DIAGNOSTIC STUDY

Enhancing Access to Finance for EAC Women Cross-Border Traders

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ACRONYMS AND ABBREVIATIONS

AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AWIEF	Africa Women Innovation and Entrepreneurship Forum
BDS	business-development services
BS	balance sheet
CBK	Central Bank of Kenya
CET	common external tariff
COMESA	Common Market for Eastern and Southern Africa
CRB	credit reference bureau
EABC	East African Business Council
EAC	East African Community
EASSI	Eastern African Sub-Regional Support Initiative for the Advancement of Women
ECCAS	Economic Community of Central African States
EPA	economic partnership agreement
FGD	focus-group discussion
FI	financial institution
FSP	financial service provider
ICT	information and communications technology
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
MFI	microfinance institution
MMO	mobile-money operator
MSE	micro and small enterprise
MSME	micro, small, and medium-sized enterprise
NBR	National Bank of Rwanda
OSBP	one-stop border post
ROSCA	rotating savings and credit associations
SACCO	savings and credit cooperative
SADC	Southern African Development Community
SME	small and medium-sized enterprise
SSA	Sub-Saharan Africa
STR	simplified trade regime
TFTA	Tripartite Free Trade Area
WBG	World Bank Group

WHY WOMEN'S FINANCIAL INCLUSION IS IMPORTANT GLOBALLY

Gender equality is a key pillar through which countries can work toward meeting their sustainable-development goals and the realization of human rights for all. The overall objective of gender equality is a society in which women and men enjoy the same opportunities, rights, and obligations in all spheres of life. Equality exists when both sexes are able to share equally in the distribution of power and influence; have equal opportunities for financial independence through work or through setting up businesses; enjoy equal access to education and the opportunity to develop personal ambitions, interests, and talents; and share responsibility for the home and children and are completely free from coercion, intimidation, and gender-based violence both at work and at home (UNFPA 2005).

In relation to financial inclusion, women have yet to attain equality in access, particularly in developing markets. Whereas overall access to finance has almost doubled in Sub-Saharan Africa in less than a decade—the number of adults with access to a financial account has increased from 23 percent in 2011 to 43 percent in 2017—women continue to report lower levels of access compared to their male counterparts (WBG 2020c). The disparity between the two genders has continued to rise, from 5 percent in 2011 to 11 percent in 2017 (that is, women's access grew from 21 percent to 37 percent, compared to men's access, which grew from 27 percent to 47 percent), confirming the need for further dedicated effort to support women's financial inclusion.

IMPORTANCE OF FINANCIAL ACCESS TO HOUSEHOLDS

Women are consistently active household financial managers and therefore stand to benefit from increased access to finance (GSMA, Visa, and BFA 2013). Even though men tend to earn the lion's share of the household income, it is proven that women tend to take responsibility for a significant portion of decisions made about household financial management, particularly in terms of how to execute a large volume of small-value transactions. Women are responsible for many of the daily household expenditures, such as food, children's day-to-day needs, paying bills, sending remittances, and storing money for periodic savings and emergency payments.[1]

Women typically hold these responsibilities even in households where the woman is not the primary income earner. Nevertheless, women still play an important role in generating supplementary household income and personally receive remittances that tend to remain under their control. Women and men tend to receive income from different types of sources, affecting the frequency and reliability of payment. Women generally report more erratic income streams and are often paid in cash, which puts greater pressure on women to be active financial managers.

Given these responsibilities and barriers to accessing formal financial services, women tend to have higher uptake of informal financial services, such as savings and credit cooperatives societies (SACCOs), table banks, or rotating savings and credit associations (ROSCAs). However, informal forms of financial services have higher risks, as they are not prudentially licensed, have limited product and service offerings, and are typically cash based and therefore prone to theft or the inconvenience of paying manually. Due to liquidity constraints, informal financial services may also be inadequate to address emergencies as they arise and may lack privacy around the community or a group of people knowing when women have received payment.

Lacking access to formal financial services therefore makes it difficult for women to save safely and privately, make payments, and receive transfers. As a result, women have fewer options for managing their money; preparing for and responding to health, income, or environmental shocks; and investing in their businesses, education, homes, and health.

Women must therefore adopt sophisticated techniques for cash-flow management involving allocating their often-scarce funds carefully and finding safe and reliable means of saving, often with limited choices for financial services. As a result of these competing requirements, women face enhanced pressure to be prepared and therefore tend to be risk averse when trying new tools.

Recent studies demonstrate that well-designed financial services can reduce gender inequality and foster women's economic autonomy and well-being (Buvinic and O'Donnell 2017). Women's use of savings or mobile-money accounts has been shown to strengthen women's bargaining power with the family; increase women entrepreneurs' business investments and private expenditures; grow monetary and total assets and spending on education and food; increase the girl child's schooling and parents' educational aspirations for their daughters; and reduce poverty rates while expanding occupational choice, particularly for female-headed households (Ashraf, Karlan, and Yin 2006; Dupas and Robinson 2003; Suri and Jack 2016).

Furthermore, transferring government payments directly into women's accounts, rather than disbursing them through the male household head's account, has shown a number of benefits. These include saving time, increasing dietary diversity within the household, and supporting women in negotiating to increase their labor force participation (Aker et al. 2016; Bernhardt et al. 2019).

Emerging research indicates that there is strong demand among women for formal financial services as long as they address not just their barriers to access but also their distinct needs and priorities (Holloway, Niazi, and Rouse 2017). As such, there is significant untapped demand for new financial services and products designed for women. These would not only serve to grow women's financial access but result in direct and indirect macroeconomic output. Goldman Sachs's Global Markets Institute estimates that closing the gender gap in credit access for women-owned small and medium-sized enterprises across the developing world could increase income per capita growth rates by over 1.1 percent (Stupnytska et al. 2014). Furthermore, reducing gender inequalities in entrepreneurship and labor force participation could increase income per capita in developing markets by an estimated 16 percent (Cuberes and Teignier 2016).

UNIQUE BARRIERS WOMEN FACE

Barriers for women's access to financial services have been widely researched and documented. Some of the most common barriers relate to a lack of access to mobile phones or national ID documentation that prevents registration with formal financial providers. Similarly, cultural practices that directly prevent women from having access to their own accounts, or that require men to approve account registration, are common in emerging markets. Limited understanding, or literacy, of formal financial management (in contrast to the household financial management discussed above) also restricts uptake of formal financial services by limiting awareness and understanding of different products and services.

Once women are able to access financial services, a lack of adequate collateral assets in their names (such as housing or cars) limits their ability to take on certain types or larger amounts of credit. This often limits effective borrowing for productive purposes.

The structure, packaging, and marketing of financial products and services is often tailored to men and not women. Examples of these include the operating hours of branches and agents, often coinciding with the times that women are required to be at their businesses or supporting various household activities. In addition to products and services not adequately meeting the needs of women, above-the-line advertising is reported to focus on men, and women often report fee structures as being confusing and lacking transparency. Together, these reduce women's trust in formal financial services and perpetuate the perception that formal financial services are for wealthy individuals and require large amounts of money to save.

WHAT IT TAKES TO SERVE WOMEN BETTER

Raising financial-inclusion levels for women requires a multipronged approach leveraging public, private, and donor players. Addressing the key barriers of ID documentation and literacy levels, for example, requires tailored and directed policy to address past disparities while ensuring equitable access going forward.

Formal financial service providers require a robust approach to growing uptake and usage of financial services for women. This first entails creating a clear understanding of needs specific to women that can be addressed by the financial products and services. This would involve in-depth and periodic research. An understanding of the various subsegments that exist related to age, level of education, profession, household responsibilities, and other demographics are required to acknowledge the diversity of the customers.

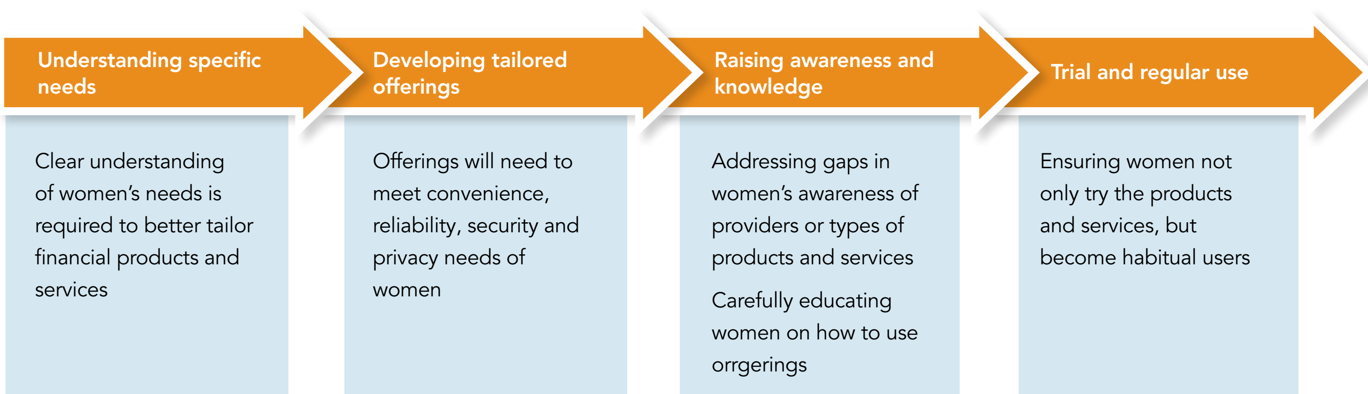
Next, the development of financial offerings needs to address the following four key attributes:

- **Convenience**—Developing products and services that fit women's daily routines and take as little time away from their businesses and household responsibilities as possible. Note existing offerings may meet these needs but would require better messaging to women.
- **Reliability**—For high-value or low-value needs, women need assurance that their tools will deliver the required outcome when needed, particularly around emergencies. These should be available day or night.
- **Security**—Hard-earned income is precious. Women need to manage their finances without risking harm to their household wealth, their families, and themselves.
- **Privacy**—Women feel empowered and independent if they have the freedom to spend their money as they like, without undue demands from family and friends.

The next step involves customizing communication with, and education of, women customers in ways that they respond to. This would need to ensure clear communication of how the products and services meet the abovementioned key attributes. For example, in areas where women have less experience with digital forms of finance, extra effort is necessary to ensure clear understanding of how to make use of the digital forms of finance, as well as the available problem-solving and recourse measures as soon as possible. This would further entail effective training of all members of staff and ensuring adequate representation at all points of interaction, to ensure women can interact with female staff members if necessary.

Lastly, financial service providers need to encourage and incentivize use to ensure usage becomes habitual. This entails the continuous assessment of customer experience to identify areas for simplification and enhancement to increase the value of women customers continuously.

FIGURE 1: High-Level Approach to Developing Products and Services for Women



NOTE

1. Emergency payments could address health, income, or environmental shocks.

EXECUTIVE SUMMARY

This report was commissioned by the World Bank Group's (WBG) Financial Inclusion Support Framework Program, with financial support from the Ministry of Foreign Affairs of the Netherlands and the Bill and Melinda Gates Foundation and with technical support from the East African Business Council to provide a diagnostic assessment of the women cross-border trade landscape across the East African Community (EAC). Genesis Analytics, a pan-African economic consulting firm, carried out the research with support from Dr. Winnie Njeru, University of Nairobi Department of Business Administration, and the council.

The diagnostic research sought to develop the following understanding of each EAC member country:

- **Macroeconomic and trade context:** To understand the key drivers of international trade and the relative importance for each country
- **Women cross-border traders demand-side factors,** such as key challenges affecting their business and cross-border operations, financial needs, and prevailing access and usage of financial services
- **Financial-sector supply-side factors** that affect their ability or willingness to finance cross-border trade, and assess the current size of trade finance extended to the sector
- **Preliminary and rapid assessment of the impact of COVID-19** on women cross-border traders within the region

The overarching objective of the report was to inform discussions with relevant stakeholders (for example, financial service providers, policy drivers, and regulators) on advancing access to finance to women cross-border traders in the EAC. In addition, the diagnostic study identified policy and firm-level barriers that limit women's bankability and financial access generally and during the current COVID-19 pandemic.

The outputs of this report are based on a mix of primary and secondary information sources. The primary data used in the study was collected through focus-group discussions (FGDs) with women traders in Kenya, Rwanda, and Uganda; stakeholder interviews; and bank data requests. We did not receive as many responses from banks as anticipated, likely a result of the COVID-19 pandemic. **As such, the report provides only an indicative view of the landscape and potential for addressing access to finance constraints for women cross-border traders across the EAC. The primary data was collected with the help of the East African Business Council and International Finance Corporation team.**

POLICY AND REGULATORY FINDINGS AND OUTCOMES

Partner countries in the EAC Customs Union and signatories to other key trade agreements have made consistent policy enhancements to increase the ease of trade. These include simplified trade regimes (STRs) to aid small-scale and informal traders in formalizing and improving

FIGURE 2: Primary Data Collection

PRIMARY DATA COLLECTION

BORDER NAME	LOCATION	NUMBER OF PARTICIPANTS
Busia	Uganda–Kenya	17
Rusumo	Tanzania–Rwanda	23
Katuna/Gatuna	Rwanda–Uganda	26

STAKEHOLDER CATEGORY	STAKEHOLDERS INTERVIEWED
Business/Private sector and women associations	• Tanzania Women Chamber of Commerce (TWCC) • Pro-femme/Twese Hamwe • East African Women in BUsiness Platform (EAWiBP)
Donor organizations	• African Women Innovation and Enterprise Forum (AWIEF) • Trademark East Africa • Financial Sector Deepening Trusts (FSD) Africa • FSD Uganda • Access to Finance Rwanda (AFR)
Financial service providers in the EAC	• Stanbic Bank • NCBA Bank
Fintechs and MNOs	• Alternative Circle and Digital Lenders Association of Kenya (DLAK)
Key expert	• Candid Conversations: Circles for Women

their trade performance; common external tariffs to unify tariff rates among members and outside countries; and the development of 15 one-stop border posts to reduce customs processing time. However, there are challenges that relate to the implementation of these policies, such as inconsistent or slow implementation of rules and high costs and eligibility requirements. Coupled with these, there remains limited understanding by traders of the customs requirements.

DEMAND-SIDE ANALYSIS AND FINDINGS

There are no prior reports sizing women cross-border traders in each EAC country; this is due to the overall diversity of the group, especially among informal traders. **To size the market, the project team relied on existing surveys of micro, small, and medium-sized enterprises in each country and assumed that women cross-border traders formed part of wholesale and retail trade businesses**—that is, those businesses owned by females. To get the 2019 estimates of women cross-border traders, the project team made estimates of what the growth in number of wholesale and retail traders would be to 2019 and assumed splits between domestic traders and cross-border traders based on insights gained in FGDs.

There were an **estimated 544,219 to 725,627 women cross-borders traders** across the EAC in 2019. Most women cross-border traders own informal businesses and typically make up small-scale trade. This pool of women cross-border traders is characterized as **predominantly young (that is, 65 percent are below the age of 40), married, and with low education levels,** which potentially relate to low levels of formalization and business expansion.

Agriculture remains an important sector for a significant proportion of women cross-border tradables. However, given the **nature of informal cross-border trade within the region, women trade commodities from different sectors (for example, electronics, consumables) based on their access to these products, seasonality, and demand.** This is due to women traders wanting to maximize profits by taking advantage of exchange rates and larger customers. Additionally, trading with other East African countries is a key trade destination.

The majority of women traders are consuming a number of loan and payment offerings from multiple financial service providers. Over half of women's trading was reportedly financed through credit. **It was estimated that the value of loans taken up by women cross-border traders in 2019 ranged between \$1.4 billion and \$1.9 billion.** These estimates were developed by utilizing the uptake of credit findings from FGDs modeled across the estimated population of women cross-border traders. For the calculation, it was assumed that women traded once every quarter, with 60 percent of the trade financed through credit using the average loan values. No one type of provider is able to meet all their needs as yet.

FIGURE 3: Split of Women Cross-Border Traders

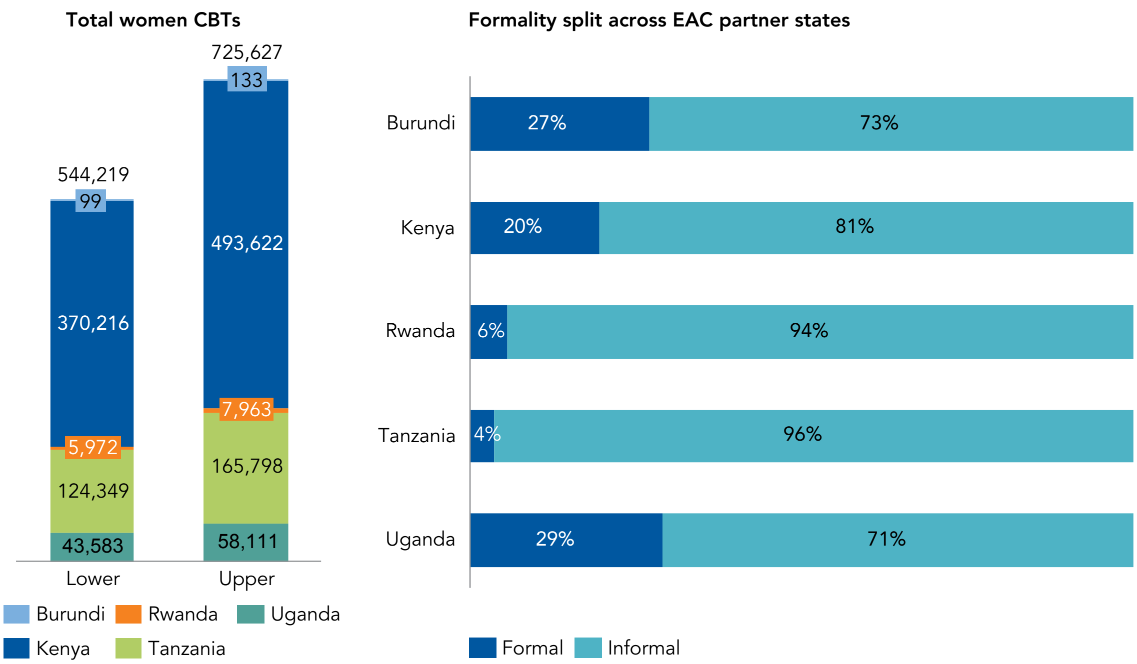


TABLE 1: Summary of Pros and Cons of Different Financial Institutions

FI	BANKS	SACCOS AND COOPERATIVES	MFIS	DIGITAL LENDERS	TABLE BANKING/ CHAMAS
Pros	Lengthy tenure of loans Large value of loans Access to accounts and services digitally Some exploring digital lending products	Low interest rates Flexible payment dates—for example, daily or weekly Receiving interest from their deposits	Willingness to extend loans, even with minimal documentation	Real-time access Large networks	Able to save and earn interest Limited eligibility requirements Low interest rates charged
Cons	Expensive High eligibility requirements Limited cash-in and cash-out network at border towns Length of loan appraisal Quality or access of relationship managers is determined by size of loan	Low value of loans Short term in nature	High interest rates Low value of loans Short term in nature	Transaction and account limits Short loan tenures	Low value of loans

Notes: "Banks" are prudentially regulated financial institutions (FIs) providing a full suite of financial products and services. "SACCOs" are savings and credit cooperatives that are owned, managed, and run by their members. These may or may not be regulated but are often registered with a cooperative society. "MFIs" are microfinance institutions. They are lending institutions that are not often prudentially registered and therefore are not allowed to collect deposits from the public. "Digital lenders" are financial institutions that extend forms of financing (often payments, micro/nano loans, and savings) through digital (often mobile-based) platforms. "Digital lenders" could be both registered (such as banks) and unregistered (such as MFIs). "Table banks," or "chamas," are informal cooperative societies that are used by their members to pool and invest savings.

Women face additional constraints to finance over and above their male counterparts, including the following:

- **Lack of collateral** due to limited ownership rights
- **Institutional discrimination,** in some cases requiring family members to make authorizations on behalf of women traders
- Includes cultural norms/traditions requiring approval from husbands to open bank accounts
- **Inflexible operating hours** at formal financial providers
- **Lack of adequate financial literacy**

Apart from financial challenges, women traders face operational and trade challenges that impede their transition into formalization and affect their trading operations and ability to expand and grow their business. **Macroeconomic shocks, corruption, insecurity, and poor infrastructure are some external factors that impede women trader's experience.**

SUPPLY-SIDE ANALYSIS AND FINDINGS

EAC countries have a **vibrant formal financial-services sector that is driven mainly by banks.** Bank assets account for between 22 percent and 50 percent of GDP. Insurance remains nascent in the EAC market, despite a large number of insurance firms operating in the market.

On the other hand, mobile-money operators continue to proliferate in the region. **They have grown their networks significantly higher, on average having over 450 agents per 100,000 people in the population.** This compares to bank branches and ATMs, which generally have fewer than five branches per 100,000 people. This mean that mobile-money operators have become the main cash-in and cash-out outlets.

The trade sector receives a large share of gross banking loans in absolute terms and **in relation to the trade contribution to GDP**. This contribution across the community ranges between 15 percent and 50 percent; Burundi and Uganda hold the highest contributions.

Total trade finance in 2019 was estimated at $19 billion. Forty-two percent of this was reported to be provided to micro, small, and medium-sized enterprises, accounting for $8.1 billion. **Female-owned businesses accounted for a meager 7.7 percent of trade finance, equating to $1.4 billion**. Considering women cross-border trader FGDs identified only limited uptake of bank-intermediated trade finance, this suggests a viable potential segment.

