Further, poor integration of mobile wallets between actors other than traders, such as at border posts, limits the attractiveness of adopting digital payments. However, as these technical and perception barriers are overcome and digital payment innovation continues at an advanced pace in the region, the technology's potential to reduce the transaction costs of ICBTs mean that digital payment solutions will likely enjoy growing adoption among ICBTs.

### **9.1.3 THE ROLE OF MARKET SYSTEMS DIGITALIZATION AND MARKET DATA**

Now, more than ever, ICBTs make business decisions with enormous amounts of information. While traditional knowledge and experience may influence many parts of a business (e.g. seasonal patterns, ideal fishing locations, pest and disease control), digital technologies are increasingly enriching ICBTs access to additional business information. For informal ICBTs, the volatility of informal market conditions and the scale of their business activities make them especially sensitive to market conditions, ICBT's access to fast-moving data can influence several decisions. For example:

- Information on market prices can influence what and how farmers grow, whether they sell at the farmgate or at the marketplace, and store or sell goods.

- Information on new market opportunities typically provides first-mover advantages as ICBTs are quick to react to profitable arbitrage opportunities.
- Knowledge on applicable cross-border tariffs and levies, or sudden changes in border procedures, can make or break ICBT profits in deliveries.
- The increasing volatility of climate change for farmers in high-risk areas (e.g. Northern Kenya) means that seasonal weather forecasts can determine financing decisions.

The public provision of market data has played an important part in the digitalization of value-chains, especially in the areas of agricultural and livestock price information. In one case from Uganda, an ICBT focused on processing maize into ethanol uses publicly provided market price data to determine from which marketplace to source their inputs. By leveraging USSD and SMS-based approaches to provide poorer traders with access to publicly available price data, traders were found to increase their average commodity trading portfolio from 2 commodities to 3, and traded in at least one additional market, compared to those without access to the data.<sup>56</sup>

The table below highlights public data examples of agricultural spot prices provided by government sources from Kenya, Rwanda, and Tanzania and their respective market and product coverage.

Source		Kenya	Rwanda	Tanzania	Total (Distinct)
e-Soko Rwanda	Products		110		110
	Marketplaces		62		62
TZA- Ministry of Investment, Industry and Trade	Products			8	8
	Marketplaces			17	17
Livestock Market Information System Kenya	Products	4			4
	Marketplaces	43			43
Kenyan Agricultural Market Information System	Products	396			396
	Marketplaces	292			292

Moreover, digitalization in trade value chains can be especially pertinent for INGOs targeting ICBT resilience, food security, and program design. For instance, the Food Security Analysis Service of the World Food Program monitors food prices to provide critical information on food availability and on the functioning of markets.<sup>57</sup> The service also evaluates the effects of food assistance on local markets to optimize program delivery and local market recovery. Similarly, the Famine Early Warning Network project, which monitors food prices in approximately 30 countries, uses price trends and deviations to provide early warning and monthly projections of food insecurity to help decision-makers plan for humanitarian crises. Moreover, for cash transfer programs, a survey by the Norwegian Refugee Council finds that data on market prices and market analysis informed 67% and 57%, respectively, of the methodologies that established the value of cash grants in programs around the world.<sup>58</sup> However, in a significant number of cases, informal farmers and traders are not able to access these digital and online resources due to the majority of traders not owning a smartphone.

While systems digitalization is occurring throughout the value-chain, ICBTs are at significant risk of not being to access its data-driven benefits. For instance, several ICT-based interventions have specifically targeted the reduction of information search costs for African ICBTs. Some notable information resources include the Kenya Revenue Authority's online trade portal and online price information platforms such as Kenya's Agricultural Market Information System (KAMIS) and Rwanda's Esoko platform. However, in a significant number of cases, informal farmers and traders are not able to access these digital and online resources due to most traders not owning a smartphone.

