

# What future for women small-scale and informal cross-border traders when borders close?

08 May 2020



Written by  
Simonetta Zarrilli, Chief, and Mariangela Linoci, Economic Affairs Officer  
Trade, Gender and Development Programme, UNCTAD

---

As the economic effects of the coronavirus pandemic continue to unfold, it becomes clear that some will be hit harder than others.

Let's take for example the case of women small-scale and informal cross-border traders.

Along African borders, the livelihoods of entire communities depend on trading activities carried out by small-scale traders, most of which are unregistered.

Informal cross-border trade has been a major characteristic of the African economic and social landscape, representing up to 40% of regional trade.

Because of the flexibility it affords, the small startup capital it requires, and the earning opportunities it offers in border areas where no other alternative is available, women make up the largest share of informal traders, representing 70% to 80% in some countries.



In response to the global health crisis, countries in Africa have increasingly started to introduce restrictive trade measures.

## [Leveraging digital solutions to seize the potential of informal cross-border trade](#)

Some are implementing export bans or introducing export licensing requirements while still keeping all commercial borders open, whereas some are only allowing transit of essential goods, aid and relief cargo. Others have instead restricted transit entirely by closing all borders. When cross-border trade is permitted, it mainly concerns larger commercial flows.

As borders close, restrictions on freedom of movement are expected to take a particularly heavy toll on those who earn a living by making regular trips between countries. As has been the case with other shocks, women risk bearing the brunt of this pandemic.

## **Livelihoods at risk**

On top of missed income opportunities caused by the freeze of productive activities, many women traders are suffering economic losses from goods that have remained unsold and, in many cases, gone to waste because of their perishable nature.

This adds to the pending payments of customers who are themselves unable to pay for goods that had been ordered or supplied before the crisis hit. As the economic prospects worsen and purchasing power drops, women traders are forced to use their capital for survival. Eventually, this will erode their capacity to respond and recover when activities reopen for business.

Besides the immediate economic impacts on the livelihoods of cross-border traders, the inability to continue their business as usual is having wider negative spill over effects. Informal cross-border trade flows of staples and other agricultural products play a critical role in guaranteeing food security, especially in remote villages where the population relies more heavily on food items supplied through informal channels than on official distribution.

As a result, severe shortages of essential goods coming from across the border, combined with the consequences of stockpiling by those who can afford it, risk to seriously hamper food security in border communities and to intensify poverty.

## **The challenges of keeping businesses alive**

Before the introduction of any transit restrictions in Africa, women informal cross-border traders had already stopped crossing borders for business because of transport and logistics constraints or disruptions in food markets of neighbouring countries and in supply chains. After already a few weeks with no gains, there are pressing fears that this crisis will eventually push them out of business.

Micro, small and medium enterprises, the backbone of developing countries' economies, are experiencing some of the most severe effects of the economic slow-down. This is particularly the case of small informal businesses, which usually lack access to social protection.

But as countries prepare to address the COVID-19 crisis, it is expected that response mechanisms will not immediately prioritize business activities operating in the informal sector.

## **Help them get back on their feet**

There are ways in which the global threat of the pandemic could be turned into an opportunity for the most vulnerable. This requires governments to acknowledge, on one side, the enormous contributions of the informal sector to employment creation and to the overall economy and, on the other, the fact that formalization is not a realistic and affordable option for everyone.

When it comes to informal cross-border trade, efforts should be directed towards providing new incentives to formalization and helping informal traders thrive.

The following are policy measures that could serve both purposes.

**Reduce financial exclusion.** Now more than ever, access to finance is a critical factor for business survival. Deferring debt payments for borrowers is an effective support measure in the short run, whereas extending financial services to those who have no access to formal lending schemes would be a more sustainable and broad-based solution in the long run. This may include introducing preferential options for small-scale and informal traders, such as flexible repayment terms or interest-free loans. Digital tools such as mobile money provide effective solutions to store and transact money and, in some instances, to access digital credit services without the need of a bank account.

**Support business cashflows.** Businesses at all levels are experiencing reduced income and lack of liquidity. Fiscal relief measures during the crisis such as tax payments deferrals for formal businesses, tax burden reductions or the suspension of interests on late payments may prove effective in mitigating the long-term impacts on small-scale registered businesses.

**Developing entrepreneurial skills.** Acquiring stronger business skills and accessing key information about trade rules and procedures have now become even more pressing needs for small-scale and informal cross-border traders, and essential factors in helping small businesses re-start and recover. UNCTAD's [training programme](#) on trade rules and procedures and entrepreneurship provides a useful tool in this area. Encouraging traders to explore opportunities for diversification, establish stronger linkages with local value chains or adopt digital solutions to redress business activities can also help build local resilience.

**Improving Simplified Trade Regimes (STR).** The scheme, introduced in some regional economic communities to facilitate small-scale cross border trade, could be adapted to better respond to the specific needs of informal traders. This may include waiving the certificate of origins, relaxing requirements for export/import permits and sanitary and phytosanitary certification – for instance on trade of essential goods – or expanding the lists of goods eligible for STR treatment. Improving STR would encourage the uptake of the scheme and hence contribute to draw informal traders towards formalization.

**Expanding social safety nets.** Emergency relief packages that governments are putting in place should consider the introduction or expansion of social protection measures to support informal workers, particularly women, in facing this unprecedented situation. These could take the form of social cash transfers, temporary living allowance subsidies, emergency minimum wages, food vouchers, or energy and housing subsidies.

**Safeguard progress on gender equality.** Lastly, as productive activities and consumption are scaled back globally, countries cannot afford to also scale back the progress achieved so far in advancing gender equality. Response and recovery efforts must put gender equality and women's empowerment at the centre of any intervention.