However, **there are constraints associated with lending to women, including perceived weak creditworthiness due to a lack of asset ownership and widespread informality in the sector.** Financial service providers' willingness to finance the trade sector is further affected by the potential of political instability (for example, war and crimes), which would raise the risk of lending to informal sectors, and by adverse government actions, such as the closure of borders or abrupt changes in currency, which would limit traders' ability to make any revenues.

IMPACT OF COVID-19 ON WOMEN CROSS-BORDER TRADERS ACROSS THE EAC

Among the EAC partner states, the pandemic **continues to increase; 91,536 cases and 1,469 deaths had been confirmed by November 11, 2020**. Individual country splits are provided in table 2. It should be noted that these figures are likely understated due to limited testing capabilities and because Tanzania has not officially reported data since April 29, 2020.

To curb the transmission of the COVID-19 virus among the partner states and globally, governments have laid down precautions such as suspension of international and local flights, cross-border closures, and restrictions of movements. Coupled with reduced economic activity, this has led to the loss of income, increased unemployment rates, and the closure of small and medium-sized enterprises, especially women-owned business.

TABLE 2: COVID-19 Spread across the EAC as of June 30, 2020

INDICATORS	BURUNDI	KENYA	RWANDA	SOUTH SUDAN	TANZANIA*	UGANDA
Confirmed cases	623	66,723	5,319	2,960	509	15,402
Deaths	1	1,203	41	59	21	144
Recoveries	549	44,004	4,974	1,290	183	8,038

Source: Worldometer (2020).
Note: * Tanzania's last official report of COVID-19 data was released on April 29, 2020.

The COVID-19 pandemic has resulted in economic contractions, and one of the **key sectors to be directly and indirectly affected is cross-border trade**. This is accounted for by a slowdown in economic activity and related sectors, such as tourism, travel restrictions and border closures, supply-chain disruptions (including raw materials, capital goods, intermediate goods, and final products), and commodity-price shocks that will significantly affect revenues for exporting countries.

There are also gender-related/social impacts suffered by women traders in light of the pandemic. With some countries enforcing containment orders in the war against COVID-19, **there has been an increase in sexual and gender-based violence**, as per media reporting and stakeholder engagements.

In terms of the impact of COVID-19 on trade finance, **governments** across the EAC have responded by **restructuring loans, lowering central bank policy rates to lower-interest rates, raising liquidity, and waiving interest fees**. These financial responses are put in place to provide relief to cross-border traders.

RECOMMENDATIONS

The recommendations for this diagnostic study are characterized by the following five thematic areas:

- **Regulation, policy, and border crossings**—These relate to how to improve the regulatory and policy environment for cross-border trade, and to enhance border crossings
- **Research**—This relates to areas of additional research to be provided for going forward
- **Better matching financing needs**—These recommendations relate to how financial institutions can better match existing products to the needs of women traders
- **Enhancing the operating environment**—These recommendations seek to improve the operating environment so as to promote increased formalization
- **Potential COVID-19 responses**—Potential recommendations that EAC governments may consider exploring to manage some of the negative impacts of COVID-19

TABLE 3: Key Strategic Recommendations

CATEGORY	RECOMMENDATIONS
Regulation and policy	• Efforts should be made to set clear **guidelines on implementation and to monitor implementation** periodically. • Governments should **prioritize the rollout of one-stop border posts across the busiest border posts** and **invest in educating the population** on the benefits and procedures. • Governments should **develop additional infrastructure (that is, cell towers—with the help of private-sector players and transport links) to and at border crossing to facilitate** the efficient and safe movement of people and goods. • Investment should be made in **sanitation, day-care services, storage facilities for perishable commodities, and sleeping facilities** to increase the safety and health of women traders. • There is an opportunity of **providing women traders with daily updates on exchange-rate information across the EAC**, as well as commodity price changes/differences across partner states, especially for products that are on the EAC STR Common List. • Develop **gender-specific strategies: programs and activities** are required to improve the operating environment for women traders and recognize their different needs and high risks. • Continued efforts should be made to **train women traders on trade policies and procedures.**
Research	• There is a need to carry out **periodic surveys on the state and size of both formal and informal trade** to guide policy and planning for governments.

continued

TABLE 3. *continued*

CATEGORY	RECOMMENDATIONS
Better matching financing needs	• A **digital platform approach should** be explored that combines the need for payments, information on exchange rates and commodity prices, and building transaction history to meet women's needs better. • Similarly, **well-trained sales teams domiciled in and around border towns should be hired** to aid women to match products and services to their needs better. • The **bundling of insurance products to the digital platform** may be a useful add-on for women traders. • Financial institutions should work **more closely with women's and trade associations or cooperatives** to replace the reliance on collateral. • **Further enhancement and harmonizing of credit information sharing** should be supported. • There is a need for developing **better incentives and monitoring of women-focused funding and guarantee schemes** to ensure effective uptake. • **Credible warehouse receipt systems** at border towns could provide the required formal contracts for receipt financing. This should be driven by the private sector. • Development finance institutions **may motivate international confirming banks** to partner more readily with local banks, so as to extend the provision of trade financing. • Efforts to **generate business-financing solutions based on financing practices favored by women traders** should be considered by financial institutions. These practices include revolving loans and personal savings.
Enhancing operation environments	• Continued efforts should be made to get small-scale and informal women traders to **join cooperatives, formalize, and scale up.** • Continued efforts to offer **training on trade regulations and protocols, financial literacy, bookkeeping, and marketing and business skills are required.** • **Existing providers of business-development services should be further supported to ensure that they can extend their reach.** Where possible, collaborations among complementing providers should be explored to develop efficiencies where possible. • **Collaborations with women association groups to support women traders in identifying and penetrating new markets**. Linkages between private-sector stakeholders and women traders through women's associations can provide pathways to accessing untapped markets. • Standardization of products from institutions responsible for standards and quality is important for traders to increase their products' competitiveness across the region and globally. **Supporting women traders in accessing standardization institutions could facilitate in adding value to their products.**
Potential COVID-19 responses	• **Special provisions of essential commodities,** such as reducing or removing import tariffs, may be considered to ensure continuous supply. • Efforts may be made **to streamline regulatory and border procedures to facilitate access to COVID-19-related medical goods, essential food products, and farming inputs.** • Efforts should be explored to **support export traders in maintaining their jobs and foreign-exchange earnings.** This could potentially include **removing bans and waiving withholding taxes on exports,** offering **direct support to women cross-border traders,** or offering **additional capacity-building/technical assistance.** • Considering supporting export traders in **facilitating the movement of cargo in ways that do not impose health risks** to beneficiary states. • Potentially **support cooperative arrangements among small-scale cross-border traders to organize their supply chains,** so as to minimize movement and interactions of people but ensuring business continuity. • Potentially support **local manufacturers or producers in scaling up production to meet quantity and quality demands** by traders. • Women traders need to sustain day-to-day expenses, likely for their households, while taking advantage of potential opportunities to trade both locally and internationally where possible. Therefore, there may be a need to **cushion existing financial institutions with a high exposure to women cross-border traders for potential defaults, and to provide low-interest or interest-free personal and business loans to traders**. • Potentially provide an **emergency rescue fund for COVID-19 and other potential disasters that affect women traders in the future.**

1

INTRODUCTION

1.1 OVERVIEW OF THE EAST AFRICAN COMMUNITY

The establishment of the EAC was intended to deepen and widen economic, political, social, and cultural integration among the partner states—that is, Burundi, Kenya, Rwanda, South Sudan, the United Republic of Tanzania (herein Tanzania), and Uganda. Through this, the EAC aims to attain increased competitiveness, value-added production, trade, and investment that should improve the quality of life of the people of East Africa. The Treaty for the Establishment of the EAC was signed in November 1999 and entered into force in July 2000.

The EAC sets out the following four integration pillars to achieve its ambitions:

i. **Customs Union**: Coming into force in 2005, EAC partners have agreed to establish a **free trade (or zero duty imposed) on goods and services among themselves**, and they have agreed on a **common external tariff (CET)** to be charged for imports from outside the EAC zone when sold to any EAC partner states. The EAC Rules of Origin and additional protocols set the requirements for goods to move freely within the region. Key sectors and areas identified under the Customs Union include agriculture, health, immigration and labor, industrialization and development of small and medium-sized enterprises (SMEs), infrastructure, tourism and wildlife, and trade.

ii. **Common Market**: This came into force in 2010 and seeks to maintain a liberal stance toward four freedoms of movement for all factors of production and two rights between partner states. These freedoms and rights include the **free movement of goods; free movement of persons; free movement of labor/workers; right of establishment** (that is, the right to take up and pursue activities as a self-employed person and to set up and manage undertakings for a permanent activity of a stable and continuous nature, under the same conditions as nationals of a partner state); **right of residence** (the right to reside regularly in a given country within the partner states according to the migration law of that country); **free movement of services**; and **free movement of capital**.

iii. **Monetary Union**: The East African Monetary Union protocol was adopted in accordance with the EAC Treaty and signed on November 30, 2013. It lays the groundwork for a monetary union across partner states within 10 years and allows the partner states to **progressively converge their currencies into a single currency** in the community. To achieve a single currency, the EAC countries must aim to harmonize monetary and fiscal policies; harmonize financial, payment, and settlement systems; harmonize financial accounting and reporting practices; harmonize policies and standards on statistical information and establish an East African Central Bank.

iv. **Political Federation**: This is the ultimate goal of the EAC regional integration and is intended to be a process and not a single event. This pillar seeks **common foreign and security policies, good governance,** and **effective implementation** of the other pillars of regional integration. To date, various studies and consultations on the findings have been carried out to examine, facilitate, and fast-track the process. As a result, the office of the deputy secretary-general responsible for the Political Federation was established in 2006. In 2017, the EAC adopted the Political Confederation as a transitional model of the East African Political Federation.[2]

Gender equality is identified as a fundamental principle for the community, as it is enshrined in Article 5 (3e), 6(d), 121, and 122 of the Treaty for the Establishment. The EAC understands that gender and women empowerment is a key enabler for the region to attain its Vision 2050 goals of becoming a "globally competitive upper-middle income region with a high quality of life for its population." This has culminated in the establishment of the EAC Gender Policy of 2018. The policy seeks to

i. Promote the development, coordination, harmonization, and reporting on gender-equality commitments by the community;

ii. Strengthen the mainstreaming of gender concerns in all sectors of the planning and budgetary processes of the EAC organs and institutions and partner states;

iii. Promote equal access to and control of productive resources and participation in regional trade;

iv. Strengthen measures that prevent and respond to gender-based violence and other harmful cultural practices; and

v. Enhance processes that include women in peace and security at all levels of prevention, protection, participation, relief, and recovery (EAC 2015, 2018c).

1.2 WOMEN AND CROSS-BORDER TRADE

Formal trade in EAC countries accounts for between 15 percent and 42 percent of nominal GDP in 2018. Four of six of the EAC countries reported that the EAC was their largest trading partner. Together, this confirms how integral the Customs Union and proximity are to economic development and providing consumers with increased options.

Informal cross-border trade (defined as trade in legitimately produced goods and services that escapes the regulatory framework established by EAC governments, thereby avoiding certain tax and regulatory burdens) has been a major feature of African economic and social landscapes dating back to the colonial era. It is difficult to size accurately the magnitude of informal trade, as by its very nature it seeks to avoid detection and there are limited studies on it. Available data nevertheless suggests that it ranges from 3 percent to 40 percent of GDP in EAC countries.

A key feature of informal cross-border trade is that most traders are women and they often rely on it as their main or only source of income (Titeca and Kimanuka 2012). The female predominance in informal cross-border trade is often attributed to women's time and mobility constraints, as well as to their limited access to productive resources and support systems, making such trade one of the few options available to them to earn a living (Mbo'o-Tchouawou et al. 2016).

Although women play an integral part in cross-border trade, they often see only limited benefit from their trade due to a number of factors. These factors range from poor policies and implementation to poor infrastructure, barriers to formalization, macroeconomic shocks, corruption and abuse, and limited knowledge. Whereas all genders share the majority of these challenges equally, women are often harmed more, due to prior economic and cultural constraints, or they are targeted outright in cases of corruption and abuse. Furthermore, women's lower levels of access to finance not only limits their ability to complete trade orders in a timely fashion but also raises the risks associated with theft or poor foreign-exchange conversions, which may erode earnings.

1.3 OBJECTIVE AND STRUCTURE OF THE REPORT

The objective of this study is to understand the constraints women cross-border traders in the EAC face in accessing finance and carrying out their operations. The study aims to draw insights from prior research, focus-group discussions (FGDs) with women cross-border traders, key stakeholder interviews, and data requests from commercial banks.

It is hoped that the insights from this study will enable the International Finance Corporation (IFC) and East African Business Council (EABC) to catalyze interest within the EAC financial sector to enhance the provision of suitable (gender-focused and gender-responsive) financial products by providing insights into both the state of financial inclusion and the financial-service needs and behavior of EAC cross-border traders. In addition, the IFC and EABC will seek to use the evidence base to inform policy changes across the region in order to make finance more accessible to women.

The purpose of this study is therefore to conduct the following in-depth analysis:

- Providing an assessment of the macroeconomic context and sociodemographic landscape of each EAC partner state, to understand the key drivers of trade.

- Evaluating the individual woman cross-border trader and women-owned micro, small, and medium-sized enterprise (MSME) landscape, to understand the proportion of women business owners and the distribution by size of business and level of formality.
- Evaluating the state of each country's international and regional trade, to understand the major trends and key sectors for trade. This includes understanding their key markets and volumes and values of trade.
- Identifying the key characteristics/attributes of women cross-border traders in the EAC, their sectors of operation, and their financial needs.
- Mapping the current financial products available to women cross-border traders, the level of access of those financial products, and the factors that adversely affect their uptake. Where possible, the report quantifies the current uptake of trade finance products and the proportion of women who encounter difficulties in accessing trade finance.
- Identifying key regional trade policy and regulation barriers in each country inhibiting cross-border trade by women entrepreneurs.

Key data regarding COVID-19, access to finance, supply and demand side data, and FGDs with women cross-border traders was collected between January and August 2020. To date, it is still early to assess the full depth of market changes caused by the on-going COVID-19 pandemic.

This report is structured as follows: Chapter 2 describes the approach employed for the research; chapter 3 summarizes the macroeconomic, sociodemographic, and MSME landscape of the partner states; chapter 4 breaks down the structure of trade across the EAC countries; chapter 5 provides the demand-side findings; chapter 6 details the supply-side findings; and chapter 7 summarizes the key recommendations. Chapter 8 includes annexes, including an EABC brief on the impact of COVID-19 on the EAC as of April 24, 2020.

NOTE

2. East African Community website.

2

METHODOLOGY

The study provides a summary of both primary and secondary research on the issues involved. The primary research was conducted with the assistance of numerous stakeholders and IFC team members, whose contribution is gratefully acknowledged. The primary data included FGDs with women cross-border traders, interviews with key stakeholders in each market, and data-request submissions from a sample of banks. Six banks' submissions on their trade finance portfolio were included in the analysis. This is then supported with secondary data—that is, desktop research from numerous private, public, and donor-sector sources on trade conditions and drivers.

2.1 PRIMARY DATA COLLECTION

FOCUS GROUP DISCUSSIONS

Five FGDs with 66 women cross-border traders were conducted at **three border towns—that is, Busia, Rusumo, and Katuna**. This served to gain insights on the characteristics of women cross-border traders and their operational and financing needs. A number of these women reported being members of women's cross-border associations. As such, insights drawn from these discussions can be assumed to be generally representative of the views held by women cross-border traders. IFC team members, particularly Ms. Milicent Ndolo, were instrumental in facilitating the FGDs and provided quality control during the research.

TABLE 4: Focus Group Discussion Logistics

BORDER NAME	LOCATION	NUMBER OF PARTICIPANTS
Busia	Uganda–Kenya	17
Rusumo	Tanzania–Rwanda	23
Katuna/Gatuna	Rwanda–Uganda	26

The sample was drawn from a list of women traders provided by the EABC. This list of women traders served as a primary sample frame in which women traders were randomly selected to participate. However, the women in attendance were predominately sole traders and small trade enterprises.

The in-depth discussions captured the general characteristics of trade for the sample. The purpose of these discussions was also to draw out the operational challenges faced by women traders, particularly around transitioning into formality and expanding their trade operations. The other focal point was to gauge how women access finance and what challenges they face in accessing funds.

The FGDs consisted of **in-depth discussions** and a **closed-ended questionnaire** that served to develop quantitative insights to be incorporated in the analysis. Women traders completed the questionnaire prior to beginning the discussions.

The EABC further provided a brief on the impact of COVID-19 on trade as of April 24, 2020. Analysis for the brief utilized their internal team's efforts and support from governments of EAC partner states.

STAKEHOLDER INTERVIEWS

Stakeholder interviews were conducted with the following aims:

i. To understand the landscape and makeup of women cross-border traders within the EAC

ii. To understand better the business environment in which women cross-border traders operate from an economic and regulatory perspective

iii. To understand the type and level of business-development services (BDS) offered to women cross-border traders, and any challenges faced by providers in offering their services

iv. To identify the type of financial products and services available to women traders and understand whether providers are adequately tailoring them to meet women's specific needs. Further, an assessment was made of key challenges faced when serving the target market.

v. To quantify the number of women cross-border traders taking up the aforementioned products and services against their male counterparts.

Of 31 invitations sent out, the project team completed 12 meetings—likely due to the COVID-19 pandemic. The IFC team was similarly instrumental in setting up these meetings. Table 5 provides details about the stakeholders interviewed for the study.

DATA REQUEST SUBMISSIONS

Data-request templates were issued to a sample of IFC partner banks in each market, to collect banks' provision of trade finance products. In particular, the data sought to do the following:

i. **Understand the overall supply of trade finance products per bank**: This included overall trade finance products, and split by individual off- and on-balance-sheet (BS) products.

ii. **The proportion of products taken up by MSMEs and female-owned businesses**: To understand the uptake of female-owned businesses compared to their male counterparts.

Six banks submitted their data on their trade finance portfolios: two banks were in Kenya, three banks were in Tanzania, and one bank was in Rwanda. These banks accounted for 17 percent of total bank assets in Kenya, Rwanda, and Tanzania combined. Insights from these banks were utilized to provide additional insights on the provision of trade financing to the women's segment.

The research team did not receive as many responses from banks as anticipated. This was likely inhibited by the COVID-19 pandemic, which hit the EAC midway through the project research. As such, the report provides only an indicative view of the landscape and potential for addressing constraints on access to finance for women cross-border traders across the EAC.

2.2 SECONDARY DATA COLLECTION

The secondary data used was collected with the help of Dr. Winnie Njeru and through additional desktop research. The insights fed into all the parts of the scope of the study. A full list of the sources utilized is provided in the bibliography.

TABLE 5: Types and Names of Stakeholders Interviewed

STAKEHOLDER CATEGORY	STAKEHOLDERS INTERVIEWED
Business/Private-sector and women's associations	• Tanzania Women Chamber of Commerce (TWCC) • Pro-femme/Twese Hamwe • East African Women in Business Platform (EAWiBP)
Donor organizations	• Africa Women Innovation and Enterprise Forum (AWIEF) • Trademark East Africa • Financial Sector Deepening Trusts (FSD) Africa • FSD Uganda • Access to Finance Rwanda (AFR)
Financial service providers in the EAC	• Stanbic Bank • NCBA Bank
Fintechs and mobile network operators	• Alternative Circle and Digital Lenders Association of Kenya
Key expert	• Candid Conversations: Circles for Women

3

MARKET CONTEXT

KEY TAKEAWAYS

- The EAC countries had a combined GDP of $209 billion in 2019, accounting for 12 percent of the GDP of Sub-Saharan Africa, and a population of 182 million, accounting for 18 percent of Sub-Saharan Africa. The International Monetary Fund expects economic growth in the region to range from 4 percent (in Uganda and Tanzania) to 16 percent (in South Sudan) to 2021, despite the impact of COVID-19.
- The wholesale and retail trade sector is on average the third largest GDP sector for partner states—as is characteristic with developing countries.
- Other than Rwanda and Kenya, the other four members rank in the bottom half of the WBG's Ease of Doing Business ranking, suggesting businesses and traders face a number of challenges in their operations.
- On average, 40 percent of the population are children, while over 50 percent of the population is of working age. This suggests the current and future opportunity for a large demographic dividend in the region. The level of education varies markedly depending on the individual country. A larger majority of women are self-employed, more so than their male counterparts.
- Formal financial access in East Africa is high, above 55 percent, save for South Sudan and Burundi, which have faced continued instability. Formal access has been growing rapidly as a result of mobile-money services in key markets. Despite this, there remains significant reliance on informal forms of finance. Formal access among female adults is above 50 percent, but their access is lower than that of males. Women also make use of more informal forms of finance than males.
- Kenya recorded the largest number of MSMEs at 7.4 million (2016), followed by Tanzania at 3.1 million (2012), Uganda at 458,106 (2011), Rwanda at 174,113 (2017), and Burundi at 4,381 (2017). We could not find any reporting of enterprises in South Sudan. Micro businesses accounted for more than 70 percent of all MSMEs.
- As of November 11, 2020, the EAC had reported 91,536 confirmed COVID-19 cases and 1,469 deaths. While the International Monetary Fund estimates a contraction in economic activity in the region, only Burundi is expected to exhibit negative GDP growth. Nevertheless, risks of severe food security crises and job losses are high.