Without access to the necessary technology (i.e. internet-enabled smartphones), and also without the appropriate digital literacy, ICBTs have few channels to access the market information they need. The consequences of these accessibility issues have direct economic costs as traders spend more on traditional communication channels, such as phone calls with their social/professional network, but also create several indirect barriers that keep ICBTs from formalizing. For example, research with 398 WICBTs involved in Kenya's regional cross-border trade showed that:

- 21.1% indicated no meaningful access to information on product quality standards.<sup>59</sup>
- 41% indicated no meaningful access to information on how to formally register their businesses; and,
- 22.9% indicated no meaningful access to information on financing opportunities.

Moreover, without up-to-date market information, ICBTs are at a disadvantage when negotiating with better-resourced brokers, and traders are not able to "time the market" – often having to accept prices at face-value without the knowledge of potentially better prices in other nearby markets. When crossing borders traders are not able to verify questionable levies, because the cost of independently verifying official's claims is higher than compliance. Further, with few accessible resources to verify, informal traders must take the exchange rates that informal money changers offer at the risk of exploitation. For women, poor access to up-to-date and relevant trade regulations (e.g. special tariff rules and temporary import/export bans), which are relatively well-maintained online but inaccessible without smartphones or internet, increases their likelihood of regulatory violations, sexual violence, and exploitation.

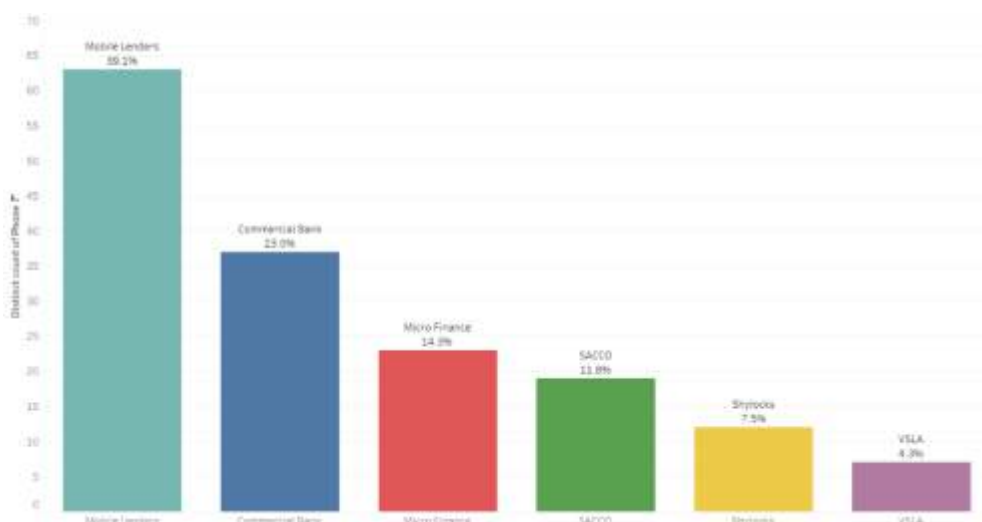
Lastly, while systems digitalization is occurring at an impressive rate, fewer information resources are available to (or in development for) ICBTs that meet the scope and scale of their comparatively smaller operations, relative to large high-value multinational exporters. Many digital import/export resources, for example, target procedures at international airports and ports and only give cursory customs information for specific borders (which may have county-specific regulations) related to predominant ICBT value-chains.



## 9.2 Increasing Access to Finance

Higher transfer costs associated with small-volume transactions limit the available market opportunities to ICBTs. These transfer costs relate to the transport fees to cover long-distances, market search costs, and official trade costs such as duties and tariffs, among others. With relatively smaller volume production, these transfer costs eat into a large share of ICBT's business profits, minimizing reinvestments and ICBT's opportunities to scale. Moreover, given that 95% of the traders depend solely on personal resources and loans from friends and relatives, unexpected shocks to business revenue (made more pertinent with climate-change) can have detrimental and community-level effects.<sup>60</sup>

One avenue to overcome scale-up cost-constraints, moving up the value chain, and transitioning to formality, involves engaging affordable finance and credit facilities. ICBT access to formal finance and credit, however, is extremely underdeveloped across Africa. Indeed, the virtual absence of banking institutions in rural areas, where production is occurring, further complicate ICBT's access to financing.<sup>61</sup> Despite this, a significant proportion of (48.1%) of survey respondents indicated that they had taken a loan in the last 3 years, and mobile lenders, which often provide unsecured personal loans, were also indicated as the lender of choice for most (39.1%) of the respondents. The chart below presents ICBTs responses when asked where they had most recently received a loan.



Typically, formal credit providers will view informal ICBTs as individuals and have few financial tools to assess their informal business activities.<sup>62</sup> Typically informal ICBTs are poorly suited to accessing the traditional debt finance, due in part to limited credit history, under-collateralization, or lack of comprehensive financial records. Acceptable collateral is typically limited to “landed property”, (i.e. real estate) rather than accounts receivable or inventories, which excludes the majority of ICBTs, especially women and youth. Moreover, high interest rates, processing fees, and short loan repayment periods keep formal business loans out of reach of ICBTs. The absence of credible credit reference bureaus and private credit registries also undermines the chances of informal traders gaining access to finance.

Most formal financial institutions require books of accounts, evidence of business registration, tax compliance and collateral as a precondition for accessing credit, things which most informal traders do not have. Indeed, a large majority (85.5%) of survey respondents indicated that they were willing to take on new business loans, however, many (36.6%) stated that they do not know where to get a loan applicable to their ICBT business, 28.3% indicated that they do not meet the traditional credit history requirements, and 13.2% of them do not have valid identification documents. Moreover, half of informal cross-border traders and urban traders in Kenya and Uganda who sought formal business registration information reported that they could not find, nor had access to, the relevant information they needed to register their ICBT businesses.<sup>63</sup>

Most (79.8%) of the borrowers indicated that they understood the terms and conditions for the loans they borrow and for the loans they were ineligible for, highlighting a mismatch between available loan products and ICBT businesses. Most respondents mentioned that their decision to take certain loan amounts is dependent on their ability to repay (38.4%) and their business needs (34%). When the respondents were asked the amount that they can borrow for their business needs and confidently repay, slightly more than half (51.5%) of the respondents quoted a preferable loan amount between \$10-\$100USD per month.

Recalling the time constraints and restrictions in movement that women face, it can also be difficult for women in isolated regions to physically reach financial institutions. Moreover, WICBT's are less likely to satisfy the strict requirements of financial institutions when seeking the funding to expand their businesses, given that productive assets such as land or cattle are often registered only to their husbands.<sup>64</sup> While the majority of financing opportunities for ICBTs come from household and family resources, women reported being able to raise approximately 80% of their financing needs from male counterparts.<sup>65</sup>

### **9.2.1 THE ROLE OF INNOVATIVE FINANCING AND ICBT TRADE FINANCE IN PROVIDING ACCESS TO CREDIT**

Innovative financing initiatives that specifically target the unique capacities of informal ICBTs in Africa are an important tool for inclusive entrepreneurship and trade promotion by providing an accessible credit mechanism for individuals who are generally excluded from traditional banking services. Microfinance, which typically combines small personal loans with business development services, is common in Africa and other regions comprise approximately 80% of the global market.<sup>66</sup> The institutions that distribute microfinance vary and range from informal savings groups and cooperatives to non-governmental organizations and rural banks. When compared to formal banking institutions, loans from microfinance institutions are typically smaller, interest rates are typically higher, but they tend to lend substantially higher shares of their portfolios to women and the poor.<sup>67</sup> The table below presents some of the traders' savings and cooperative groups operating at East African borders:<sup>68</sup>

Institution Name	Regional Context	Maximum Loan Amount (USD)	Interest Rate
Busia Produce Dealers' Multi-Purpose Cooperative Society Limited	Busia, Uganda (Kenya Uganda Border)	400	6%
Katuna Traders Association	Katuna (Rwanda-Uganda border)	-	5%
Mutukula Development and Savings Society	Mutukula, Uganda (Uganda, Tanzania)	500	5%