This section provides an overview of the EAC countries. The analysis evaluates each country's macroeconomic, sociodemographic, and MSME context. This serves to identify the key drivers that affect trade and entrepreneurship in each country, to ground the subsequent research.

3.1 OVERVIEW OF THE EAC MARKET

Kenya, Tanzania, and Uganda were the original members that signed the EAC Treaty on November 30, 1999, in Arusha. The treaty entered into force on July 7, 2000, following the conclusion of the process of its ratification. The three countries had historically enjoyed close cooperation under successive regional integration agreements, such as the East African Common Services Organisation (from 1961 to 1967), the former East African Community (from 1967 to 1977—at the dissolution of this former community, the three countries agreed to explore areas of future cooperation and to make concrete arrangements for such cooperation in the future), and the East African Cooperation (from 1993 to 2000).

Rwanda and Burundi acceded to the EAC Treaty on June 18, 2007, and became full members with effect from July 1, 2007. Rwanda and Burundi then officially joined the EAC Customs Union on July 1, 2009. The last country to join the EAC was South Sudan, which acceded on April 1, 2016, and became a full partner on August 15, 2016.

The EAC had a **combined GDP of $209 billion**—that is, **12 percent of the GDP of Sub-Saharan Africa (SSA)**—and a population of **182 million (18 percent of SSA's population) in 2019**. This grew from $146 billion (9 percent of SSA's GDP) and a population of 151 million (16 percent of SSA's population) in 2015. The growth in the proportional share of SSA GDP highlights the community's faster growth than the continent.

Detailed per-country evaluations of the key macroeconomic, sociodemographic, and MSME contexts are provided in appendix 8.1. Below we summarize the findings.

3.2 EAC CONTEXT SUMMARY

The International Monetary Fund (IMF) expects the EAC countries' economic growth to range between 4 percent (Burundi, Tanzania, and Uganda) to 6 percent (Kenya and Rwanda) in 2021, highlighting the high growth in the region despite the impact of COVID-19. Peace in South Sudan in particular has resulted in the reopening of some oil fields, boosting economic output of the country. Inflation targeting within the EAC is expected to maintain inflation rates around 5 percent.

Large infrastructure investments across EAC countries are expected to continue in the medium term. Further tax revenue growth is unlikely to match up with expenditures, particularly due to the impact of COVID-19. As a result, the majority of countries are expected to exhibit current account deficits to 2021. South Sudan is the only country expected to have a positive balance due to its increased economic output.

Across the region, **agriculture, manufacturing, construction, and trade are the largest sectoral contributors to GDP**. This highlights the reliance on primary and secondary sectors, as in other developing countries.

TABLE 6: Key Indicators for EAC and Sub-Saharan Africa

INDICATORS	2015	2016	2017	2018	2019*
EAC					
GDP current, US$, billions	145.9	158.8	174.4	190.4	209.0
GDP as a percentage of SSA GDP	9.4%	11.0%	11.3%	11.6%	12.3%
GDP per capita current, US$	965.1	946.1	1,009.3	1,071.0	1,143.2
Population, millions	151.2	167.8	172.7	177.8	182.8
Population as a percentage of SSA	16.2%	17.5%	17.6%	17.7%	17.7%
Sub-Saharan Africa					
SSA GDP current, US$, billions	1,555.9	1,442.9	1,546.5	1,642.2	1,693.8
GDP per capita current, US$	1,667.4	1,507.4	1,575.0	1,630.7	1,640.2
Population, millions	933.1	957.2	981.9	1,007.0	1,032.7

Source: IMF World Economic Outlook (WEO) Database, 2020.
Note: South Sudan is not included in 2015, as it was yet to be a partner state. *Estimates

TABLE 7: Summary of Macroeconomic Factors

INDICATORS	KENYA	UGANDA	TANZANIA	RWANDA	SOUTH SUDAN	BURUNDI
Average forecasted GDP growth, 2020–21, %	3.6%	3.9%	3.3%	5.1%	4.1%	–0.7%
Average forecasted inflation, 2020–21, %	5.0%	4.4%	4.1%	6.2%	16.3%	7.0%
Average forecasted current account balance, 2020–21, % of GDP	–4.6%	–8.9%	–3.8%	–13.2%	–1.1%	–16.9%
Sector Contribution to GDP						
Agriculture, % of GDP	36.4%	21.9%	19.8%	29.0%		
Manufacturing, % of GDP	7.7%	15.5%	10.4%	6.0%		
Wholesale and retail trade, % of GDP	7.4%	8.7%	10.3%	7.0%		
Construction, % of GDP	4.8%	6.5%	10.4%	6.3%		
Transport and storage, % of GDP	7.4%	3.6%	6.6%	4.5%		
Ranking of Ease of Doing Business						
Overall, out of 190	56	116	141	38	185	166
Starting a business, out of 190	129	169	162	35	172	44
Getting credit, out of 190	4	80	67	4	181	176
Trading across borders, out of 190	117	121	182	88	180	169

Note: Orange shading indicates that data was not available.
Sources: WBG, WDI database, 2020; IMF, WEO database, 2020; WBG, Ease of doing business, 2020.

TABLE 8: Summary of Sociodemographic Factors

INDICATORS	KENYA	UGANDA	TANZANIA	RWANDA	SOUTH SUDAN	BURUNDI
Population 2022, millions	49	40	62	13	15	13
% of population aged <15 years, 2019	39%	47%	44%	40%	41%	45%
% of population aged between 15 and 65 years, 2019	58%	51%	53%	57%	55%	52%
% of females, 2019	50%	51%	50%	51%	50%	50%
Population living in rural areas, %	73%	76%	66%	83%	80%	87%
Adults who have attained primary education, %	43%	55%	64%	54%		
Adults who have attained secondary education, %	32%	24%	18%	21%		
% of employed female adults that are self-employed	76%	85%	90%	78%	94%	97%
% of employed male adults that are self-employed	46%	71%	81%	58%	87%	92%

Note: Orange shading indicates that data was not available.
Source: WBG, WDI database, 2020; IMF, WEO database, 2020.

The highest-rated countries in the WBG's Ease of Doing Business ranking are **Rwanda (38) and Kenya (56)** out of 190 countries. The rest of the EAC countries are ranked in the bottom half, suggesting businesses and traders face a number of challenges in their operations.

Specific to traders, the Ease of Doing Business ranking evaluates the ease of starting a business, getting credit, and trading across borders. Rwanda (35) and Burundi (44) rank highest with regards to starting a business, due to a low number of procedures, short time taken, and having low costs to starting a business. Kenya (4), Rwanda (4), Tanzania (67), and Uganda (80) rank high in relation to getting credit, due to having strong legal rights and credit information and credit reference bureau coverage. Further, these markets have seen continued growth in digital lending platforms. Rwanda (88) was the only EAC country ranked in the top half of countries in trading across borders due to shorter times and lower costs.

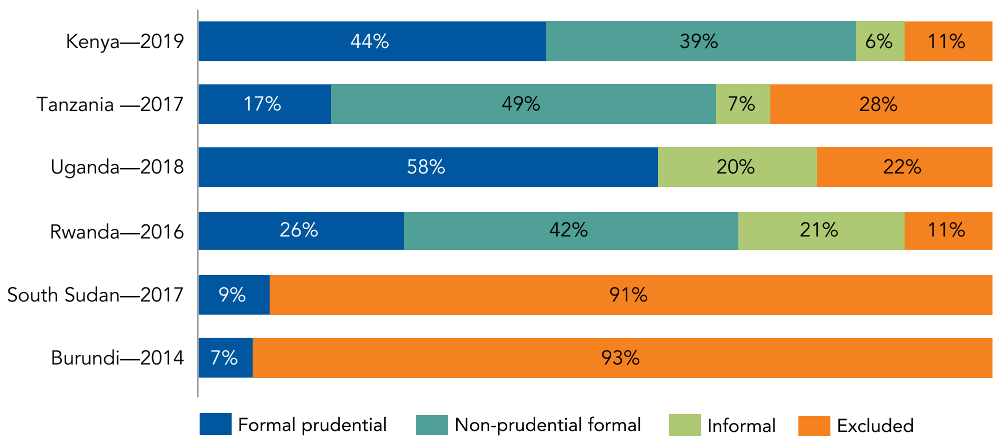
The working-age population makes up over 50 percent of the population. This suggests the opportunity for a large demographic dividend in the region. Women make up marginally more than half the population in the region.

Over 50 percent of adults had attained a primary-school education in Uganda, Tanzania, and Rwanda. Secondary-school attainment was, however, significantly lower, below 30 percent. Forty-three percent of Kenyan adults had attained secondary-school education.

A larger majority of employed women are self-employed across the EAC, more so than their male counterparts. This shows that expanding opportunities for female entrepreneurs through policies that foster gender equality would have a significant impact in the region. This impact would be felt broadly, through macroeconomic growth, and in individual households, through better nutrition, increased education, and better handling of shocks.

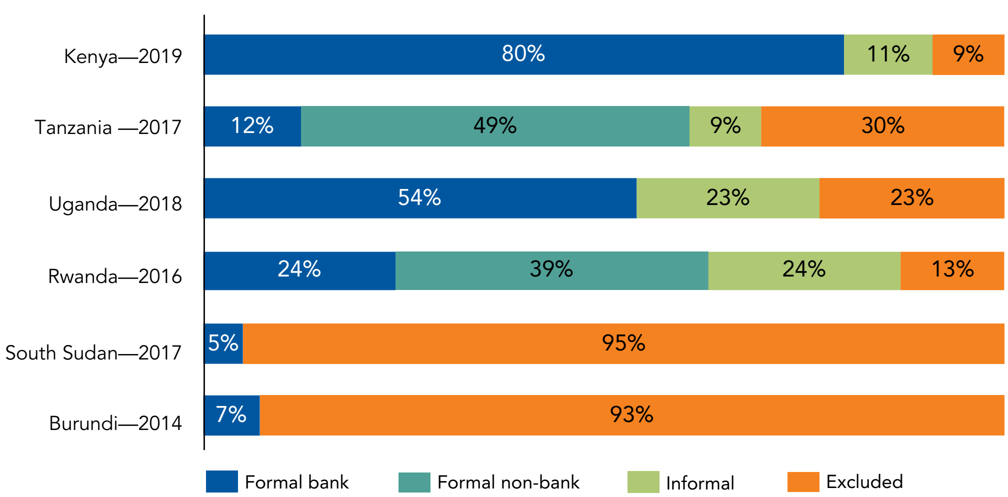
Formal financial access in East Africa is high, above 55 percent, save for South Sudan and Burundi. The continued proliferation of mobile money and other non-bank credit providers such as savings and credit cooperatives (SACCOs) and microfinance institutions (MFIs) has supported this growth in formal access. Nevertheless, **considerable reliance still remains on the use of informal instruments**, including, for example, accumulating savings and credit associations,[3] chamas, revolving savings and credit associations—ROSCAs), shopkeepers or supply-chain credit, employers, and moneylenders/shylocks.

FIGURE 4: Financial Access Strands per EAC Country



Sources: CBK, KNBS, FSD Kenya, FinAccess Household Survey, 2019; FSD Tanzania, FinScope Tanzania, 2017; FSD Rwanda, FinScope Rwanda, 2016; FSD Uganda, FinScope Uganda, 2018; WBG, Global Findex, 2017.

FIGURE 5: Female Financial-Access Strands per EAC Country



Sources: CBK, KNBS, FSD Kenya, FinAccess Household Survey (2019); FSD Tanzania, FinScope Tanzania (2017); FSD Tanzania, FinScope Tanzania (2017); FSD Rwanda, FinScope Rwanda (2016).

Female formal access is lower than that of males in almost all markets, highlighting added barriers women face (such as lower levels of education, limited land ownership, and restrictions on agency and mobility). Despite this, for all EAC countries apart from South Sudan and Burundi, **more than half of the female adult population has access to formal financial services**. Usage of informal forms of finance was higher among females than males.

Surveys of MSMEs across the market are a few years old, suggesting that **limited up-to-date records are kept**. Kenya recorded the largest number of MSMEs at 7.4 million (2016), followed by Tanzania at 3.1 million (2012), Uganda at 458,106 (2011), Rwanda at 174,113 (2017), and Burundi at 4,381 (2017). We could not find any reporting of enterprises in South Sudan.

Across each country, micro businesses accounted for more than 70 percent of all. Though overall female ownership of MSMEs is relatively high in Kenya and Tanzania, females were more likely to own smaller and informal businesses.

3.3 SOCIOECONOMIC IMPACT OF COVID-19

The first COVID-19 case was reported in Kenya and Rwanda on March 5 and March 13, 2020, respectively, and all EAC partner states have so far been affected. Among the EAC partner states, the pandemic continues to increase; 91,536 cases and 1,469 deaths were confirmed by November 11, 2020. Individual country splits are provided in table 10. It should be noted these figures are likely understated due to limited testing capabilities and because in Tanzania has not officially reported data since April 29, 2020.

The WBG estimates that SSA's economic growth will "decline from 2.4 percent in 2019 to -2.1 percent to -5.1 percent in 2020," the first recession in the region in 25 years (WBG 2020). The WBG model predicts that the COVID-19 crisis has the potential to create a **severe food-security crisis in Africa**. Agricultural production is likely to contract between 2.6 percent in the optimistic scenario and 7 percent in the scenario with trade blockages. Food imports are likely to decline substantially (from 13 percent to 25 percent) due to a combination of higher transaction costs and reduced domestic demand.

The African Union estimates a loss of up to **20 million African jobs in both formal and informal sectors**, and a potential GDP loss of up to 4.5 percentage points due to disruptions from COVID-19. Before the COVID-19 pandemic, Africa's growth was estimated to be 3.9 percent, with a drop to 0.4 percent if the pandemic is not contained globally and in Africa and a further estimated drop to -3.9 percent if the pandemic is not contained (McKinsey & Company 2020). The EAC partner states are no exception and should brace for drastic drops in their eco-

TABLE 9: Summary of MSME Factors

<table>
<tr><th>INDICATORS</th><th>KENYA 2016</th><th>UGANDA 2011</th><th>TANZANIA 2012</th><th>RWANDA 2017</th><th>SOUTH SUDAN</th><th>BURUNDI 2017</th></tr>
<tr><td>No. MSMEs, thousands</td><td>7,411</td><td>458</td><td>3,163</td><td>174</td><td></td><td>4.4</td></tr>
<tr><td>Micro, % of total MSMEs</td><td>98%</td><td>71%</td><td>97%</td><td>92%</td><td></td><td>79%</td></tr>
<tr><td>Small, % of total MSMEs</td><td>2%</td><td>18%</td><td rowspan="2">3%</td><td>7%</td><td></td><td>9%</td></tr>
<tr><td>Medium, % of total MSMEs</td><td>0%</td><td>11%</td><td>1%</td><td></td><td>11%</td></tr>
<tr><td>% of MSMEs licensed/registered</td><td>21%</td><td>80%</td><td>4%</td><td>7.4%</td><td></td><td></td></tr>
<tr><td>% of female owners MSMEs</td><td>56%</td><td>44%</td><td>54%</td><td>33%</td><td></td><td>26%</td></tr>
</table>

Note: Orange shading indicates that data was not available.

Sources: ISTEEBU, Survey of commercial and industrial companies (2019); KNBS , MSME Survey (2017); UBS Census of business establishments (2011); FSDT National Baseline Survey report (2012); and National Institute of Statistics Rwanda (NISR), Rwanda Establishment Census (2018).

TABLE 10: COVID-19 Cases as at November 11, 2020

INDICATORS	BURUNDI	KENYA	RWANDA	SOUTH SUDAN	TANZANIA*	UGANDA
Confirmed cases	623	66,723	5,319	2,960	509	15,402
Deaths	1	1,203	41	59	21	144
Recoveries	549	44,004	4,974	1,290	183	8,038

Source: Worldometer (2020).

Note: *Tanzania last officially reported COVID-19 data on April 30, 2020.

nomic growth rates this year as a direct result of the global COVID-19 crisis. For example, the projected GDP growth rate in 2020 for Kenya and Tanzania is 1 percent and 2 percent, respectively, down from 5.6 percent and 6.3 percent in 2019, respectively. Uganda is estimated to maintain a 3.5 percent growth rate in 2020, compared with 4.9 percent in 2019, while Rwanda's will decline from 10 percent in 2019 to 3.5 percent (IMF 2020b).

In the EAC, women are predominantly self-employed or contributing family workers, the two forms of vulnerable employment. This applies to 97 percent of women in Burundi, 73 percent in Kenya, 84 percent in Rwanda, 80 percent in Tanzania, and 83 percent in Uganda. Women also account for a higher share of informal employment. With the EAC partner states instituting diverse measures to curb the spread of COVID-19, the cross-border women traders are bound to be socially affected in the following areas: With some countries enforcing containment orders in the war against COVID-19, there has been an increase in sexual and gender-based violence. For example, in Kenya, there is a 42 percent increase in gender-based violence country-wide, even though many cases go unreported. Domestic violence is an indirect impact of COVID-19 as a result of hard economic times. Previous studies of emergency situations—including outbreaks of infectious diseases, such as the Ebola in West Africa in 2014–15—revealed that women and girls experienced high rates of sexual violence and abuse. Domestic violence, in particular, does not go away after the emergency.

NOTE

3. Accumulating saving and credit associations are different from ROSCAs because not all members borrow and those who borrow pay interest, which translates into earnings for the savings-only members (MicroSave 2001).

4

TRADE SECTOR IN THE EAC

KEY TAKEAWAYS

- EAC partner states are signatories to one or two other regional economic communities—that is, the Common Market for Eastern and Southern Africa (COMESA) or Southern African Development Community (SADC). Other key trade agreements include the Economic Community of Central African States (ECCAS), the SADC-EAC-COMESA Tripartite Free Trade Area (TFTA), and the African Continental Free Trade Area (AfCFTA). All three regional communities (EAC, COMESA, and SADC) have established CETs, and the EAC and COMESA have further adopted simplified trade regimes (STRs) to aid in trade particularly for small-scale and informal traders.
- The STRs continue to improve the ease of trade across borders. Nonetheless, certain constraints remain. These include traders' limited familiarity with STRs, disinformation around the mechanism, inconsistent implementation of STRs, and the fact that some requirements remain difficult or costly for traders to fulfill.
- In 2018, EAC countries accounted for 10 percent of the trade in SSA (that is, $53 billion). The majority of this cross-border trade (75 percent) is made up of goods, rather than services. Total cross-border trade made up between 15 percent and 42 percent of nominal GDP of each country in 2018. This shows the relative importance of cross-border trade for EAC countries. Furthermore, the EAC bloc made up the largest trading partner of four of the six EAC countries.
- Agricultural produce and light manufacturing make up the bulk of intra-EAC exports. The main import commodities include petroleum products, vegetable edible oil, motors, machinery, and medicaments. Intra-EAC exports and imports grew in 2018 by 6 percent and 14 percent, respectively. The growth was attributed to an increase in agricultural production, elimination of non-trade barriers, and increased trade in manufactured products with higher values.
- Informal trade was estimated to range from 3 percent in Rwanda to approximately 40 percent in Kenya and Burundi. Countries should consider carrying out periodic surveys of the state of informal trade to develop tailored policy and regulatory solutions.
- COVID-19 is expected to disrupt trade among EAC states. Whereas joint policy initiatives are being pursued, some countries' individual responses have halted or slowed trade with partner states. EAC countries may explore a number of opportunities to ease the movement of essential commodities, offer support to export traders to maintain their jobs and foreign-exchange earnings, and support cooperative arrangements among small-scale traders to organize their supply chains.
- Import tariffs are a key source of revenue for EAC countries. Despite the commonality of customs unions and trade agreements, differing import tariffs are charged by different members. Partner states apply direct and indirect export tariffs that may raise the costs associated to trade for small-scale and informal traders.

In this chapter, we evaluate formal and informal trade across the EAC. To this end, we highlight the key customs union and trade agreements to which EAC partner states are signatories. Furthermore, this chapter discusses and compares the trade performance, key trade commodities, and trade tariffs in the EAC.

4.1 CUSTOMS UNION AND KEY TRADE AGREEMENTS

This section provides an overview of the key customs union and trade agreements to which EAC partner states are signatories.

The **EAC** (as discussed in section 1.1) is an intergovernmental organization that was set up in 2000 with the objective of deepening economic, social, and integration across the region. As of 2018, trade by EAC countries amounted to $52.4 billion (that is, 10 percent of SSA trade).

Common Market for Eastern and Southern Africa (COMESA) was established in 1994 with the objective of replacing the Preferential Trade Area. Partner states within COMESA are Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Eswatini, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tunisia, Uganda, Zambia, and Zimbabwe. Tanzania withdrew its membership in 2000 to protect its revenues from tariff reductions (Suleiman 2019). South Sudan is not a part of COMESA. Combining all partner states, COMESA has a population of over 540 million and global trade in goods accounting for $235 billion in 2018 (COMESA 2018)—that is, 42 percent of SSA trade. COMESA's priority areas include developing a free trade area, merging customs from different territories into one region, and trade-promotion initiatives that eliminate nontariff barriers.

Similarly, the **Southern African Development Community (SADC)** was established in 1992 with the aim of promoting economic growth and social development within the region. SADC partner states include Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania (the only EAC member), Zambia, and Zimbabwe. In 2018, the SADC population was recorded at 345 million, and total trade accounted for $6,332 million—that is, 1 percent of SSA trade (SADC 2018). The SADC Protocol on Trade is part of SADC's larger program of regional cooperation. This agreement focuses on the reduction of customs duties and other trade barriers on imported goods among the partner states.