Microfinance is also being powered by digital solutions to increase the reach and accessibility of Africa's remote populations. For women especially, financial services delivered via mobile phone can bridge the last-mile gap and bring financial tools and services directly to women where they work and live.<sup>69</sup> Further digital financial technologies often integrate with mobile wallets, reducing the complexity and financial literacy required to interact with lending institutions. *M-Shwari*, for instance, is a savings and loan service that enables M-PESA customers to instantly access loans straight to customers' M-PESA wallets. Similar examples include *M-Pawa* in Tanzania and *BRAC Uganda* in Uganda.<sup>70</sup>

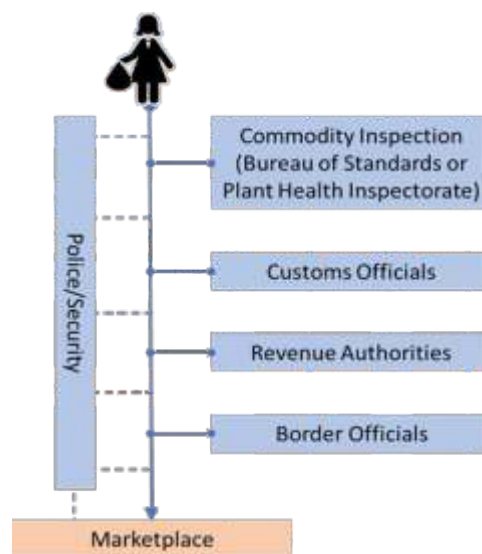
While access to finance can create avenues for growth, for many ICBTs it also serves to reduce vulnerabilities to economic shocks, both in the economy and at home. However, because financing institutions typically rely on interest income to sustain themselves, this can create barriers for poorer risk-averse ICBTs who prefer to stabilize household cash-flow by saving instead of risking loan indebtedness.<sup>71</sup> Village savings and loan groups are often groups of 10-30 members who self-manage and self-capitalize an aggregate savings pool to create a capital base to help manage individual cash-flow issues. Village savings loan associations have shown to be popular with youth-led ICBTs who, as members, can access capital several times larger than their own individual savings. The social and transparent nature of VSLAs also improves the accessibility of finance for ICBTs with lower financial literacy, who can instead bank on their social networks.

Digital credit has developed rapidly in Kenya<sup>72</sup> and this seems to have reduced the credit access constraints faced by most informal traders who can access business loans via mobile phone from digital lenders who neither require collateral nor impose overly stringent requirements. However, the loans are costlier compared to those offered through formal financial platforms.<sup>73</sup> Women tend to get smaller loans from community associations (such as saving groups), or from loan sharks, which often charge an interest of 20%.<sup>74</sup> Additionally, the relative ease of access of digital credit has made most informal traders, including ordinary youth, to be highly indebted and blacklisted by the Credit Reference Bureau.<sup>75</sup>

### 8.3 ENSURING SAFE TRADE

Different official actors hold a considerable amount of power over ICBTs to facilitate or delay a trader's journey. The figure to the right illustrates the typical actors that are confronted in a trader's journey. The abuse of this power as corruption has been a longstanding issue for IBCTs crossing formal and informal border crossings. While complying with the variety of regulations across Africa's national borders is difficult enough for many ICBTs, the complexity of regulations also provides ample opportunities for corruption and bribery. Research on bribery in the East African Community suggests that traders are pressured for bribes to:

1. Speed up, facilitate, or get service at the formal border;
2. To avoid paying a tax or fee,
3. To avoid penalties for using a non-gazetted route<sup>76</sup>