The above regional communities share **similar objectives around initiatives aimed at improving access to trade**. All three regional economic communities (that is, EAC, COMESA, and SADC) have established trade instruments such as CETs, which unify tariff rates among members on imports from countries outside the union in an attempt to boost intra-union trade. The other trade instrument adopted by both the EAC and COMESA are **simplified trade regimes** (STRs) to aid small-scale and informal cross-border trade. SADC is in the process of developing STRs as well.

The creation of STRs is aligned to article VIII of the General Agreement on Tariffs and Trade of the World Trade Organization and the provisions of the Revised Kyoto Convention for Simplification and Harmonization of Customs Procedures of the World Customs Organization (WCO 2008). The measures were developed to formalize informal cross-border trade. This is done through **reducing costs of formal trade procedures and easing official trade rules,** such as customs document requirements and certificates of origin (UNCTAD 2019a).

TABLE 11: Regional Economic Communities Statistics

	COMESA		SADC		EAC	
	Unit	% of SSA	Unit	% of SSA	Unit	% of SSA
No. countries	19	35%	16	30%	6	11%
GDP	$755 billion	44%	$721 billion	42%	$155 billion	9%
Population	540 million	50%	345 million	32%	168 million	16%
Total trade	$235 billion	42%	$6.3 billion	1%	$52.4 billion	10%

Notes: *As of 2018 annual figures for comparison, as 2019 figures in section 3.2 were estimates. "SSA" stands for Sub-Saharan Africa.
Sources: COMESA Statistics (2018); SADC Guide to Trade Protocol 2018; EAC Trade and Investment Report (2018); and World Bank Statistics (2018).

Nevertheless, the CETs and STRs are not aligned across the different communities, which adds complexity to trade. Stakeholder interviews identified that this was particularly a challenge for Tanzania in relation to the EAC and SADC.

EAC members are further signatories to key **trade agreements,** including the Economic Community of Central African States (ECCAS), the SADC-EAC-COMESA Tripartite Free Trade Area (TFTA), and the African Continental Free Trade Area (AfCFTA). Some EAC partner states (that is, Kenya and Rwanda) are signatories of EAC-EU Economic Partnership Agreement (EPA).

A thorough evaluation of these customs unions and trade agreements is provided in the appendix.

4.2 SUMMARY OF CUSTOMS UNIONS AND TRADE AGREEMENTS FINDINGS

EAC countries have **seven different customs unions and trade agreements** to which at least one partner state is a signatory. Save for the AfCFTA and TFTA, which seek harmonized tariffs across the continent, traders exporting to different territories/countries would have to deal with differing eligibility requirements and authorities. This can raise the cost and effort related to trade within the continent.

In addition to the EAC, the trade agreements with the largest number of EAC signatories are COMESA and AfCFTA (yet to begin implementation on tariffs). South Sudan has the least number of treaties—namely, the EAC, AfCFTA, and TFTA, and the last two have yet to be rat-

TABLE 12: Summary of Customs Unions and Trade Agreements

TRADE AGREEMENTS	EAC	COMESA	SADC	AFCFTA*	TFTA*	ECCAS	EPA*
Partner States							
Burundi							
Kenya							
Rwanda							
South Sudan							
Tanzania							
Uganda							
Characteristics							
Common external tariffs (CETs)							
Simplified trade regimes (STRs)							
Key Challenges for Traders							
Narrow list of eligible goods							
Minimal exemptions from taxes							
High costs/eligibility requirements							
Limited trader understanding							
Inconsistent or slow implementation							
Disinformation							

Sources: UNCTAD (2019a); tralac (n.d.); and stakeholder interviews, 2020.

Note: Turquoise shading shows the characteristics that apply to the customs union or trade agreement. Orange shading shows that a country is a signatory of the customs union or trade agreement but has yet to ratify it. *Implementation has yet to begin; therefore, an evaluation of the challenges for traders is impossible.

ified. Tanzania, the only EAC country to be a partner of SADC, also withdrew membership in COMESA to maintain its revenue-generation capability by charging tariffs.

Each of the customs unions and trade agreements has a number of documented challenges. Some of the key challenges identified **include high costs or eligibility requirements, a limited understanding of the requirements by traders,** and **inconsistent or slow implementation of rules**.

4.3 IMPACT OF COVID-19 ON TRADE

This subsection discusses the impact of COVID-19 on trade in the EAC.

To curb the transmission of the COVID-19 virus among the partner states and globally, governments have laid down precautions to prevent further infections, including such measures as suspension of international and local flights, cross-border closures, and restrictions of movements, among others. These have led to loss of income, increased unemployment rates, and the closure of SMEs, especially women-owned business.

The COVID-19 pandemic has resulted in economic contractions, and one of the **key sectors to be directly and indirectly affected is cross-border trade**. This is accounted for by a slowdown in economic activity and related sectors, such as tourism; travel restrictions and border closures; supply-chain disruptions (including raw materials, capital goods, intermediate goods, and final products); and commodity-price shocks that will significantly affect revenues for exporting countries (UNECA 2020). Given the significant contribution of total trade to GDP (as shown in table 13), the reduction of trade will directly and negatively reduce the economic growth of countries in the EAC. Furthermore, key trading partners such as Europe and China have been adversely affected by the pandemic, making it difficult to estimate the duration of the disruptions.

According to a press release issued by the World Trade Organization, **global merchandise trade is expected to fall between 13 percent and 32 percent** in 2020 due to the pandemic (WTO 2020). The organization modeled scenarios for the trade outlook given the pandemic. The models showed that **export trade volumes of goods would decline on average by 8 percent** in Africa, while **import volumes would decline by 22.6 percent (WTO 2020).** This decline may have severe consequences on the economies and trade industries of East African markets.

Related and complementary sectors—for example, **transport and logistics, agriculture, manufacturing, and construction**—are likely to be affected due to the decline in trade and economic activity. As such, government infrastructure projects are likely to be affected, too.

The focus of EAC partners on primary goods such as maize, coffee, and tea are likely to be impacted significantly, as **these goods are perishable and cannot be stored easily**.

Nevertheless, **some trading opportunities will arise**. Currently, trade in essential goods (groceries and toiletries, personal protective equipment, medical equipment, and medicines) is experiencing a sharp rise in demand. The disruption of supply chains, particularly from China, has seen local producers/manufacturers switching to produce/manufacture these essential goods locally. Those industries that are quick to raise production and meet local demand (and quality standards), will likely experience high demand from neighboring countries as well. **This switch to local or regional production is likely to grow in the medium to long term**. Nevertheless, this will be underpinned by how much freedom traders receive.

TABLE 13: Trade Statistics for 2019

COUNTRY	NOMINAL GDP (US$, BILLIONS)	TOTAL TRADE CONTRIBUTION TO GDP (%)	TOTAL EXPORTS (US$, MILLIONS)	TOTAL IMPORTS (US$, MILLIONS)
Kenya	98.6	21.8%	5,541.1	15,955.7
Rwanda	10.2	36.9%	1,005.6	2,703.4
Tanzania	62.2	23.3%	5,570.7	8,926.4

Sources: KNBS, Quarterly Report, December 2019; NISR (2020); Tanzania Revenue Authority 2019; and Central Bank of Tanzania (2020) .
Note: For Kenya and Uganda, fourth quarter 2019 figures were estimated using historical data from central banks. No 2019 data for Burundi, South Sudan, and Uganda was available.

4.3.1 EAC Government Responses to COVID-19

The ministers responsible for health and for EAC affairs met on **March 25, 2020, and outlined the following interventions** to mitigate the spread of COVID-19:

- Directed all partner states to continue implementing a mandatory quarantine for 14 days for all travelers to the region, and implementing strict screening procedures at all border points
- Maintained suspension of EAC regional face-to-face meetings and urged EAC organs and institutions to utilize technology such as videoconferences for holding meetings until such a time when the situation has been contained
- Directed all members to implement 100 percent exit and entry screenings by applying the multilayer mechanism to avoid some loopholes, such as transit passengers
- Resolved to facilitate free movements of goods and services in the region
- Directed all partner states to ensure that trucks/vehicles carrying goods take the following precautions:
  - Have only two or three crew members per vehicle to facilitate smooth border crossing in the region.
  - To ensure that crew members are in good health, they will be screened. If they are found to be at high risk or positive for COVID-19, the truck will be decontaminated before it is allowed to continue to its final destination, and the crew members will be quarantined for 14 days according to the set national guidelines.
  - In the event that crew members are quarantined while in transit, truck owners/operators will make the necessary arrangements to back up the crew, to ensure that goods are delivered to the intended destination.
  - Truck drivers are required to declare their final destination and are urged to stop only at designated points along the transport corridors so as to limit chances of spreading the virus.
  - The crew for cargo planes and vessels will be determined by the specifications of the aircraft or ship and set international guidelines. The crew will be quarantined at a government-designated hotel for the period of their stay.
- Directed the partner states to establish a surveillance system to monitor crew health and enable contact tracing
- Resolved to strengthen information sharing through press conferences and the linkage of national task forces to facilitate quick responses, continuous reporting, and contact tracing for potentially exposed persons
- Directed partner states to identify a focal person who is a member of the national task force to facilitate communication between the partner states and with the EAC secretariat for the COVID-19 response
- Directed the East African Health Research Commission to synthesize and conduct research on COVID-19 and to inform the members on new technologies, advances in care and treatment, vaccines, and the behavior of the virus, among others, to inform policy and practice in the region
- Directed EAC state embassies and high commissions to coordinate with citizens who may have been affected by the closure of borders and to enable them to move to their final destination in the EAC region
- Directed partner states to support local companies, to ensure the local production and availability of key consumables/products used in the COVID-19 response, including hand sanitizers, medical products, soap, and others
- Directed all partner states to provide additional contingency and emergency funds to address gaps in prevention, impact mitigation, and other interventions to mitigate the impact of COVID-19 and further urged the EAC secretariat and each country to mobilize resources and invest in public health systems to ensure resilience and health security

Individual countries have nevertheless issued their own responses. **Uganda responded to the outbreak by closing its borders with** immediate effect (Bloomberg 2020). Other **EAC partner states may not have closed their borders but have made changes that impede trade flows.** This could suggest that some governments are looking for an economic lifeline through cross-border activity (East African 2020a). Burundi has closed its airport and shut land borders crossing into Rwanda but has kept its border with Tanzania open (East African 2020a).

Rwanda has suspended the crossing of borders by traders but still permits goods and cargo to cross borders. Kenya and Tanzania have also not closed their borders, but both partner states have implemented restrictions on the movements of vehicles and people, resulting in reduced cross-border activity (East African 2020b).

4.3.2 Recommended Responses and Considerations

- **Special provision of essential commodities** (that is, food, personal protective equipment, medical equipment, and medicines) may be considered by EAC governments in their response to the pandemic. This could be through reducing or removing import tariffs on medical supplies or refraining from imposing export bans or taxes on critical food staples (WBG 2020b).
- **Efforts may be made to streamline regulatory and border procedures to facilitate access to COVID-19-related medical goods, essential food products, and farming inputs.** This may be carried out for products that pose minimal risk to human health. Where possible, information and communications technology (ICT) or online systems can be used to increase efficiency and minimize interactions at the borders.
- **Exploring efforts to support export traders (particularly women cross-border traders) so they can maintain their jobs and foreign-exchange earnings.** Examples of potential considerations include the following:
  - Potentially removing bans and waiving withholding taxes on exports (WBG 2020b). This may further involve reimbursing traders for lost cross-border sales where a value-added tax was paid on inputs.
  - Potentially offering direct support to women cross-border traders. This may involve developing a regional stimulus fund to cater for emergencies such as pandemics. This may provide financial support in terms of a stimulus package to aid women that are highly affected due to the restrictions of movement of persons at the borders.
  - Potentially offering additional capacity-building/technical assistance. This may involve training on value addition on fresh produce that would preserve perishable goods, allowing for trade within and across borders, mass production of essential goods, and business-recovery and turnaround strategies, to name a few.
  - There is an opportunity for regional communities that have not implemented STRs to adopt regional trade guidelines to harmonize and facilitate cross-border transportation during the pandemic (tralac 2020).
- Also supporting export traders by **facilitating the movement of cargo in ways that do not impose health risks to beneficiary states**. This may involve providing protective equipment (for example, masks, gloves, and sanitizers) to women traders.
- Potentially **supporting cooperative arrangements among small-scale cross-border traders to organize their supply chains,** so as to minimize the movement and interactions of people but ensuring business continuity.
- Potentially **supporting local manufacturers or producers to scale up production to meet quantity and quality demands,** to support traders' ability to gain supply of these products. This could be in the form of expedited approvals to begin new manufacturing or processing lines. Similarly, governments may require the ability to develop and enforce standards of new products quickly.

5

DEMAND-SIDE FINDINGS

KEY TAKEAWAYS

- The estimated number of women cross-border traders in 2019 ranged from 544,219 to 725,627. These estimates were arrived at by using the number of wholesale and retail trade MSMEs from national MSME surveys. The growth in business numbers was modeled using sectoral GDP or employment growth rates. Gender splits between male and female business owners were assumed to remain consistent over the years, and the split between domestic traders and international traders was derived from stakeholder interviews.
- Women cross-border traders are typically young and married and possess at most secondary schooling. These women trade as frequently as every week, as trading is their primary source of income. Raw or processed agricultural goods, textiles, and consumables are the most traded commodities across the region. However, women traders are not specialists in specific commodities and adjust their products according to the seasonality of demand in order to maximize profit.
- Despite being aware of trade protocols, women traders do not understand the full implications and benefits, making them vulnerable to exploitation by border officials. Increasing access to information will assist in addressing this. Women traders reporting gaining access to such training from government, donor, and private-sector players.
- Other pressing challenges faced by women traders include sexual and physical harassment, inadequate infrastructure and storage facilities at borders, macroeconomic shocks, and barriers to formalization.
- Access to finance is reported as a key challenge faced by women. Despite this, over 80 percent of women traders were actively taking up credit to facilitate trade—though this did not adequately meet their needs. The majority of this finance was in the form of working capital and secured term loans, with limited uptake of more sophisticated products and services. It was estimated that credit uptake by women cross-border traders was between $1.4 billion and $1.9 billion—reflecting the importance of the segment. Uptake of digital forms of payment, particularly mobile money, is high, but insurance uptake remains nascent.
- In light of these challenges, the identified areas of support include continuing providing financial-literacy, trade-regulation, and business-management capacity building to better equip women traders; exploring digital forms of finance to meet trader needs; enhancing infrastructure and border facilities to increase safety, health, and use; continued prioritization of one-stop border posts; and increasing access to information for women.

This section provides the findings from the demand-side research. It estimates the number of women traders in each country and what proportion of them have access to finance and the type of products they purchase. The section also breaks down of the key challenges faced by the segment as a whole and, where applicable, specific to certain countries.

5.1 MARKET SIZING AND DEMOGRAPHICS

This section evaluates the size and characteristic makeup of women cross-border traders.

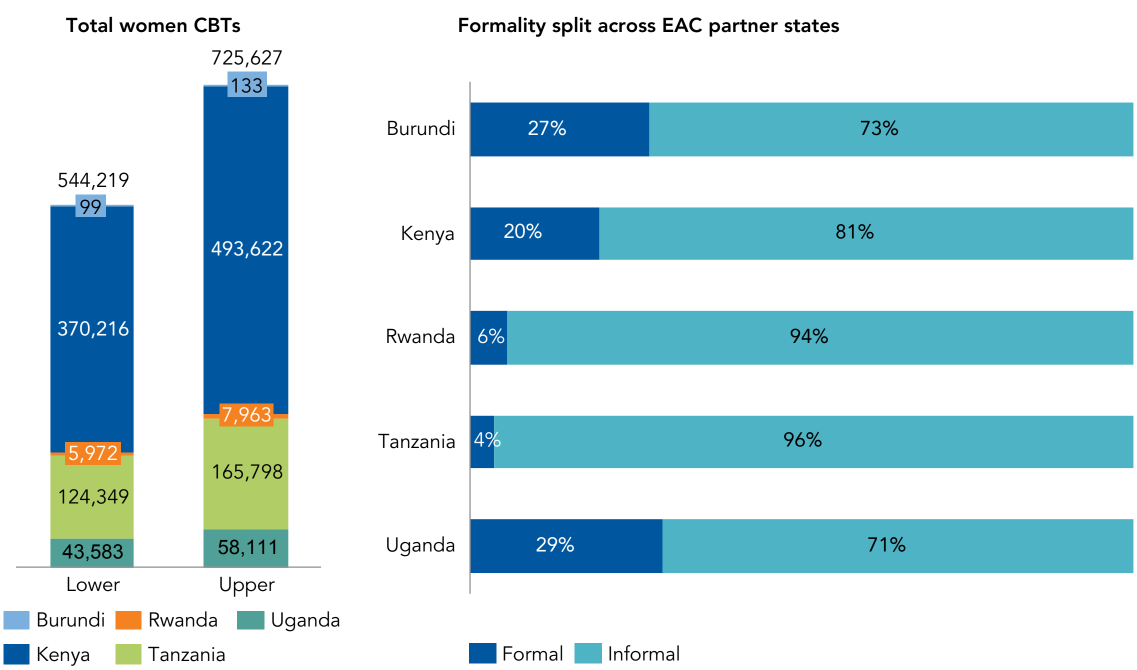
5.1.1 Structure of Women Cross-Border Traders

No prior reports provide the number of women cross-border traders in each EAC country. This is attributed to the overall diversity of the group, particularly with informal traders, significant disparities between groups at different border towns, and the seasonality of trade, as some individuals drop in and out of trade.

To size the market, the project team relied on existing MSME surveys per country as a base. From these, it was assumed that **women cross-border trade formed part of wholesale and retail trade businesses**—that is, **those businesses owned by females**. To get the 2019 estimates of women cross-border traders, the team made estimates of **what the growth in number of wholesale and retail traders would be to 2019** and **assumed splits between domestic traders and cross-border traders**. From the definition, large or corporate cross-border trading businesses owned by women were not included.

To grow the number of businesses to 2019, either historic business growth rates or the difference between sectoral growth rates or employment growth rates against GDP were used. The proportional split between male and female business owners was assumed to remain constant to determine the total number of women-owned wholesale and retail trade businesses. Where trade and repair of motorcycles were combined, the split between the two was assumed from data reported in Kenya and Uganda. Stakeholder interviews established that cross-border trade makes up a small proportion of overall wholesale and retail traders. As such, we estimated that the **women cross-border traders amounted to between 15 percent and 20 percent of total women traders to come up with our range of estimates** (figure 9). There was insufficient data on South Sudan to include in the estimates.

FIGURE 6: Split of Women Cross-Border Traders



Sources: Genesis Analytics (2020); FSDT (2012); IFC (2017); ISTEEBU (2017, 2019); KNBS (2017); NISR (2018); and UBS (2011).
Notes: *Excluding South Sudan

Each partner state defined MSMEs differently (as seen in section 8.1 below). These definitions were maintained, as there were no obvious ways of reclassifying and harmonizing them.

There were an **estimated 544,219 (**assumes 15 percent of total traders were involved in cross-border trade**) to 725,627 (**assumes 20 percent of total traders were involved in cross-border trade**) women cross-border traders across the EAC in 2019 (Genesis Analytics 2020).** Sixty-eight percent of these were from Kenya, 23 percent were from Tanzania, 8 percent were from Uganda, 1 percent were from Rwanda, and the balance was from Burundi. Most women cross-border traders own informal businesses and typically make up small-scale trade. Of the total number of women cross-border traders, over 83 percent are informal traders (Genesis Analytics 2020).

As seen in figure 7, micro enterprises make up the majority of women cross-border traders. The majority of these businesses are informal, in comparison to medium businesses.

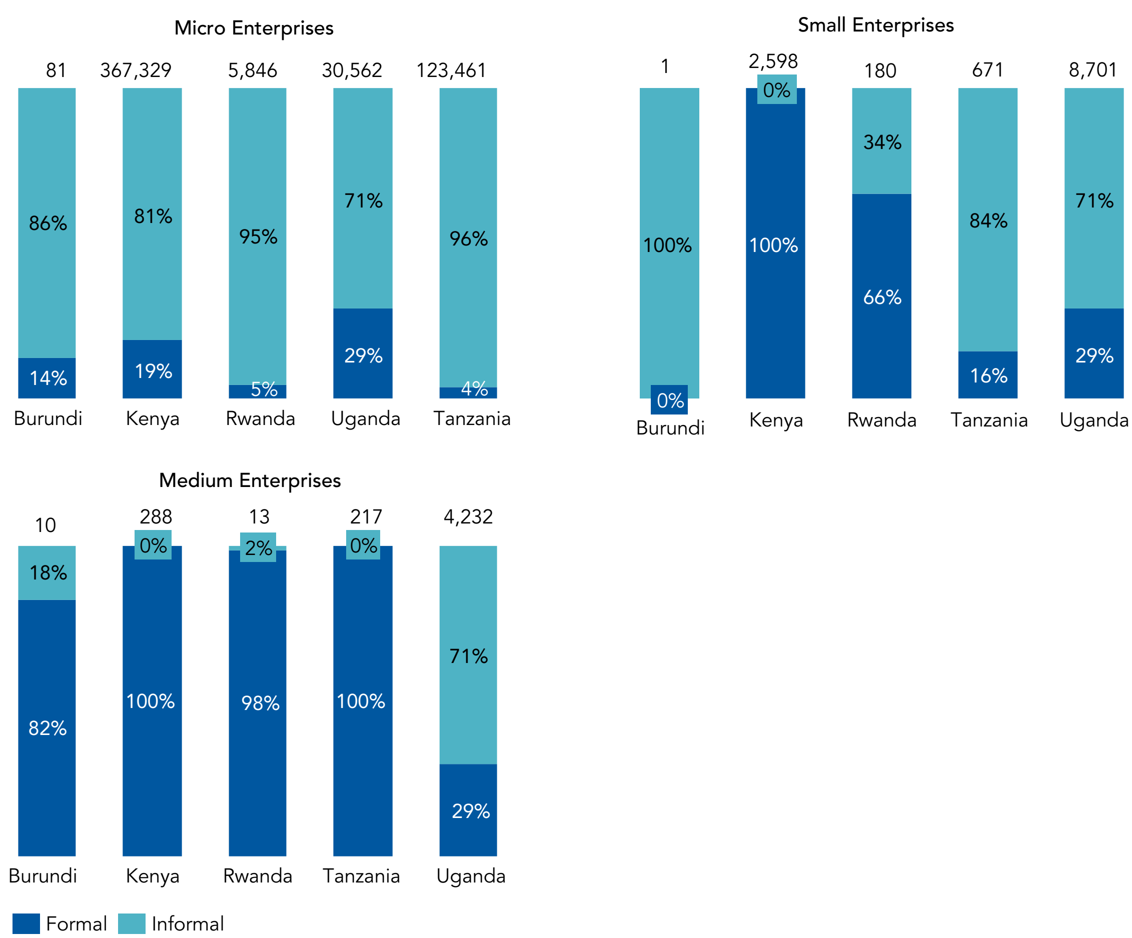
Of the women traders included in the FGDs, 60 percent operated as a sole trader, 22 percent had between 2 and 10 employees, and 18 percent had more than 10 employees.

BOX 1

Potential Opportunities

There is a need to carry out periodic surveys in each country on the state and size of both formal and informal trade to better guide policy and planning for governments. Robust survey techniques are required to evaluate both formal and informal trade routes.

FIGURE 7: Formality Split Micro and Small Women Cross-Border Traders

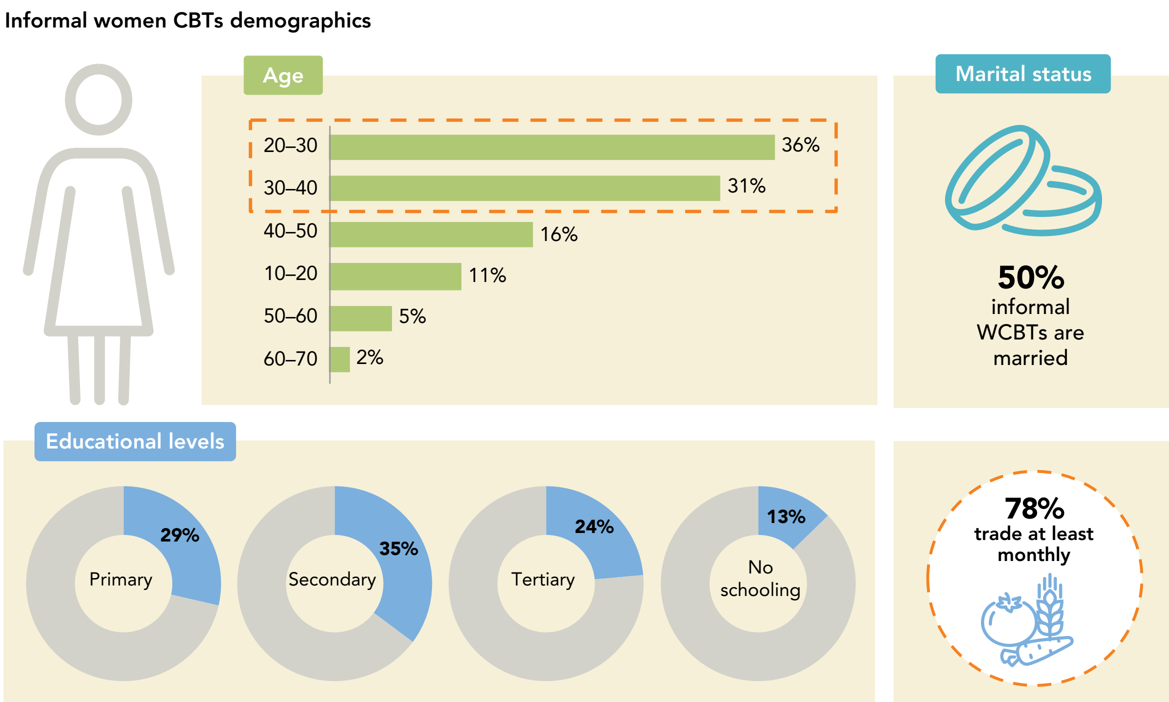


Sources: Genesis Analytics (2020); FSDT (2012); IFC (2017); ISTEEBU (2017, 2019); KNBS (2017); NISR (2018); and UBS (2011).
Notes: *Excluding South Sudan

FIGURE 8: Size of Business by Number of Employees

Source: Women cross-border traders FGDs (2020).

FIGURE 9: Demographics of Informal Women Cross-Border Traders



Source: Sauti Women Cross-Border Trade Database (n.d.).

5.1.2 Demographic Characteristics

A firm called Sauti has reportedly carried out 6,500 surveys with informal traders in Kenya, Uganda, and Rwanda (dubbed the Informal Cross-Border Trade Database). This seems to be the largest survey of informal cross-border traders carried out to date. From this, **over 65 percent of women traders were below the age of 40, and 36 percent were between 20 and 30 years old (Sauti, n.d.).**

The same study reported that over 50 percent of women cross-border traders have not completed secondary schooling (Sauti, n.d.). Many women cross-border traders, in particular, complete primary schooling and have some secondary education. This corroborated earlier studies by the Eastern African Sub-Regional Support Initiative for the Advancement of Women (EASSI) in 2012 and 2011. However, 13 percent of women traders had no schooling. In Busia, 23 percent of women traders had no schooling, and 29 percent had a primary education. In Katuna, 30 percent had lower secondary schooling, and 36 percent of women respondents had only up to lower primary education (EASSI 2012). **Low education levels potentially relate to the low levels of formalization and business expansion for women cross-border traders**.

More than half of the women respondents from the FGDs indicated that they were married, similarly echoed in earlier studies, while 10 percent of informal women traders are cohabitating with their partners. Most women traders regard cross-border trade as their **primary source of income**. The Informal Cross-Border Trade Database shows that 81 percent of women traders rely on cross-border trade as their primary source of income. As a result, 78 percent of women traders cross the borders to trade at least monthly. Only 21 percent of women traders never cross the border, suggesting that they could be either selling products or providing a service online, or have middlemen to complete their transactions on their behalf. The FGDs also revealed that some women traders seek to trade as often as daily, given that this activity is their primary source of income (Women cross-border traders 2020).

5.1.3 Trade Landscape for Women Cross-Border Traders

TRADED PRODUCTS AND SERVICES

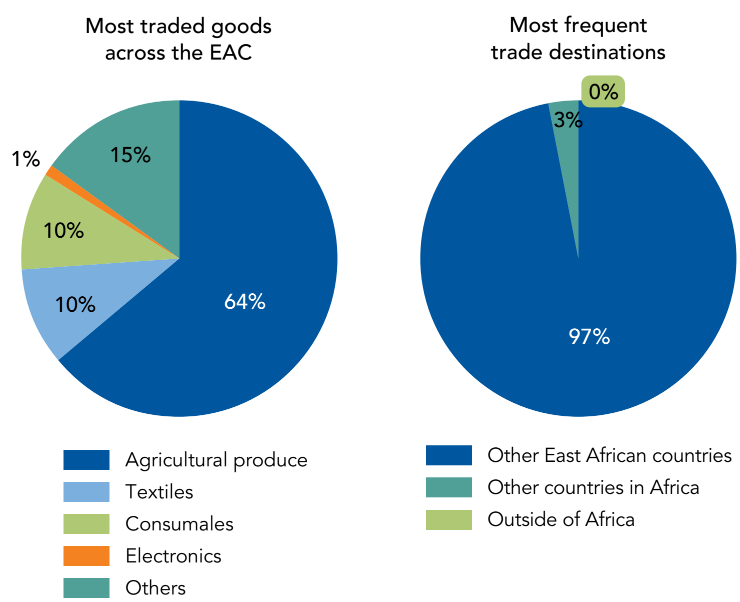
The 2012 EASSI study reported that **42 percent of women cross-border traders are trading agricultural products. Other major tradables across borders include textiles and consumables, making up 22 percent and 19 percent, respectively (EASSI 2012).** Nevertheless, these differed widely across different border towns. FGDs further highlighted this diversity, as the majority of women determined which goods were traded based on seasonal demand (Women cross-border traders 2020). At the time, 64 percent were trading agricultural produce, 10 percent were trading textiles, and 10 percent were trading consumables. **This means that they do not typically specialize in trading a specific commodity in efforts to maximize profits**. Women traders also indicated that trading across borders is associated with higher profitability due to **exchange-rate benefits and a larger customer base in other countries—highlighting their entrepreneurial aptitude**. Women traders selling eligible goods originating from partner states are exempted from tariffs; however, if this is not the case, they attract a 25 percent tax (EASSI 2012). For women traders who are either selling ineligible goods or unaware of the customs unions' regulations, it is likely for them to explore informal trade routes in order to forgo the 25 percent tax (UNCTAD 2019a).

Most women sell to **individuals, as these traders are largely informal and trade on a small scale**. Trading to businesses and governments requires women cross-border traders to possess a certificate of registration and tender documentation (UNCTAD 2019a). However, women traders from Rusumo indicated that most of their customers do include businesses and governments, which buy products in bulk (Women cross-border traders 2020). Given that formalization (as described in section 5.2 below) is a challenge for many women cross-border traders, obtaining these documents is difficult, but the ease of obtaining these certificates may vary across EAC partner states.

KNOWLEDGE OF TRADE PROTOCOLS

The EASSI report *Women Informal Cross-Border Traders in the EAC Region* showed that 82 percent of women traders are aware of the EAC customs requirements and STRs. Only 52 percent of FGD respondents reported knowing more than 50 percent of the customs requirements to trade across borders.

FIGURE 10: Key Trade Commodities and Destinations



Source: Women cross-border traders FGDs (2020).

Over 50 percent of women cross-border traders are aware of the free movement of goods, services, and people within the region. The majority of women traders (59 percent) also know about the elimination of trade taxes on goods and services originating from the EAC (EASSI 2012). However, awareness levels at certain borders (that is, Katuna and Busia) were lower. In light of this, FGDs showed that women traders who were aware of the requirements had been **recipients of training from BDS providers.** Examples include revenue authorities from respective countries, EASSI, Sauti, the Uganda Export Promotion Board, TradeMark East Africa, and government agencies, among other donor agencies.

Younger women traders were less likely to know of these protocols. Women traders found tax exemptions to be helpful particularly in following formal trade routes. However, women traders expressed that they have not yet experienced the benefit of the free movement of **people due to harassment by border officials (see below)**. This could be a result of border officials not being aware of new trade regulations. In addition, limited knowledge around trade regulations makes women traders vulnerable to harassment and exploitation by border officials and officers.

Only 43 percent of women traders knew that they should carry trading certificates of origin. Engagements with women traders suggest that, in some cases, proving the origin of goods can be difficult. As a result, women prefer to use informal trade routes to avoid presenting a certificate of origin.

CROSS-BORDER TRADING EXPERIENCE FOR WOMEN

As stated above, most women traders (38 percent) trade across borders weekly (EASSI 2012). Given that most women cross-border traders deal with small quantities, it makes it easier for them to trade so frequently. However, frequent border crossing is inefficient, as it involves high transportation costs and exposes women to undue exploitation at the borders.

Most women cross-border traders experience stoppages for checks before reaching trading markets. Legal and professional checks serve a good purpose, but, in some instances, they are time consuming and have a potential impact on perishable products. In terms of clearance, 62 percent of women traders are checked for goods origination. However, the proportion of women traders checked varies across border posts. In Busia, 93 percent of women were checked for goods origination, but only 42 percent of women were checked in Katuna (EASSI 2012). A high percentage of checks suggest that formal procedures are practiced at the border.

Many women cross-border traders dealing with small quantities (specifically, less than $2,000 in accordance with the STR requirements) can clear goods through customs themselves. (Less than half of women trading small quantities do this.) **More than half of women traders clear their own products through customs**. For most women traders, clearing goods at customs takes less than an hour. The benefit associated with self-clearance is the elimination of clearance charges by agents and saving time.

BOX 2

Potential Opportunities

There is an opportunity to consider a monitoring and evaluation mechanism for the implementation of trade customs protocols in all partner states. This would capture the performance and ongoing experience of women cross-border traders. It will also highlight the awareness of trade procedures and customs protocols among women traders and why women prefer informal trade routes. Results from the monitoring and evaluation mechanism will inform advocacy and efforts to boost trade by women.

Given that many women have limited knowledge/understanding of customs protocols, the usage of informal trade routes remains high. There is a potential opportunity to formalize informal trade routes to reduce the incidence of harassment and exploitation. In addition, these routes can also be used as an avenue for marketing customs protocols and increasing awareness of trade requirements.

5.2 OPERATIONAL AND TRADE CHALLENGES

The key operational and trade challenges for women are summarized in figure 11.

5.2.1 Barriers to Formalization

The most common reason for traders not being formalized was **insufficient financing, as 44 percent of respondents stated**. This was followed by the bureaucracy, high fees, and long processes in formal trade—suggesting that continued efforts to streamline registration and trade should be pursued.

The FDGs revealed that the majority of women have registered with cooperatives. These are formed as a way to pool efforts and resources in support of benefiting and building women traders. Stakeholders opined that they had exhibited direct impact with women formalizing either within the cooperative or by themselves, and overcoming some financial barriers and advocating against harassment at the border. Examples of these cooperatives include the Busia Women Cross-Border Traders Cooperative in Uganda and the Pro-Femmes/Twese Hamwe in Rwanda.

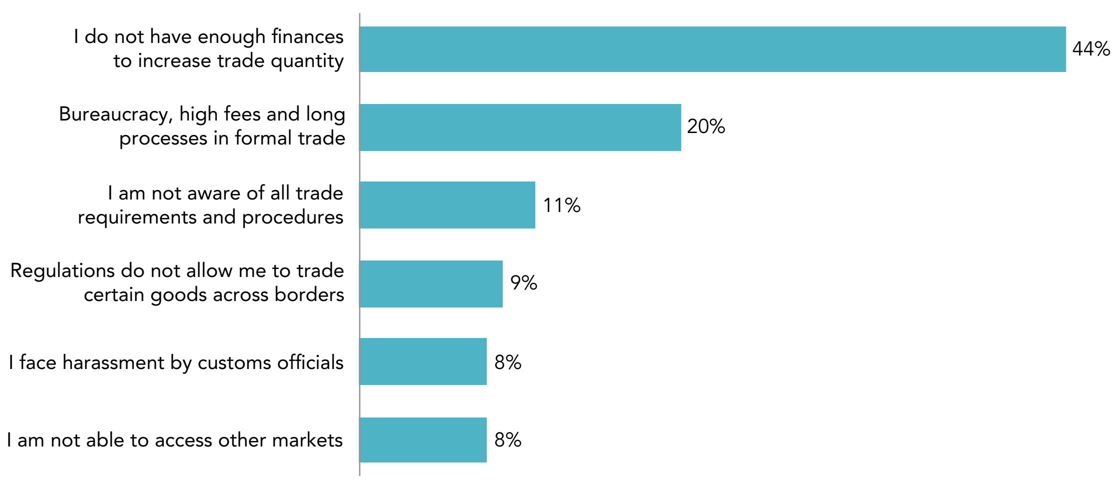
Cooperatives further offered assistance with getting necessary trade documentation and finance and provided places to voice business grievances and/or expectations. Registration with cooperatives is also cheaper. (For example, fishmongers register for K Sh 300 and receive the required public health documents.) In some cases, registering with official authorities cost up to K Sh 20,000 (UNCTAD 2019a).

Informal cross-border traders are discouraged from formalizing, as **they do not see the benefits of doing so**. Informal traders also fear that the tax assessment will be too high, taking away from their profits. Furthermore, limited capital makes it difficult for traders to sustain their business through paying regular fees and taxes (Genesis Analytics 2020).

FIGURE 11: Women Cross-Border Trade Challenges

Barriers to formalization	Poor infrastructure	Lack of adequate border facilities
Macroeconomic shocs	Corruption and insecurity/abuse	Limited knowledge of entrepreneurship and business management skills

FIGURE 12: Trade Formality Challenges



Source: Women cross-border traders FGD s (2020).

BOX 3

Potential Opportunities

Continued efforts should be made to get small-scale and informal women traders to join cooperatives, formalize, and scale up production. This should be achieved through trade associations and BDS providers. This capacity building can be offered to women traders through the cooperatives to grow women's skills.

There is also an opportunity for women's associations—for example, the Africa Women Innovation and Entrepreneurship Forum (AWIEF) and Pro-Femme—to support women traders in identifying new markets to penetrate. Women's associations are often linked/connected to private-sector stakeholders that may provide access to value chains in untapped markets. Expansion into new markets means increased earning opportunities, making formalization less expensive for informal women traders.

BOX 4

Potential Opportunities

Governments should prioritize the rollout of OSBPs across the busiest border posts and invest in educating the population about the benefits and procedures. Implementation across neighboring countries should be better coordinated by developing guidelines and monitoring implementa-tion periodically.

Governments should develop additional infrastructure (for example, cell towers and transport links) to facilitate the efficient movement of people and goods across borders.

Investment should be made in sanitation, day-care services, storage facilities for perishable commodities, and sleeping facilities, to increase the safety and health of women traders. Where necessary, the private sector should be crowded in to ensure their sustainability.

5.2.2 Poor Infrastructure and Lack of Adequate Border Facilities

There are inadequate infrastructure networks and border infrastructure, including poor public and private transportation systems, inadequate warehousing, and insufficiently staffed border institutions across EAC countries. These limitations harm women cross-border traders. It should be noted that individual EAC partner states' national trade strategies or policies (for example, Kenya's National Trade Policy of 2016 and Rwanda's National Cross-Border Trade Strategy, 2012–17) have identified the need to develop trade information desks and markets. Nevertheless, FGDs identified that these are still lacking in key border towns.

Limited availability of public transportation and poor road conditions restrict mobility and prevent traders from reaching more distant areas that could potentially be more profitable. This could mean that traders may miss community market days or events where their commodities are sold (Genesis Analytics 2020). If traders are transporting consumable goods, the products may arrive perished or deteriorated. Women cross-border traders, who rely more on public transport than men, suffer a heavier burden and are forced to spend longer periods of time at the border. This is due to irregular bus schedules and long travel times.

Poor network infrastructure and cellular coverage make it difficult for traders to communicate with clients, transporters, and the businesses with which they are trading. There are also functional and institutional issues at the border posts related to manual custom clearance processes, malfunctioning electronic systems, and network failures due to electricity shortages. These infrastructure failures imply that traders spend more time at the borders clearing products.

A lack of border facilities such as standardized warehousing and storage facilities also affect cross-border traders. This is limiting for the traders, as it affects the quality of the goods traded. Key facilities such as toilets and inspection rooms are also in poor condition or not present, and there is also a need for one-stop border posts (OSBPs) at more borders.

5.2.3 Macroeconomic Shocks

Price fluctuations resulting from strengthening or weakening exchange rates affect cross-border traders. As described in the macroeconomic context, most EAC partner states experienced an exchange-rate depreciation from 2016 to 2018. While a depreciating currency is good for exports, it hampers the import market, as most EAC countries import manufactured goods, which, given the value addition, are deemed more expensive.

BOX 5

Potential Opportunities

External shocks are harder to control, but there is an opportunity to provide women traders with daily updates on exchange-rate information across the EAC. In addition, providing them with commodity price changes/differences across partner states, especially for products that are on the EAC STR Common List and what these price changes mean for their businesses. Giving women traders access to this information can improve how they conduct business and assist them in maximizing earnings under various macroeconomic conditions.

Continued efforts should be made to drive the EAC Political Federation Pillar to establish orderly avenues for countries to address conflicts without affecting trade or economic output between two countries.

Price irregularities between partner states also present a challenge for cross-border traders. Fluctuations of exchange rates sometimes result in losses, especially when the goods have sold at a lower price in the neighboring country than in their country of origin. Currency fluctuations can be attributed to a lack of a common currency in the EAC and monetary policy (Nkoroi 2016).

Political disagreements similarly can result in the indefinite closure of border crossings—as described above.

5.2.4 Corruption and Insecurity/Abuse

Harassment and physical assault are seemingly prevalent at border posts and at informal trade crossings, especially among women cross-border traders (Genesis Analytics 2020). Women generally spend longer hours clearing their commodities at the border due to prolonged inspections (UNCTAD 2019a). In addition, custom officials or security officers require sexual favors in order to authorize passage across the border. Among women traders, fear of authorities remains one of the major factors that push them away from formal routes. However, according to the insights from the FGDs, some women felt that the assault was worse when using illegal routes. This is due to the amount of bribery, charging of illicit fees, and seizures of consignments. Women traders reported being targeted by other actors in positions of authority. These include money changers and transport operators, who are mostly male. Inadequate infrastructure and long wait times suggest that women are vulnerable to sexual assault when staying at the border overnight. Sexual violence makes women vulnerable to associated health risks.