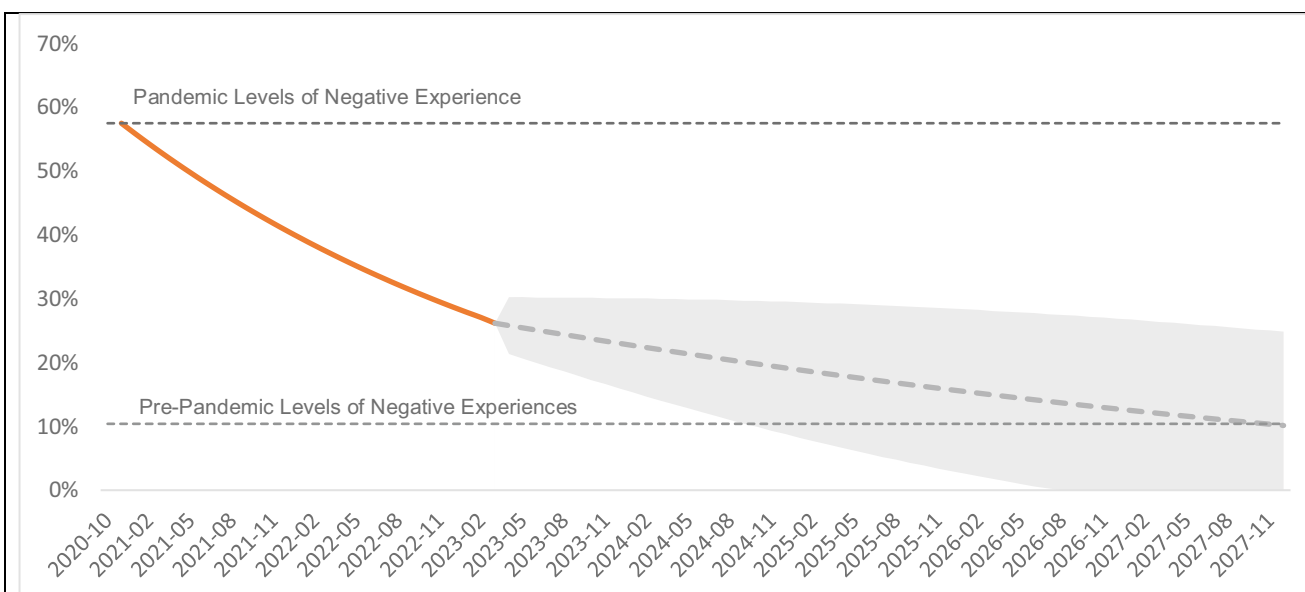


Delays that happen due to clearance at the border are considered to be a contributing factor in making formal trade become untenable for many traders. As clearance delays stretch into the night, theft and insecurity can become an issue. For WICBTs especially, the prospect of being held up at the border increases their vulnerability to sexual and gender-based violence (SGBV), which can be exacerbated when bribery is presented as a means to accelerate clearance.

#### Data Analysis on Safe Trade after the Pandemic

Negative experiences crossing the border have reduced since the end of border closures in the region. Harassment and corruption reports, however, have not yet returned to pre-pandemic levels.