BOX 6

Potential Opportunities

Gender-specific strategies, programs, and activities are required to improve the operating environment for women traders and recognize their different needs and high risks. These strategies will need to cater to both formal and informal trade, to prevent further abuses. These should include but not be limited to security at formal or informal trader routes, provision of female customs union officers to carry out any searches on women, continuous training against and monitoring of abuse cases, and having medical and psychological care centers for individuals who may have been harassed. Providing platforms to promote dialogue between officials and women traders could also assist in improving the interaction. Employing a mix of both men and women could also reduce the incidence of harassment at the border.

Cultural beliefs also impede financial access to women traders due to lack of collateral. Given that cultural norms harm women traders, interventions focused on facilitating financial access without collateral and risk-sharing mechanisms can potentially be more effective. This could eliminate a barrier faced by women traders and expand their business and trade capacities.

Corruption may involve immigration officers, revenue authority officials, police, and other public-service officers situated at the border. Local traders with limited knowledge of customs procedures are most vulnerable to corrupt law enforcement. In Tanzania, women cross-border traders reported that several officials charged unreceipted taxes on goods below $2,000, which should benefit from the STR (UNCTAD 2019a). Misinterpretation of the rules of origin or faster clearing of products resulted from bribery. Some reasons for bribery include the inability to pay the correct amount of taxes and fees.

Other social insecurity challenges faced by married women traders are patriarchal in nature. Women are responsible for childcare and required to travel to the border with their children. This suggests that children are exposed to harsh weather conditions and poor hygiene and, in some cases, female children are also required to provide sexual favors. On the other hand, women traders have reported that their husbands take their earnings made from trade. The rate of suicide among women traders is high, as some husbands neglect their responsibilities (for example, paying school fees or providing food), putting financial pressure on women to provide for the household on their own (UNCTAD 2019a).

5.2.5 Limited Knowledge of Entrepreneurship and Business-Management Skills

FGDs revealed that **many women cross-border traders do not have the business skills needed to run their businesses better**. Some key business-skill shortages include bookkeeping, to know if they are making a profit, limited understanding of tax assessments and rebates, and a lack of sales and marketing. Traders find themselves participating in illegal activities as a result of not knowing the legal/formal processes, ultimately ending up in prison. This is accounted for by a lack of business/entrepreneurial education among traders. Lacking these skills keeps women cross-border traders from realizing their full profit and business potential. For informal traders, these skills could assist with the transition into formality.

LOW ACCESS TO INFORMATION AND POLICY AND REGULATORY CHANGES

Women traders' access to market information is low due to limited access to ICT (UNCTAD 2019a). In FGDs, women traders stated that usage of cell phones and M-Pesa has proven to be quite useful for the facilitation of trade transactions. Cell phones have also been useful in accessing real-time information regarding up-to-date market prices and the most in-demand products. While technology improves access to information, challenges with network connectivity and the low availability of mobile credit still impede women's access. Consequently, traders rely on word of mouth at the community level as a reliable channel.

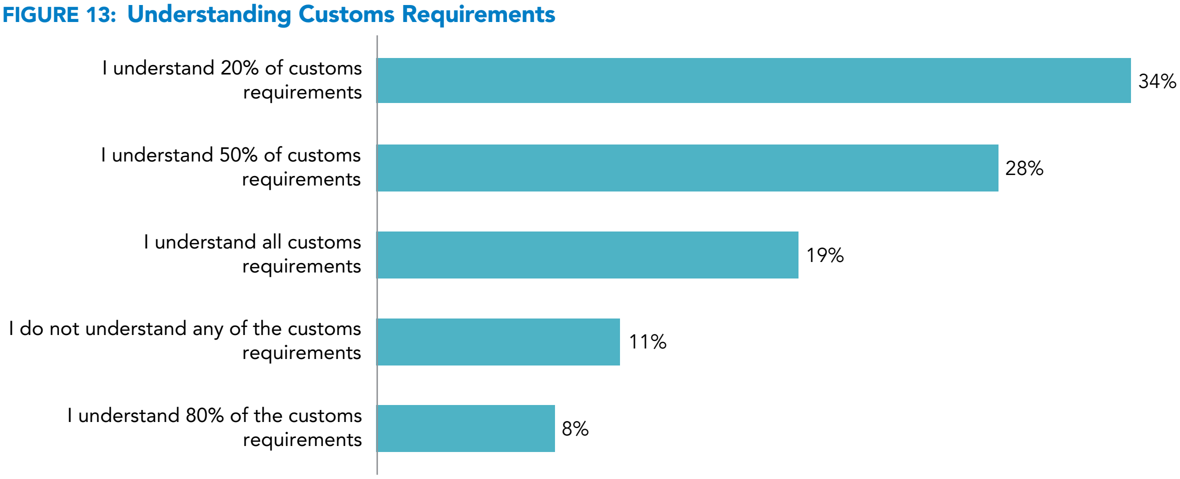
BOX 7

Potential Opportunities

Continued efforts are required to offer training on trade regulations and protocols (that is, their benefits and procedures), financial literacy, bookkeeping, and marketing and business skills. These should further be incorporated more readily in primary and secondary education to ensure that other generations are adequately equipped. Efforts to raise awareness through ICT and media should be explored. Tariff information and trade requirements/protocol updates can also be shared through ICT and media to ensure that information reaches as many women traders as possible.

Existing BDS providers should be supported further to ensure that they can extend their reach. Where possible, collaborations among complementing providers should be explored to develop efficiencies, where possible

FIGURE 13: Understanding Customs Requirements



Source: Women cross-border traders FGDs (2020).

BOX 8

Platforms Used to Enhance the Ability to Trade

Across the EAC, access to ICT and usage of mobile phones has improved access to markets and enhanced women cross-border trader operations. Mobile-money accounts have allowed women traders to make and receive payments, especially when doing business with the Kenyan market. For Kenyan women traders, accessing loans via M-Pesa is quicker than using formal financial institutions. This is due to minimal requirements for loans. In addition, digital accessibility makes it easy to apply for and receive the loan.

Social media is another platform that is growing in use among women traders. **Online platforms allow women to access bigger markets of buyers, increasing visibility and earnings in some cases.**

A number of organizations are pivoting toward offering digital platforms to scale their reach to women cross-border traders and entrepreneurs. Organizations that are doing this include:

The Africa Women Innovation and Entrepreneurship Forum (AWIEF) and Sauti are digital platforms offering market information to women cross-border traders. This information includes market prices, exchange rates, border procedures, and market alerts.

AWIEF also aims to use its digital platform to provide training and e-learnings as well as networking opportunities. In addition, **AWIEF is using the digital platform to connect women traders and entrepreneurs to sellers, private-sector stakeholders, and donors.** This is to assist women businesses in sourcing customers and to provide a central repository for industry/private-sector stakeholders to find women cross-border traders and entrepreneurs.

TradeMark East Africa is also reportedly developing a digital platform. It will be offered in multiple local languages, offering market information and market linkages between traders and buyers. The platform is expected to be accessible on USSD devices and smartphones.

ACWICT is an online platform that facilitates the promotion of businesses through social media sites such as Facebook and WhatsApp. Engagements with women traders revealed that younger women traders use this platform more, given that they are tech savvy.

On the other hand, **Stanbic Bank (a financial service provider) is looking into providing online platforms to assist women traders and entrepreneurs access finance.** Stanbic offers a financial product and service called DADA designed to empower and grow women entrepreneurs. The Stanbic DADA financial offerings includes facilities to borrow, save, insure, and invest. This is accompanied with a suite of nonfinancial offerings such as financial literacy, industry insights, seminars, access to markets, and rewards. Currently DADA is available to Kenyan women, but their plans to provide an online platform will allow them to extend their reach across the EAC.

5.3 ACCESS TO FINANCE

Financial service providers (FSPs) play an important role in enabling entrepreneurs and traders to fulfill daily business activities through financial products and services. Unfortunately, entrepreneurs and traders within the EAC indicated that accessing these financial products and services is still one of the most pressing challenges. FGDs and stakeholder interviews revealed that traders predominately require loan products and a form of credit for working capital needs and for expansion.

Across SSA, 48 percent of men and 37 percent of women had a financial account in 2017 (WBG 2019). As shown above, less than 30 percent of people in all partner states of the EAC have a credit or a loan account (IMF 2018). However, more people have debit cards, but the number remains low compared to SSA. This also suggests that women are less likely to own a financial account or find it more challenging to access financial services than men.

The FGDs revealed that traders are making use of mobile-money accounts to facilitate payments of commodities. They also make use of unsecured loans provided by mobile network operators, fintech digital lenders, and cooperatives. In some instances, traders make use of cooperatives to save money but see no value in insurance products (Genesis Analytics 2020).

5.3.1 Financing Women Cross-Border Traders

We evaluated financial institutions (FIs) across the tiers (as seen in table 14) in order to understand what products and services are available to women and their experience accessing these forms of finance.

Women cross-border traders have indicated that access to finance remains a key challenge. The earlier EASSI survey reported that nearly 50 percent of informal women traders raise capital for their businesses themselves (Genesis Analytics 2020). **FGDs and stakeholder interviews identified that over 80 percent of traders had existing and continuing loans from both formal and informal FIs.** These were used for both accessing credit and transacting across borders (or removing the need to carry cash across borders).

Over half of women's trading was reportedly financed through credit. Working capital or secured term loans were the most reported form of financing taken up by women traders. More tailored trading products had limited uptake; only 10 percent of traders reported letters of credit or guarantees, and 6 percent reported local purchase orders/local service orders or bill invoice discounting. This likely reflects the informal nature of trade with no formal contracts.

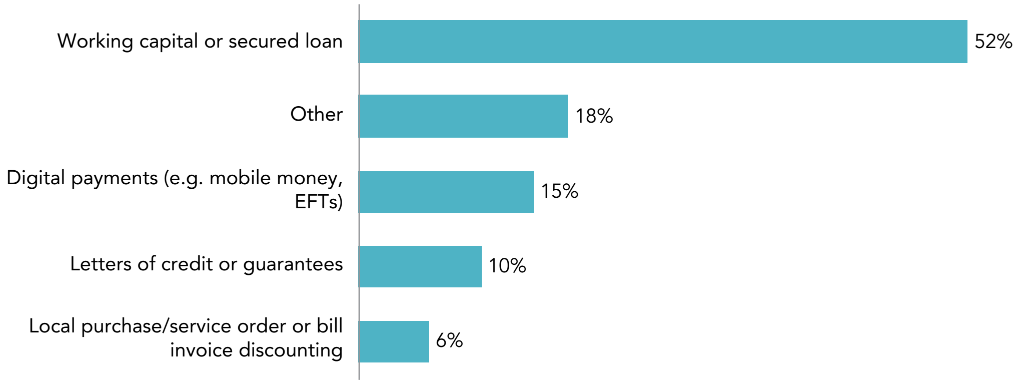
The choice of which FI to seek financing from was dependent on differing considerations, including eligibility requirements, interest charged, speed of disbursement, and access to infrastructure (for example, branches that are located in urban centers). Cooperatives, SACCOs, and table banks/chamas were preferred over banks due to the charges associated with owning a bank account, interest rates, and the turnaround time. Women traders also source loans from MFIs, but the inter-

TABLE 14: Financial-Sector Breakdown

TIER	DEFINITION	INSTITUTION
Formal banks	Licensed by the central bank	• Private commercial banks • State-owned banks
Formal non-bank financial institutions (NBFIs)		• Rural banks • Post banks • Savings & loan companies • Deposit taking microfinance banks
Semi-formal	Legally registered but no licensed as financial institution by the central bank	• Credit unions (i.e. member owned financial cooperatives) • Microfinance NGOs • Digital lenders
Informal	Not legally registered at national level (though may belong to a registered association	• Savings collectors • Savings & credit associations • Moneylenders (e.g. loan sharks) • Rotating savings and credit associations/chamas (e.g. susu groups)

Sources: Genesis Analytics (2020); TechnoServe (2014).

FIGURE 14: Financial Products and Services Used by Women Cross-Border Traders



Source: Women cross border traders FGDs (2020).
Notes: * "Other" means products such as savings accounts and insurance.

TABLE 15: Summary of Pros and Cons for Different FIs

FI	BANKS	SACCOS AND COOPERATIVES	MFIS	DIGITAL LENDERS	TABLE BANKING/ CHAMAS
Pros	Lengthy tenure of loans Large value of loans Access to accounts and services digitally Some exploring digital lending products	Low interest rates Flexible payment dates—for example, daily or weekly Receiving interest from their deposits	Willingness to extend loans, even with minimal documentation	Real-time access Large networks	Able to save and earn interest Limited eligibility requirements Low interest rates charged
Cons	Expensive High eligibility requirements Limited cash-in and cash-out network at border towns Length of loan appraisal Quality or access of relationship managers is determined by size of loan	Low value of loans Short term in nature	High interest rates Low value of loans Short term in nature	Transaction and account limits Short loan tenures	Low value of loans

Source: Women cross-border traders FGDs (2020).
Notes: "Banks" are prudentially regulated financial institutions providing a full suite of financial products and services. "SACCOs" refer to savings and credit cooperatives that are owned, managed, and run by their members. These may or may not be regulated but are often registered with a cooperative society. "MFIs" are microfinance institutions. They are lending intuitions that are not often prudentially registered and therefore are not allowed to collect deposits from the public. "Digital lenders" are financial institutions that extend forms of financing (often payments, micro/nano loans, and savings) through digital (often mobile-based) platforms. Digital lenders could be both registered (such as banks) and unregistered (such as MFIs). "Table banks," or "chamas," are informal cooperative societies that are used by their members to pool and invest savings.

est rates with MFIs tend to be slightly higher. In addition, women traders also seek loans from mobile network operators, opting for their quick turnaround time and accessibility. The loan tenure of 30 days and limits on the overall loan amount limited the use cases.

Women cross-border traders trading across Kenya make use of mobile money for deposits and withdrawals from agents. In addition to the safety of not having to carry cash, they identified that the agent network provided them with an efficient way to deposit or withdraw money when needed.

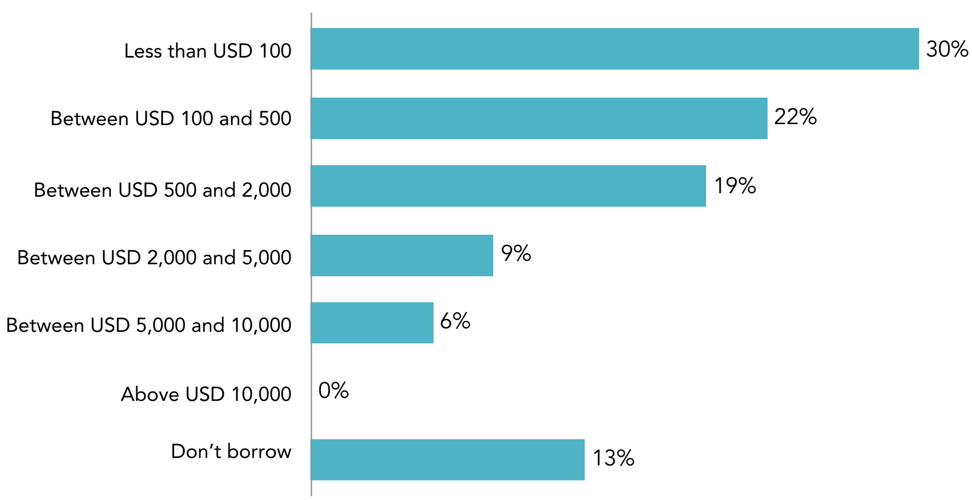
A proportion of women traders (18 percent) indicated that they use other financial products and services, these include savings and insurance. Stakeholder engagements and FGDs conveyed that women traders save money through cooperatives and table banking/chamas. Table banks/chamas and cooperatives are known to have more relaxed requirements, making it easier for women traders to save. **Uptake of formal insurance remains low** across women traders, but a need for it exists. The low uptake of insurance could be due to a lack of understanding of how it works and limited affordability. Traders nevertheless reported making use of informal forms of insurance, where middle people absorbed the risk of any accidents or damages during the transportation of goods.

Fifty percent of loans accessed by women traders were valued below $500, and 30 percent were valued below $100. None of the respondents reported accessing loans above $10,000. This echoed insights from the women, who identified difficulty in accessing larger loans to grow their operations.

It was estimated that the value of loans taken up by women cross-border traders in 2019 ranged between $1.4 billion and $1.9 billion (Genesis Analytics 2020). These estimates were developed by utilizing the uptake of credit findings from FGDs modeled across the estimated population of women cross-border traders. For the calculation, it was assumed that women traded once every quarter, and that 60 percent of the trade financed through credit used the average loan values.

The EASSI report showed that 84 percent of women traders owned a mobile phone, 66 percent possessed household furniture, and less than half owned land (EASSI 2012). Asset ownership is critical for acquiring loans from formal FSPs, as these institutions require traders to have collateral. Access to land is one of the key assets impeding economic gains for women traders, particularly traders distributing agricultural products (UNCTAD 2019a). In some EAC partner states (for example, Tanzania), the socioeconomic landscape perpetuates gender inequality, resulting in women owning very little land.

FIGURE 15: Value of Trade Facilities Accessed by Women Cross-Border Traders



Source: Women cross border traders FGDs (2020).

BOX 9

Potential Opportunities

The existing high uptake of credit suggests that women cross-border traders identify the majority of the women as being, in effect, creditworthy and a viable segment for formal FIs to focus on. The challenges identified, however, suggest a mismatch between their existing needs and the products they are using. A digital platform approach should be explored that offers payment services on both sides of borders, provides information on exchange rates and commodity prices, and builds transactional history to meet the women's financing needs. In some markets, such as Kenya, Uganda, and Tanzania, banks and mobile-money operators are providing some forms of these and would need to enhance their offerings.

Similarly, well-trained sales teams domiciled in and around border towns should be hired to aid women in selecting the most appropriate suite of products and services. Stakeholder interviews identified the need to tailor the service model—for example, to accommodate women traders' additional social responsibilities.

The bundling of insurance products to the digital platform may be a useful add-on for women traders. Pricing, however, will need to be sensitive, and efforts to educate women on the benefits are needed, requiring some investment by insurance firms.

Given that women traders have greater trust in generating capital from personal savings and borrowing from revolving loan groups, there is opportunity for FIs to consider designing business-financing products based on these practices. This is to ensure that women cross-border traders have more viable finance options outside traditional bank products and services.

5.3.2 Overall Challenges to Access to Finance

TABLE 16: Summary of Challenges to Access to Finance

CHALLENGES	DESCRIPTION
Lack of necessary documentation	Informal traders are typically classified this way because of the lack of formal registration and because these traders do not keep formal records. This means that informal businesses do not possess all the relevant documentation (for example, tax certificates, business registration number) to prove to formal FSPs that they exist. As a result, this limits their access to finance.
Financial products and services are too expensive	Both men and women show low levels of financial account penetration. According to the Global Findex 2019, this is due to traders not having enough money to open or maintain a financial account. This is accounted for by the high up-front costs of opening the account (for example, transport costs needed to travel to FSPs). Maintaining a financial account can also be expensive due to high bank charges or high interest rates.
Lack of trust in FIs	Limited knowledge and understanding of formal financial products and services create a lack of trust in FSPs, especially among traders situated farther away from these institutions. This is seen with the low uptake of insurance products. Traders are seemingly not taking up products (for example, insurance), as they do not understand how it works and the benefit for their business.
FSPs are not easily accessible	Formal FIs are situated in urban areas that typically are far from borders and where traders live. This means that traders would have to incur travel and opportunity costs. However, mobile money has proven to be more effective in terms of accessibility.

Sources: Women cross-border traders (2020); stakeholder interviews, 2020; and UNCTAD (2019).

5.3.3 Women Specific Challenges to Access to Finance

TABLE 17: Summary of Challenges to Access to Finance

CHALLENGES	DESCRIPTION
Lack of collateral	Women cross-border traders have limited or no ownership of assets. The FGDs indicated that women traders produce largely commodities from their homes. In some cases, the land is owned by their husband or another family member. As a result, the lack of collateral hinders women traders from receiving loans from formal FIs.
Authorization from family members	Institutional discrimination that exists within formal lending institutions puts women traders at a disadvantage. This is due to formal legislation being rooted in a patriarchal system that tends to consider women as housewives or subordinates. As a result, in some instances, married women traders cannot obtain loans without their husband's authorization.
Higher charges for account ownership	Women traders have expressed that formal FSPs are too expensive and have high eligibility requirements. However, to curb this, women traders are making use of informal providers (for example, cooperatives or SACCOs). The issue with informal providers lies with the loan size (that is, too small) and limited tenure period.
Inflexible hours	The accessibility of banking services or exchange bureaus remains limited even when present at the border. In some instances, traders traveling across the border for business are required to have an account. As a nonresident, traders find it difficult to open a bank account or even exchange currency. Furthermore, opening hours of commercial banks at the border are not always suitable for small-scale traders, who prefer to trade very early. Again, this means that black-market money dealers are the only option, therefore making traders vulnerable to scams.
Losses due to unfair trade	Given that financial literacy is low, particularly among informal women traders, understanding exchange rates constitutes an additional challenge. As a result, this has led to the rise of black-market operators, who take advantage of women traders.
Cultural challenges	There are implications associated with the marital status of women cross-border traders. For instance, women in Busia indicated that most of them do not live near the border town. The only opportunity they would have to move to Busia was if their husbands received job transfers. According to the EASSI report Women Informal Cross-Border Traders in the EAC Region, high taxes, high transport costs, and limited capital/funds were the most pressing challenges for married women. Similarly, single women traders were also affected by limited capital but also expressed that high competition was a serious challenge. This suggests that single women traders could potentially be younger and relatively new to trade compared to married women, who may be more seasoned.