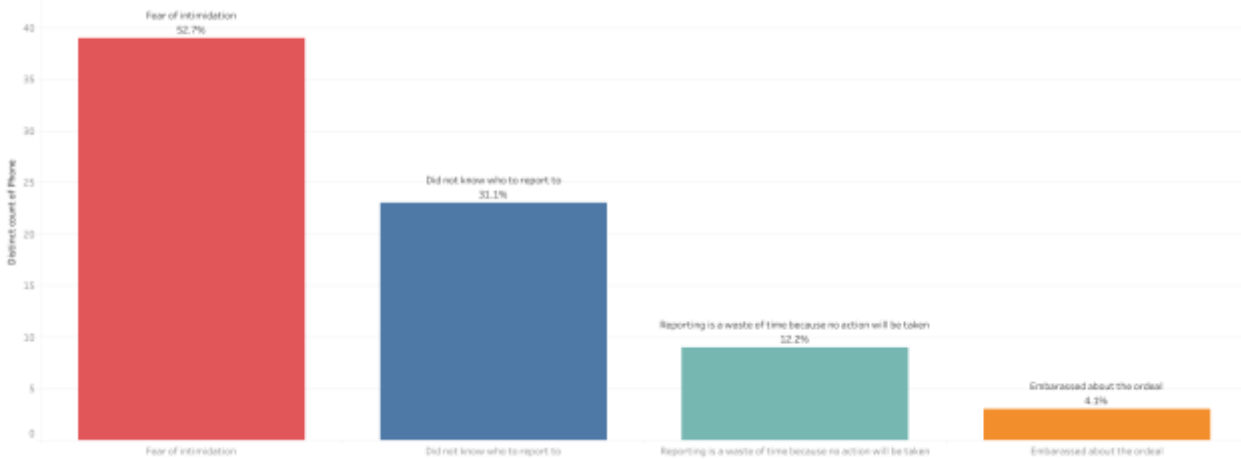


The data from Sauti’s harassment and corruption reporting platform suggests that the likelihood of negative experiences has reduced to 26.2% per crossing as of 2023-02, down from the pandemic high of 57.5%. While the reduction of harassment and corruption incidents can be influenced by several exogenous factors (e.g., anti-corruption campaigns, new regulatory procedures), which make forecasting difficult, with current trends, border crossing experiences are likely to return to pre-pandemic levels by the end of 2027.

### 9.3.1 THE ROLE OF JUSTICE MECHANISMS IN ENSURING SAFE TRADE

The role of justice mechanisms in ensuring the safety of ICBTs is multifaceted, however, many of East Africa’s official institutions are reliant on ICBTs making detailed incident reports. This can pose challenges for ICBTs, already operating in a gray regulatory space. Indeed, a significant number (52.7%) of ICBT respondents indicated that they did not report incidents of corruption or harassment that they experienced to official justice institutions during the pandemic. Reasons for not reporting incidents can be complex; the chart below presents some of the reasons given by respondents.





The data suggests that about half did not report incidents because of fear of intimidation. Reporting can also be risky for ICBTs as many of the details of a report may prompt self-incriminating questions. Almost a third highlighted that they did not know who to report incidents to, highlighting a lack of information about justice mechanisms for ICBTs. While a few ICBTs highlight that “reporting is a waste of time, because no action will be taken,” for those that did report incidents, 65.6% indicated that no action was taken on their report. Reasons for no restitutive action can be attributed to several factors, such as poor police capacity or supporting evidence, however the data from the two questions together suggest that communications are also poor between justice institutions and ICBTs – creating reinforcing barriers in access to justice.

### 9.3.2 THE ROLE OF TRADE ASSOCIATIONS IN ENSURING SAFE TRADE

In response to the challenges in production and trade, many informal ICBTs have developed their personal and professional networks into institutions of resilience and risk mitigation. Survey data indicates that most respondents (55.4%) were members of cross-border trade associations. Often, cooperatives are organic institutions that emerge from the ingenuity of entrepreneurial groups and are often staffed by knowledgeable entrepreneurs who, themselves, are operating in their target sector.<sup>77</sup> Associations and cooperatives play multiple roles at every stage of Africa’s trade value-chain, including advocating for collective action benefits, which would ordinarily be elusive to individual members. Community vetting and trust plays a central role, with membership applications in many loan-based associations requiring the signatures of existing members. Membership can confer training, loans, market information, assistance with clearing goods, home welfare support, savings groups, a channel for policy advocacy, and market linkages. Membership in associations can also promote networking among other members, reduction in information search costs, and capacity-building and knowledge exchange between members.

For many women traders, trade associations also provide one of the few resources for meaningful and accessible information regarding sexual harassment reporting, SGBV resources, and SGBV rights information.<sup>78</sup> Cooperatives have also been noted to help their members overcome collective action

problems that may otherwise have not been possible, such as collectively negotiating better prices for their commodities, organizing bulk transportation, and sharing secure storage resources.<sup>79</sup>

However, with most WICBT associations operating autonomously at the borders which they operate, there is rising need for the cooperation of the associations to improve their bargaining power and be more significantly involved in discussions at the policy level on issues pertinent to ICBT. As is currently, there is consensus that associations are effective for championing the rights of traders albeit at the local border level. However, some issues affecting the ICBTs can only be addressed at the national and regional level, where the bargaining power of individual associations is poor. There are efforts to push for the formation of national and regional Women Cross Border Traders Associations, but these are currently nascent. The potential benefits to involving already organized stakeholders in current border governance, however, has obvious benefits for women's policy inclusion.