Sources: Women cross-border traders (2020); stakeholder interviews, 2020; and UNCTAD (2019a).

6

SUPPLY-SIDE FINDINGS

KEY TAKEAWAYS

- The EAC has a vibrant and growing financial sector led by banks capable of meeting the needs of women traders. This includes credit reference bureau (CRB) systems, but their offerings require further enhancements, such as the inclusion of digital lenders' information.
- From a banking-sector perspective, trade receives a larger share of gross banking loans in absolute terms as well as in relation to trade's contribution to GDP. Of those banks reporting, letters of credit accounted for between 12 percent and 15 percent of overall bank assets and are growing fast.
- It was estimated that trade finance from banks accounted for $19 billion in 2019. Submissions from six banks in Kenya, Rwanda, and Tanzania identified that there has been limited growth in the extension of trade finance from 2017 to 2019. MSMEs are estimated to account for 42 percent of the value of bank-intermediated trade finance, compared to female-led businesses, which account for a meager 7.7 percent. Considering that FGDs identified that women cross-border traders limited uptake of bank trade finance, this implies a significant potential market. Generally, trade finance nonperforming loans are low due to the four S's (that is, short term, self-liquidating, secured, and speedily liquidating).
- The high levels of informality and low access to collateral raise the risk profile of women traders with formal FIs. Banks in particular preferred focusing on existing relationships. It was reported that funding from development finance institutions and guarantee funds earmarked for women remain underutilized. This suggests that current FI incentives are not having the required impact.
- Additional supply-side challenges include systemic risks and competition from other credit providers.
- Central banks across the region have made similar declarations to try to support the banking sectors. These have included allowing the restructuring of nonperforming loans, the waiving of late-payment and mobile-money fees, the lowering of policy rates, the raising of liquidity for banks, and the suspension of listing of defaulters on CRBs.

This section highlights the supply-side estimates of overall financial extension to women cross-border traders, and the challenges faced.

6.1 STRUCTURE OF THE FINANCIAL SECTOR

EAC countries have a **vibrant formal financial-service sector led largely by banks**. In Kenya, South Sudan, Tanzania, and Uganda, there were over 25 banks each, further consolidation is expected in the years to come. Total bank assets to GDP range from 22 percent in Tanzania to 49 percent in Kenya. Total loans to assets averaged 43 percent. Save for Uganda and Rwanda, the other EAC countries reported double-digit nonperforming loans.

The number of registered MFIs and deposit-taking SACCOs varied across jurisdictions, from 457 in Rwanda to four in Uganda. Nevertheless, it is expected that the number of unregistered providers is significantly higher. Total assets and loans were fractions of those of the banking sector.

TABLE 18: Structure of Financial Sector in the EAC

COUNTRY	BURUNDI	KENYA	RWANDA	SOUTH SUDAN	TANZANIA	UGANDA
Most recent year of report	**2016**	**2018**	**2019**	**2018**	**2018**	**2019**
Commercial banks	12	40	13	27	40	26
Microfinance banks		13	3	13	5	6
MFIs and SACCOs*	33	174	457		8	4
Credit reference bureaus	1	3	1		2	2
Insurance	7	53	14		30	31
Forex bureaus		70	82		80	207
Mobile-money operators	3	4	3	1	6	7
Digital lenders		Over 20	14		5	3

Sources: BRB (2016); CBK (2017, 2018); IRA (2019); NBR (2018, 2019); BSS (2018); BOT (2018); BOU (2017); and BOU website.
Note: Orange shading indicates that data was not available. * reflects registered MFIs, SACCOs, and community banks but is likely grossly understated. Rwanda and Uganda data as of June.

BOX 10

Key Definitions of the Type of FSPs Available in East Africa

Below are key definitions of the type of FSPs operating in East Africa:

- **Banks:** Prudentially regulated FIs providing a full suite of financial products and services.
- **SACCOs:** Savings and credit cooperatives that are owned, managed, and run by their members. These may or may not be regulated but are often registered with a cooperative society.
- **Mobile-money operators:** Institutions that are licensed to provide e-money services (that is, electronically store of monetary value that can be held in an account or sent or cashed out) through mobile phones and mobile telephone networks.
- **MFIs:** Microfinance intuitions that are not often prudentially registered and therefore are not allowed to collect deposits from the public.
- **Digital lenders:** FIs that extend forms of financing (often payments, micro/nano loans, and savings) through digital (often mobile-based) platforms. Digital lenders could be both registered (such as banks) and unregistered (such as MFIs).
- **Table banks, or chamas:** Informal cooperative societies that are used by their members to pool and invest savings.

TABLE 19: Size of the Financial Sector against GDP

COUNTRY	BURUNDI	KENYA	RWANDA	SOUTH SUDAN	TANZANIA	UGANDA
Most recent year of report	**2016**	**2018**	**2019**	**2018**	**2018**	**2019**
Total bank assets to GDP, %	34.5%	48.9%	33.3%	39.4%	22.2%	26.7%
Total bank net loans to GDP, %	14.9%	25.7%	20.5%	1.1%	12.4%	11.7%
Bank gross nonperforming loans/gross loans, %	14.1%	12.7%	5.6%		10.5%	3.8%
Other credit providers total assets to GDP, %	4.4%	6.3%	3.2%		1.0%	0.7%
Other credit providers loans to GDP, %	2.6%	4.6%	1.7%			0.6%
Insurance total assets to GDP, %	1.7%	7.1%	5.6%		0.7%	1.4%
Insurance gross premiums to GDP, %	0.7%	2.4%	0.8%		0.5%	0.8%
Mobile money value of transactions to GDP, %		44.2%	21.1%		6.3%	64.5%

Sources: BRB (2016); CBK (2017, 2018); IRA (2019); NBR (2018, 2019); BSS (2018); BOT (2018); BOU (2017); and BOU website.
Note: Orange shading indicates that data was not available. Rwanda bank branches, agents, and other credit provider branches are 2018 data. Uganda bank branches and other credit provider branches are 2017 data. Insurance agents and brokers are 2018 data.

Save for South Sudan, where credit reference bureau (CRB) regulations have been published but there is no mention of any CRB operating in the country, all other countries had at least one CRB operating. Rwanda and Burundi are reported to have publicly owned CRBs, whereas the rest are private (Muber et al. 2017). The majority of the countries allow both bank and non-bank credit providers to submit data. **The growth in digital lenders necessitates the need to include their data.** However, any frequency of uploads that is not in real time impairs the effectiveness for digital lenders. Submissions from non-credit FIs and utility providers varies, which further affects the richness of data.

Insurance remains nascent in the EAC market, despite a large number of insurance firms operating in the market. This was exemplified by total insurance assets in each country being less than 8 percent of GDP, while gross premiums in the most recent year reported were below 3 percent of GDP.

Mobile-money operators (MMOs) are now commonplace, as per the proliferation of mobile money in the region. South Sudan reportedly launched mobile-money services in July 2019, when m-Gurush debuted[4]

Uganda, Kenya, and Tanzania reported the highest use of mobile-money transactions; the value of transactions accounted for 65 percent, 44 percent, and 21 percent of GDP, respectively.

Despite banks investing in agent networks, their infrastructure distribution remains limited, particularly in rural areas. MMOs have grown their networks significantly higher, on average having over 450 agents per 100,000 people in the population, becoming the main cash-in and cash-out network across the region.

The trade sector across EAC countries receive a large share of gross banking loans in absolute terms as well as in relation to the trade contribution to GDP. In Burundi, this accounted for 55 percent (against the secondary-sector GDP contribution of 17 percent); in Uganda, 21 percent (against a wholesale and retail trade GDP contribution of 9 percent); in Kenya, 19 percent (against a wholesale and retail trade GDP contribution of 7 percent); in Tanzania, 19 percent (against a wholesale and retail trade GDP contribution of 10 percent); and in Rwanda, 16 percent (against a wholesale and retail trade GDP contribution of 7 percent).

TABLE 20: Financial-Sector Infrastructure Distribution

COUNTRY	BURUNDI	KENYA	RWANDA	SOUTH SUDAN	TANZANIA	UGANDA
Most recent year of report	**2016**	**2018**	**2019**	**2018**	**2018**	**2019**
Bank branches per 100,000		3.1	4.3		1.7	1.4
Bank ATMs per 100,000		5.9	3.2		3.9	2.1
Bank agents per 100,000		124.0	31.3		34.1	
MMO agents per 100,000		466.2	825.6		883.8	564.1
Other credit provider branches per 100,000	2.5	1.2	6.1		0.2	0.4
Insurance agents per 100,000		17.9	5.7		1.2	6.0
Insurance brokers per 100,000	0.1	0.4	0.1		0.2	0.1

Sources: BRB (2016); CBK (2017, 2018); IRA (2019); NBR (2018, 2019); BSS (2018); BOT (2018); BOU (2017); and BOU website.

Note: Orange shading indicates that data was not available. Rwanda bank branches, agents, and other credit provider branches are 2018 data. Uganda bank branches and other credit provider branches are 2017 data. Insurance agents and brokers are 2018 data.

TABLE 21: Sectoral Distribution of Gross Bank Loans

COUNTRY	BURUNDI	KENYA	RWANDA	SOUTH SUDAN	TANZANIA	UGANDA
Most recent year of report	**2016**	**2018**	**2019**	**2018**	**2018**	**2019**
Personal/consumer, %		26.6%	8.3%		29.5%	18.3%
Trade, %	55.0%	19.1%	15.6%		18.5%	21.2%
Real estate, building, and construction, %		19.3%	34.9%		8.1%	22.3%
Manufacturing, %		13.0%	10.8%		11.8%	15.9%
Transport and communication, %		6.6%	12.9%		5.2%	4.9%
Energy and water, %		4.4%	4.3%		4.1%	
Financial services, %		3.9%	1.2%		1.0%	
Agriculture, %		3.6%	1.5%		7.2%	14.0%
Tourism, restaurant, and hotels, %		2.9%	7.6%		4.0%	
Mining and quarrying, %		0.5%	0.2%		2.2%	0.6%
Other, %		0.0%	2.7%		8.5%	2.8%
Total, %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Sources: BRB (2016); CBK (2017, 2018); IRA (2019); NBR (2018, 2019); BOT (2018); BOU (2017); and BOU website.

Note: Orange shading indicates that data was not available.

6.2 SUPPLY OF TRADE FINANCE

The African Development Bank's (AfDB) survey of African banks found that 90 percent of banks offered trade finance products (m-Gurush 2019).[5] The sophistication of these products varies from letters of credit, guarantees, and local purchase orders/local service orders to short-term loans.

Central banks in Kenya, Tanzania, and Uganda report off-BS items. **Letters of credit and guarantees accounted for between 12 percent and 15 percent of overall bank assets**. Trade finance products were growing fast, at a compound annual growth rate of 15 percent in Kenya, 14 percent in Tanzania, and 31 percent in Uganda (largely driven by growth in guarantees and performance bonds).

In addition, Kenya reported trade finance activities carried out by commercial bank representative offices. These amounted to $1.1 billion as of 2018, showing their relative importance.

An AfDB survey of African banks in 2014 **found that East African banks devoted 25 percent of total bank assets on average to trade finance**. **Fragile states, which include Burundi and South Sudan, had a higher proportion of bank assets devoted to trade finance—that is, 50 percent, due to the higher associated risks**. These data points allowed us to estimate the proportion of trade loans that are devoted to cross-border trade.

Total trade finance in 2019 was estimated at $19 billion. Of this, Kenya accounted for the largest proportion, at $11.1 billion, followed by Tanzania at $3.4 billion and Uganda at $2.1 billion. On average, off-BS products—for example, letters of credit and guarantees—made up the majority of the trade finance loans. Using data submitted by the six banks that reported 42 percent of trade financing values was issued to MSMEs, it was estimated this equated to $8 billion in 2019. On average, the 10 biggest trade finance customers in East Africa account for 63 percent of a bank's total trade finance assets.

TABLE 22: Off-Balance-Sheet and Trade Finance Reported Data

COUNTRY	BURUNDI	KENYA	RWANDA	SOUTH SUDAN	TANZANIA*	UGANDA
Most recent year of report	**2016**	**2018**	**2019**	**2018**	**2018**	**2019**
Letters of credit and guarantees, US$, billions		5.0			1.5	1.2
Letters of credit and guarantees to bank assets, %		11.7%			11.6%	14.9%
Commercial banks representative offices	**2016**	**2018**	**2019**	**2018**	**2018**	**2019**
Trade finance, US$, billions		1.1				
Trade finance to bank assets, %		2.5%				

Sources: CBK (2017, 2018); BOT (2018); BOU (2017); BOU website; and Genesis Analytics (2020).

Note: Orange shading indicates that data was not available. * Tanzania reports off-BS totals. Split to letters of credit and guarantees was assumed to equate to the average distribution of Kenya and Uganda.

TABLE 23: Estimates of Trade Finance

COUNTRY	BURUNDI†	KENYA	RWANDA‡	SOUTH SUDAN†	TANZANIA*	UGANDA
Most recent year of report	**2016**	**2018**	**2019**	**2018**	**2018**	**2019**
Trade finance, US$, billions	0.5	11.1	0.8	1.2	3.4	2.1
Off-BS products, US$, billions	0.2	5.2	0.5	0.6	1.6	1.2
On-BS products, US$, billions	0.2	5.9	0.4	0.6	1.8	0.8
Trade finance to MSMEs, US$, billions	0.2	4.7	0.4	0.5	1.4	0.9

Sources: BRB (2016); CBK (2017, 2018); NBR (2018, 2019); BSS (2018); BOT (2018); BOU (2017); BOU website; AfDB (2017); AfDB (2014); and Genesis Analytics (2020).

Note: * Tanzania reports off-balance-sheet totals. Split to letters of credit and guarantees was assumed to equate to the average distribution of Kenya and Uganda. ‡Rwanda assumed off- and on-BS split as average between Uganda and Kenya. †Burundi and South Sudan assumed splits of off- and on-BS as AfDB 2014 report due to higher risks.

The total value of trade finance reported by the **six banks that submitted returns to the data request template accounted for $2.71 billion in 2019**. Though growth in 2018 had been higher (12 percent), the banks reported slightly slower growth in 2019 (10 percent). Off-BS trade finance products accounted for over 80 percent of the volume and value of reported trade finance products—in line with central bank reports. Letters of credit and performance guarantees/bid bonds were the most utilized forms of off-BS trade finance products.[6]

TABLE 24: Reported Trade Finance Products from Bank Submissions

TRADE FINANCE PRODUCTS	VOLUME OF TRANSACTIONS			VALUE OF TRANSACTIONS, US$, BILLIONS		
Years	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Total trade finance	9,341	10,967	11,194	2.2	2.5	2.7
Off-BS products	8,546	8,830	9,653	2.0	2.1	2.6
Letters of credit, % of off-BS	1,031	1,271	1,319	48%	49%	52%
Performance guarantees/bid bonds, % of off-BS	7,249	6,898	7,737	48%	45%	44%
Other off-BS, % of off-BS	266	661	597	4%	6%	4%
On-BS products	795	2,137	1,541	0.2	0.4	0.1
Local purchase orders/local service orders	381	1,018	474	9%	16%	20%
Bills/invoice discounting, % of on-BS	128	322	272	7%	9%	25%
Pre- and post-shipment financing, % of on-BS	178	436	497	62%	60%	20%
Other on-BS, % of on-BS	108	361	298	22%	15%	35%

Source: Bank data submissions (2020).

TABLE 25: Reported Trade Finance Products Issued to Female-Owned Businesses

TRADE FINANCE PRODUCTS	VOLUME OF TRANSACTIONS, % OF TOTAL			VALUE OF TRANSACTIONS, % OF TOTAL		
Years	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Total trade finance, % of total	14%	14%	14%	7%	8%	8%
Off-BS products, % of total off-BS	14%	13%	14%	7%	8%	8%
Letters of credit, % of total letters of credit	3%	3%	5%	4%	5%	7%
Performance guarantees/bid bonds, % of total guarantees/bonds	16%	17%	17%	10%	10%	8%
Other off-BS, % of other off-BS	1%	1%	1%	5%	10%	13%
On-BS products, % of total on-BS	13%	18%	13%	2%	5%	7%
Local purchase orders/local service orders, % of total	21%	26%	21%	21%	26%	20%
Bills/Invoice discounting, % of total discounting	18%	15%	13%	2%	2%	3%
Pre- and post-shipment financing, % of total pre- and post-shipping		5%	7%		1%	5%
Other on-BS, % of total other on-BS	1%	14%	13%	2%	5%	2%

Source: Bank data submissions (2020).

Female-owned businesses accounted for **14 percent of the volume** and **8 percent of the value of trade finance products in 2019**. This highlights a limited focus on the segment of female traders by commercial banks. However, female-owned businesses' uptake of off-BS products grew by a compound annual growth rate of 8 percent in volume and 19 percent in value, which was faster than overall growth in the six banks.

As with overall trade finance products, off-BS products accounted for over 75 percent of volume and 90 percent of value of women uptake. Save for local purchase order/local service order financing, women accounted for less than 6 percent of value of the other on-BS financing products.

Utilizing this data and the estimates of total trade finance issued by banks in the EAC region, it was estimated that female-owned businesses made up only **$1.4 billion** in 2019 (7 percent); male-owned businesses accounted for the remaining $17.7 billion.[7] Considering that a maximum of only 16 percent of FGD respondents recorded utilizing letters of credit, guarantees, local purchase orders, or bill/invoice discounting, it can be assumed that **large female-owned businesses took up the majority of this bank-intermediated trade finance**.

The majority of trade finance products and activities are denominated in dollars. It was reported that up to 80 percent of letters of credit were in dollars (BIS 2014). Small-scale and informal traders would automatically be excluded from accessing these.

East African banks reported nonperforming loans of trade finance products of 3 percent in 2014 (AfDB 2017). This was below the continent average of 5 percent but above global averages of 1 percent (due to the higher prevalence of market imperfections in East Africa and the likelihood of being hit by more idiosyncratic shocks). As with global trade finance, this was a result of the following four S's of trade finance:

- **Short-term nature of lending**: The tenure of trade finance products ranges from 60 to 180 days.
- **Self-liquidating structure**: Imported goods finance by FIs can in turn be sold to pay back the bank's facility.
- **Secured**: The trade finance transaction is backed up by an underlying asset, usually the commodity being traded.
- **Speedily liquidating**: The transaction is completed quickly, thanks to the fact that FIs may impose conditions to collect first export receipts and then pay off the loan.

Development finance institutions—including the IFC, CDC Group UK, AfDB, Afreximbank, the Easter and Southern African Trade and Development Bank (PTA Bank), and the African Trade Insurance Agency—**provide both trade finance guarantees and liquidity solutions to promote trade finance within the EAC space**. Their impact or scale is dependent on the institution's balance sheet and credit rating. Despite these, stakeholder interviews identified that a number of these facilities remain underutilized. This suggests a misalignment of incentives and the need to rethink these measures to enhance lending to "riskier" segments.

An evaluation of the value of non-bank credit providers' provision of finance to facilitate trade was not estimated due to a lack of reporting, particularly against sectors. Product offerings are more simplified than banks with often secured and unsecured term loans and guarantees. **Scans of differing FI websites identified a clear focus of these providers to participate within the trade-facilitation space**.

6.3 SUPPLY-SIDE CONSTRAINTS TO LENDING

This section provides a review of the key supply-side constraints to lending to women cross-border traders.

6.3.1 Perceived Weak Creditworthiness and Low Risk Appetite

As described above, women cross-border traders' high level of informality, and their lack of formal contracts, financial history with banks, and access to traditional forms of collateral **raise their risk profile with formal FIs (Nkoroi 2016).** Coupled with stringent eligibility requirements (often related to formalization requirements and collateral as well), and as a result of evolving regulation from banks following the global financial crisis of 2008 (that is, anti-money-laundering and know-your-customer rules and Basel III requirements), **this limits access to formal financing for women**.

This was mirrored in the AfDB survey, which reported that **first-time applicants received limited access to trade finance products, as banks focused on existing relationships instead**. This was likely attributed to the lack of enforced legal and regulatory frameworks in developing markets, coupled with the lack of sufficient credit information sharing to help manage credit risk and ensure repayment. This implies a higher cost burden of undertaking thorough due diligence on new trade finance clients, which constitutes a barrier for new entrants—and speaks to banks' low risk appetite around new segments.

Stakeholder interviews identified that, across the EAC countries, funding provided by **development finance institutions to FIs earmarked for lending to women remains underutilized.** (This funding was general to women and not specific to cross-border traders.) This was attributed to limited investment in developing new credit risk–assessment techniques to evaluate women's creditworthiness adequately, and institutional support of women-led lending initiatives. Ultimately, even with the current structure of some of these guarantee funds, **there was limited incentive for profit FIs to divert capital from commercially viable segments to perceived "risky segments" with the possibility of loss**.

6.3.2 Systemic Risks

Political instability (for example, war and crimes), **adverse government actions** (for example, expropriation and embargos), and **economic risks can significantly harm trade and its financing**. Examples of these risks include sovereign risks (that is, when central banks implement foreign-exchange rules that significantly reduce or negate the worth of its forex contracts), the inability of governments to fulfill debt-payment obligations, and the failure of goods to be delivered on time or in acceptable condition due to poor infrastructure.

Together, this could affect trade financing by limiting the ability of clients to complete the requirements of the trade agreement or by impairing FIs' supply of foreign exchange (GPFI 2011).