Moreover, in their current setup, the sustainability of advocacy associations has proven limited and associations struggle without initial donor funding. One strategy to overcome these dependencies, has been to transition to a formalized cooperative model that is duly registered and regulated by the laws governing cooperatives in the respective countries. As avenues for advocacy are more robust for formalized organizations, cooperatives are likely to operate as significant players for ICBT advocacy in the future.

## 10.0 RECOMMENDATIONS AND CONCLUSION

The following recommendations are informed by the data and literature presented in the previous sections and are divided into three (not mutually exclusive) sections: digitalization; access to finance; and safety.

### 10.1 Digitalization

**Consider ICBTs level of technology and promote “accessible-first” ICT-led trade facilitation:**

While smartphones are growing in popularity across the continent, a pernicious digital divide threatens to leave significant large segments ICBTs out of inclusive ICT-led trade development. Further, while many ICT platforms in the region are designed with “mobile first” strategies, these often preclude users with basic feature phones. Here, UNDP, INGOs, and other regional stakeholders have an opportunity to expand the benefits of ICT solutions by supporting the design and development of trade-relevant interfaces that meet to meet the specific technology capacities of ICBTs.

**Digital-based solutions are a promising avenue to target women and youth-led ICBTs:**

Women and youth ICBTs were found to be more likely to own a smartphone in the region. Here targeted women's and youth empowerment programs can be supported by the UNDP, INGOs, and other regional stakeholders to include more sophisticated ICT-led interventions. At

the same time, for older ICBTs and men, considerations need to be made about the levels of digital literacy among trade facilitation programs target populations.

**Promote cross-border fintech, paperless trading, and mobile money integration and interoperability:** ICBTs are ubiquitous users of mobile money, however, interoperability between mobile networks and integration across border services are limited. Here, UNDP, INGOs, and other regional stakeholders have an opportunity to promote programs to accelerate the digitalization of finance that is rapidly being adopted by ICBTs.

**Promote data integration between ICBT-relevant data services:** Accessible and meaningful data is already changing how ICBTs operate, allowing them to make more responsive, informed, and sustainable market decisions. INGOs, who also provide direct support to ICBTs, are also digitalizing their programming with more localized and real-time data. The quality of data produced in East Africa, however, is variable, both by geographic and sectoral context. Data related to stakeholder and value-chain mapping, localized indicators of economic activity (e.g., market prices), and trade intervention evaluations are frequently siloed within INGOs or official departments with limited capacity to share disaggregated anonymized data for program-specific use-cases. Moreover, while large public institutions typically have the greatest capacity to collect, standardize, and share data, sharing data in public-private (and even public-public) partnerships is minimal. Here, UNDP is well-placed to fulfill a coordinating role to promote data sharing between public, private, and INGO institutions. Further, UNDP, INGOs, and other regional stakeholders can promote and explore innovative use-cases for integrating existing data resources related to ICBT trade and catalyzing the expertise from the region's digital entrepreneurs.

**Promote e-commerce channels and platforms already in use by ICBTs:** Many ICBTs with varying levels of internet accessibility are already using digital platforms (such as Facebook and WhatsApp) to promote their businesses. UNDP, INGOs, and other regional stakeholders are well-placed to capitalize on this technology adoption and promote technical business and marketing training programs to encourage ICBTs to maximize their experience on these platforms.

## 10.2 Access to Finance

**Support scale-up financing programs and the development of digital fintech products specific to ICBT businesses:** Despite its prominence in the region, ICBTs indicated few loan products relevant to them and for which their business activities would be eligible. Collateral, little documentation, and formal registration were highlighted as impediments to accessing finance from existing finance institutions. In coordination with the private sector, financial institutions, national policymakers, and regulators, UNDP can help to strengthen and expand the coverage and affordability of trade finance offerings for ICBTs. Actions may include working with banks

to provide financial products and services and appropriate collateral requirements for ICBTs - specifically tapping into emergent alternatives such as supply chain finance, trade finance funds, or technology-enabled solutions for digital financing, supply chain mapping, and transaction tracking.

**Work with mobile lenders to support innovative financing for ICBTs:** Mobile money lenders were identified as the most popular resource used by ICBTs to finance their business activities. Here UNDP can promote the development of digital solutions, or extend existing financial services, to integrate the accessibility of financial loans via mobile money. This can also be especially relevant for promoting economic empowerment among women ICBTs, who often face time and travel constraints when accessing traditional finance.

**Provide formalization and technical training support to microfinance groups supporting ICBTs:** Microfinance, village savings loan associations, and cross-border trade associations are important parts of ICBT financial infrastructure, especially for women and youth. They can stabilize household cash-flow, provide scaling loans, and sometimes provide avenues of formalization by operating as a business themselves to access larger scale financial products (e.g., impact investing products) for their membership. UNDP can take actions to strengthen the enabling capacity of local ICBT associations through grants and cooperative development support in areas such as formal registration procedures, governance, financial management, member equity and capitalization, and social inclusion. Moreover, grass-roots cooperatives and associations often have a track-record of trust with their membership, but fewer links with the impact investing community. UNDP is well-placed to play a mapping and coordinating role between the two and reduce the search and due diligence costs for both.

### 10.3 SAFETY

**Promote trust and dialogue between cross-border trade officials and ICBTs:** The pandemic promoted a significant rise in negative experiences for ICBTs. And while negative experiences are decreasing, at 2023-02 the data suggests that ICBTs still experience a 26.2% likelihood of a negative experience. Worse still, this figure remains higher for women and youth. UNDP would be well-placed to support programs and interventions that seek to restore trust and dialogue between cross-border trade officials and ICBTs and accelerate the rate of decline in negative experiences.

**Support programs that address the accessibility and effectiveness of ICBT-related justice institutions:** Respondents in surveys for this report highlighted factors such as fear of intimidation, or ineffectiveness, as barriers to reporting corruption and harassment. Many also indicated that their reports had not been actioned. UNDP can support programs that target this issue from several entry-points, including a) promoting the guarantees of safety and security when reporting incidents; and b) providing accessible information on the rights, obligations and avenues for justice for ICBTs. provide institutional support for women's-

specific trade associations to enable them to continue advocating for a SGBV-free trade environment.

**Capitalize on AfCFTA policy implementation to promote ICBT dialogue and official communication:** The implementation of the AfCFTA regional trade agenda is a unique opportunity to promote inclusive, resilient, and sustainable trade environments for ICBTs. It is well-noted, however, that the levels of mutual trust between ICBTs and officials is at an all-time low, evidenced by ICBTs reluctance to report corruption and harassment. It is important therefore, that ICBTs, who will be among the major beneficiaries and actors in the AfCFTA's trade agenda are involved in institutional trust-building with officials to enhance ownership of the AfCFTA initiative through support from UNDP, the government, private institutions, and INGO's.

While the pandemic presented an extreme threat to the ICBTs involved in East Africa's intra-regional trade, in the post-pandemic period, INGOs such as UNDP have several opportunities to catalyze the rate of recovery and promote resilience among ICBTs in East Africa. The data presented in this report illustrates the initial, and lasting, damage brought on by the pandemic and its effects on the informal trade sector. This report has also presented the ways ICBTs have modified their businesses to adapt, and the avenues (and lack thereof) for recovery. Promoting these pathways for recovery and resilience, and addressing the challenges made worse by COVID-19, will be critical for East Africa's development sector to have a meaningful and inclusive economic impact for ICBTs in the region.





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