These risks affect international banks' willingness to be confirming banks, particularly for local or government-owned banks in East Africa. Only 25 percent of East African bank-intermediated trade finance was devoted to intra-African trade, despite the high trade among African countries.

BOX 12

Potential Opportunities

Development finance institutions may motivate international confirming banks to partner more readily with local banks to extend the provision of trade financing. This may be provided through guarantees.

BOX 11

Potential Opportunities

FIs should continue efforts to grow transaction-based lending to incorporate women's alternative forms of finance. This would include transaction data from SACCOs and MFIs, over and above mobile-money transactions. Similarly, efforts to grow the use of digital forms of cross-border payments would help increase visibility. Careful selection of which institutions to work with would be required to prevent systemic risks.

FIs should work more closely with women's and trade associations or cooperatives to replace the reliance on collateral. The associations' close interaction with these institutions and social ties would provide more accurate views of women's creditworthiness.

The further enhancement and harmonizing of credit information sharing should be supported. This would include supporting both positive and negative submissions, submissions from non-bank credit providers and non-FI providers (for example, utility providers), centralizing data submissions, interoperability across countries, and increasing the frequency of submissions.

There is a need to develop better incentives and monitoring of women-focused funding and guarantee schemes to ensure effective uptake.

Credible warehouse receipt systems at border towns could provide the required formal contracts for receipt financing. By working closely with EAC governments to ensure alignment of standards, this could support formal finance for women traders.

6.3.3 Competition

The constraint to growing banks' trade finance portfolio that FIs reported most frequently was competition from other FIs (AfDB 2017). Whereas there is an ever-increasing number of potential providers in the market now, FGDs identified, as discussed above, not a lack of demand from women cross-border traders but an inability of traders to meet the eligibility requirements.

6.4 IMPACT OF COVID-19 ON TRADE FINANCE

This section highlights the key responses that regulators and FIs are turning to in response to COVID-19 and the recommended approaches.

6.4.1 Current Regulator and FI Responses

A scan of regulator websites, media outlets, and two submissions from banks highlights a number of responses in the market. Below is a summary of these. At the time of writing the report, it was not yet clear what the impact of these changes had been.

Restructuring of Loans in Distress

The Central Bank of Kenya (CBK), National Bank of Rwanda (NBR), and the Bank of Uganda have advised banks to restructure loans that are in distress as a direct result of COVID-19. The **restructuring will be on a case-by-case basis, and banks are required to prove that their clients' inability to pay is a direct result of the pandemic in order to get the amnesty**. The banks are further required to report monthly on the status of the loans and when they revert to normal. They are further **exempt from prudential guidelines** on classifying nonperforming loans; thus, the restructuring does not affect the quality of the loan book. As of April 2020, Absa Kenya reported restructuring 4.25 percent of its net loans (equivalent to K Sh 83 billion, or $772 million).

Trade finance facility restructurings were initial set between 30 to 180 days. These would be extended to specific sectors that were either directly or indirectly harmed by COVID-19.

Waiving of Fees

Kenya, Rwanda, and Uganda directed the **waiving or reduction of charges on mobile-money transactions to discourage the use of cash**. This involved the waiving of transfer fees between banks and mobile-money wallets. In Rwanda, all mobile-money transfer fees were waived, while in Kenya these were waved for person-to-person payments up to K Sh 1,000. In Rwanda, **merchant fees were waived** on payments for all contactless (mobile and virtual) point-of-sale transactions. Furthermore, all three countries **increased the value that can be transferred between and held within mobile-money wallets**.

In April 2020, the Digital Lenders Association of Kenya, which represents 17 digital lenders, and M-Shwari (the largest digital lender in Kenya) suspended the **payment of late fees to cushion customers whose income had been disrupted**. The latter ordinarily charges 7.5 percent on the following month as a late fee.

Lowering of Central Bank Policy Rates

The CBK and Bank of Uganda cut their benchmark rates by **1 percent to 7.25 percent and 8 percent, respectively**, to incentivize increased borrowing at lower interest rates to counter the reduction in economic activity.

Raising Liquidity for FIs

Central banks have reduced the cash reserve ratio of banks to motivate increased lending in markets. The CBK and NBR reduced the ratios by 100 basis points to 4.25 percent and 4 percent, respectively. In Kenya, this increased the amount available for banks to lend by K Sh 41.3 billion ($384 million). However, to gain access to this additional liquidity to lend, **banks were required to submit their loan requests to the CBK for approval, demonstrating that the additional loans would be going to businesses and individuals affected by COVID-19**. Both banks submitting insights around COVID-19 identified that they believed lowering of bank cash reserve ratios would have the most positive impact on their ability to extend trade finance.

The NBR has extended a **lending facility worth RF 50 billion ($52 million)** available to liquidity-constrained banks for six months. Banks can borrow at the policy rate for varying tenors of overnight up to 12 months.

The NBR offered to **buy back bonds over the next six months** at the prevailing market rate, and the waiting period, if one fails to sell the bond at the secondary market, is to be reduced from the current 30 days to 15 days. The Bank of Uganda echoed this by issuing reverse purchase agreements of up to 60 days. The Bank of Uganda will further purchase bonds held by microfinance banks and MFIs.

The Bank of Uganda directed all supervised FIs to **defer the payments of dividends and bonuses** for at least 90 days to shore up their capital buffers.

Reduction in Loans to Businesses Because of Uncertainty

The SACCO Societies Regulatory Authority in Kenya **directed deposit-taking SACCOs to cut their lending by the use of more stringent checks**. This was intended to mitigate the adverse effects that the pandemic was having on SACCO contributions. SACCOs are further required to file daily liquidity reports, to gauge the impact of coronavirus.

The two bank submissions further confirmed a reduction in banks' appetite for extending new trade finance products to MSME customers during the pandemic. Focus would remain on sectors that had limited negative impact, and additional due diligence would be carried out, including of offtake agreements.[8]

It was also reported that Tala is delaying loan appraisal by up to 10 days. It is not clear, though, whether there has been a reduction in the number of loan approvals.

Suspension of Listing Defaulters on CRBs

In Kenya, the listing on CRBs of defaulters has been suspended for 90 days following a presidential directive.

6.4.2 Potential Responses

Whereas the current responses have been quick and will offer relief to both businesses and FIs, additional measures are required to ensure that the impact can permeate as far as the small-scale and informal trader.

Development Finance Institution–Funded Guarantee Scheme and Blended Finance

As described above, women traders have a need to sustain day-to-day expenses, likely for their households, while taking advantage of potential opportunities to trade both locally and internationally where possible. They will therefore require **support, to cushion existing FIs with a high exposure to women cross-border traders for potential defaults**, and to **provide low-interest or interest-free personal and business loans to traders**. Care will need to be taken to ensure that these measures do not cause women to become overindebted.

This could be achieved by making use of a tailored guarantee scheme for existing loans, and the use of blended finance to support the extension of new loans. These products should be offered to non-bank credit institutions. Nevertheless, the selection of FIs should be determined by existing exposure to women cross-border traders and governance structures.

NOTES

4. M-Gurush website. Capital FM, Mobile Money transfer service launched in South Sudan, 2019 ibid. Bank data submissions, 2020.
5. Ibid.
6. Bank data submissions, 2020.
7. Bank data submissions, 2020. Genesis Analytics (2020). Note: These may also include male- and female-owned businesses.
8. Bank data submissions, 2020.

7

RECOMMENDATIONS

In this section, we highlight the insights drawn from the diagnostic study and present recommendations, which are categorized into the following five areas:

- **Regulation, policy, and border crossings—**These relate to how to improve the regulatory and policy environment for cross-border trade, and how to enhance border crossings.
- **Research**—This relates to areas of additional research to be provided for going forward.
- **Better matching financing needs**—These recommendations relate to how FIs can match existing products to the needs of women traders better.
- **Enhancing the operating environment**—These recommendations seek to improve the operating environment so as to promote increased formalization.
- **Potential COVID-19 responses—**EAC governments may consider exploring these recommendations for managing some of the negative impacts of COVID-19.

TABLE 26: Recommendations

CATEGORY	RECOMMENDATIONS
Regulation and policy	• The uncoordinated implementation of customs union directives, such as STRs and differing tariff regimes, causes confusion and creates the opportunity for abuse. **Efforts should be made to set clear guidelines on implementation and to monitor implementation periodically.** • Governments should **prioritize the rollout of OSBPs across the busiest border posts** and **invest in educating the population** on the benefits and procedures. • Governments should **develop additional infrastructure (that is, cell towers—with the help of private-sector players and transport links) to and at border crossings to facilitate** the efficient and safe movement of people and goods. • Investment should be made in **sanitation, day-care services, storage facilities for perishable commodities, and sleeping facilities** to increase the safety and health of women traders. At present, women are often required to spend long periods there and face various forms of harassment. • There is an opportunity to **provide women traders with daily updates on exchange-rate information across the EAC**, as well as commodity-price changes/differences across partner states, especially for products that are on the EAC STR Common List, and information about what these price changes mean for their businesses. Giving women traders access to this information could improve how they conduct business and assist them in maximizing earnings under various macroeconomic conditions. • **The development of gender-specific strategies, programs, and activities is required to improve the operating environment for women traders, recognizing their different needs and high risks**. These strategies will need to cater to both formal and informal trade, to prevent further abuses. These should include but not be limited to security at formal or informal trade routes, the provision of female customs union officers to carry out any searches on women, continuous training against and monitoring of abuse cases, and having medical and psychological care centers for individuals who may have been harassed. • Many women traders prefer informal trade routes due to limited knowledge of trade protocols. Usage of these routes makes them vulnerable to corruption, theft, and so forth. **Informal trade routes could potentially be formalized to reduce the incidence of harassment and exploitation**. This is also an avenue to increase trade awareness through marketing strategies via these routes. • In light of the incoming AfCFTA, there is an opportunity for actions to spur value addition by leveraging absolute and comparative advantages to strengthen the position of women trading primary goods.
Research	• There is a need to **carry out periodic surveys on the state and size of both formal and informal trade** to guide government policy and planning.
Better matching financing needs	• The majority of women cross-border traders are existing borrowers from bank and non-bank credit providers. However, there is a mismatch between the current products they consume and their needs. To meet women's needs better, **a digital platform should be explored that combines the needs for payments, information on exchange rates and commodity prices, and building transaction histories**. • Similarly, **well-trained sales teams domiciled in and around border towns should be hired** to help women match products and services to their needs. These would need to tailor their service models to suit women traders better. • The **bundling of insurance products to the digital platform** may be a useful add-on for women traders. Pricing will need to be sensitive, however, and efforts to educate the women on the benefits will be needed, requiring some investment by insurance firms. • FIs should work **more closely with women's and trade associations or cooperatives to replace the reliance on collateral**. The associations' close interaction with these institutions and social ties would provide more accurate views of women's creditworthiness. • **Further enhancement and harmonizing of credit information sharing should be supported**. This would include supporting both positive and negative submissions, submissions from non-bank credit providers and non-FI providers (for example, utility providers), centralizing data submissions, interoperability across countries, and increasing the frequency of submissions. • There is a **need to develop better incentives for and the monitoring of women-focused funding and guarantee schemes** to ensure effective uptake. • **Credible warehouse receipt systems at border towns could provide the required formal contracts for receipt financing**. By working closely with EAC governments to ensure alignment of standards, this could support formal finance for women traders. • Development finance institutions **may motivate international confirming banks** to partner more readily with local banks so as to extend the provision of trade financing. This may be provided through guarantees. • FIs should consider efforts to **generate business-financing solutions based on financing practices favored by women traders**. These practices include revolving loans and personal savings.

continued

TABLE 26, *continued*

CATEGORY	RECOMMENDATIONS
Enhancing the operating environment	• Efforts should be continued to **get small-scale and informal women traders to join cooperatives, formalize, and scale up.** • **Continued efforts are required to offer training on trade regulations and protocols (that is, their benefits and procedures), financial literacy, bookkeeping, and marketing and business skills.** These should further be incorporated more readily in primary and secondary education to ensure other generations are adequately equipped. • **Existing BDS providers should be supported further to ensure that they can extend their reach.** Where possible, collaborations among complementing providers should be explored to develop efficiencies. • **Collaborations with women association groups should be pursued to support women traders in identifying and penetrating new markets**. Linkages between private-sector stakeholders and women traders through women's associations can provide access to untapped markets. • Standardization of products from institutions responsible for standards and quality is important for traders to increase their products' competitiveness across the region and globally. **Supporting women traders in accessing standardization institutions could facilitate in adding value to their products.**
Potential COVID-19 responses	• **Special provision of essential commodities** (for example, food, personal protective equipment, medical equipment, and medicines), perhaps by reducing or removing import tariffs, should be considered to ensure continuous supply. • Efforts may be made **to streamline regulatory and border procedures to facilitate access to medical goods related to COVID-19, essential food products, and farming inputs.** • Efforts to **help export traders to maintain their jobs and foreign-exchange earnings** should be explored. This could potentially include **removing bans and waiving withholding taxes on exports,** offering **direct support to women cross-border traders,** or offering **additional capacity-building/technical assistance.** • Export traders could be supported by **facilitating the movement of cargo in ways that do not impose health risks** to beneficiary states. • **Cooperative arrangements among small-scale cross-border traders could potentially organize their supply chains** so as to minimize movement and interactions of people but ensuring business continuity. • Potentially supporting **local manufacturers or producers to scale up production to meet quantity and quality demands** will increase traders' ability to gain supply of these products. This could be in the form of expedited approvals to begin new manufacturing or processing lines. Similarly, governments may require the ability to **develop and enforce safety standards of new products quickly**. • Women traders have a need to sustain day-to-day expenses, likely for their households, while taking advantage of potential opportunities to trade both locally and internationally, where possible. Therefore, there may be a need to **cushion existing FIs with a high exposure to women cross-border traders from potential defaults, and to provide low-interest or interest-free personal and business loans to traders**. If this were to be explored, care would need to be taken to ensure that these measures do not cause women to become overindebted. This may be achieved by making use of a tailored guarantee scheme for existing loans, and the use of blended finance to support the extension of new loans. • An **emergency rescue fund could potentially be provided for COVID-19 and other potential disasters that affect women traders in the future**. This would ensure that some immediate financial relief is available to women traders under these circumstances.

8

Annexes

8.1 IMPACT OF COVID-19 ON EAC TRADE: EABC BRIEF

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4.0 Informal Cross-Border Trade
With a focus on Women and SMEs

5.0 Recovery Strategy

1.0 Introduction

- Following the outbreak of COVID-19, there has been a significant disruption in the global value chains with China being the hub of manufacturing for most business operations.
- The spillover effect of this disruption has been felt by other African economies and largely by East African businesses being suppliers and importers of goods and services in the global economy.
- This has led to Partner States imposing different measures that have affected trade within EAC and with the rest of the world. Some of the significant measures that affect trade include:

- Restriction on movement of people at the borders
- Curfews & Lock downs
- Restriction of movement of non-essential goods
- Closure of businesses
- 14-day Mandatory quarantines

Contribution of Trade to EAC GDP

However, trade has also emerged as a remedy that could reduce this adversity through flow of essential goods like food, medical supplies and other hygiene products. Its importance to the economies of EAC is due to the characteristic nature of cross-border trade being conducted informally and mostly occupied by the vulnerable, small, unregistered traders. **This contribution is estimated to account to an average of 50% of the GDP in EAC economies.**

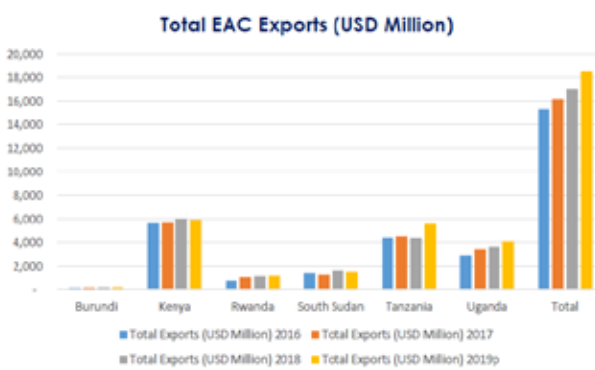
Figure 1: Contribution of Trade to GDP of EAC Economies: 2011-2017

Year	2011	2012	2013	2014	2015	2016	2017
Trade in goods and services (%percentage of GDP)	57.2	54.6	50.5	49.1	46.2	40	37.5

Source: *EAC Trade and Investment Report, 2018*

Similarly, **with about 76% of informal cross-border trade being accounted by women**, it has been seen to have significant discrete gender impacts. This female-intensive sector highly contributes to the economy through ensuring food security but has broad poverty and development ramifications.

Total EAC Exports & Imports



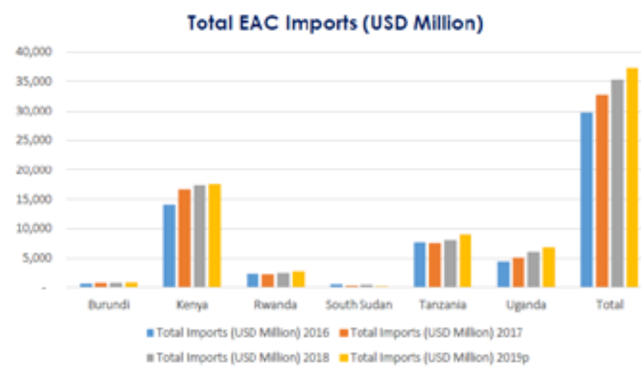


Figure 2: *EAC Exports: 2016-2019 (US$ million)*

Country	Total Exports (USD Million)			
	2016	2017	2018	2019p
Burundi	126	150	169	176
Kenya	5,698	5,747	6,049	5,955
Rwanda	731	1,042	1,121	1,166
South Sudan	1,475	1,291	1,662	1,561
Tanzania	4,400	4,524	4,380	5,573
Uganda	2,921	3,450	3,642	4,096
Total	15,351	16,203	17,022	18,526

Figure 3: *EAC Imports: 2016-2019 (US$ million)*

Country	Total Imports (USD Million)			
	2016	2017	2018	2019p
Burundi	639	786	794	868
Kenya	14,112	16,691	17,380	17,564
Rwanda	2,279	2,239	2,445	2,703
South Sudan	549	300	459	213
Tanzania	7,689	7,552	8,067	9,018
Uganda	4,518	5,164	6,100	6,853
Total	29,786	32,732	35,244	37,220

Source: *Central Banks of EAC Partner States & ITC TradeMap*

2.0 EAC Trade with the Rest of the World

A significant portion of trade between East Africa and the rest of the world largely constitutes of **primary commodities** with huge prospects in exporting finished products.

Impact on EAC Trade with the Rest of the World

The EAC Trade and Investment Report 2018, notes that main exports from the EAC in 2018, included minerals (mineral ore, gold and diamond), tea, coffee, cocoa and horticultural products. Similarly, **total EAC imports grew by 19.2 percent to USD 38.3 billion in 2018 from US$ 32.2 billion in 2017 .**

The main source of imports from the rest of the world are Asia and the middle East signifying the importance of countries like China, India and UAE as trading partners. To put this into perspective, according to the ITC Trade Map, **EAC imports from China increased by 6 percent from USD 6.9 billion in 2017 to USD 7.3 billion in 2018.** On other hand the **EAC exports to China increased by 22 percent from USD 1.5 billion in 2017 to USD 1.9 billion in 2018.**

USD 32.2 Billion	19.2% increase	USD 38.3 Billion
2017 imports by EAC Partner States		2018 imports by EAC Partner States

Source: *EAC Trade and Investment Report, 2018*

Exports & Imports – Burundi

Figure 8: *Burundi Balance of Trade in BIF Million* | **Source:** *Bank of the Republic of Burundi*

Period	Imports	Exports	Total trade	Trade Balance
2016	1,019,595.6	206,309.5	1,225,905.1	-813,286.1
2017	1,307,187.7	298,500.1	1,605,687.8	-1,008,687.6
2018	1,414,662.0	321,255.5	1,735,917.6	-1,093,406.7
2019	1,638,427.5	331,344.4	1,969,771.8	-1,307,083.1

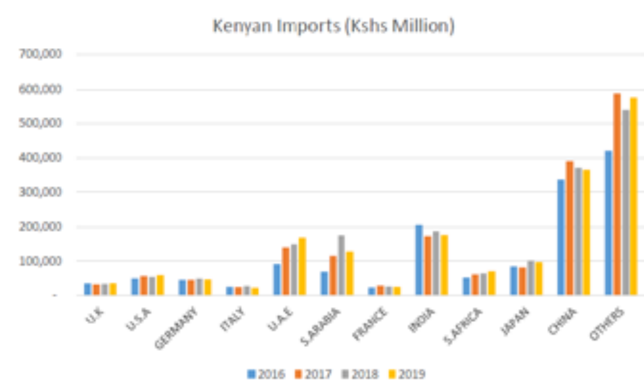
In 2018, Burundi's key trading partners were the EAC, European Union, United Arab Emirates and China. Total trade with the EAC amounted to US$ 150.9 million in 2018 down from US$ 162.6 million in 2017 and accounted for 15.5 percent of total trade.

Burundi's imports from the EAC were dominated by maize and cement from Tanzania while exports to EAC were especially coffee exported to Kenya and Uganda.

Trade with European Union amounted to US$ 143.9 million and accounted for 14.8 percent of total trade while trade with United Arab Emirates amounted to US$ 131.2 million, about 13.5 percent of total trade over the year 2018. Other notable trade partners in 2018 included the COMESA Member States.

Source: *EAC Trade and Investment Report, 2018*

Exports & Imports - Kenya



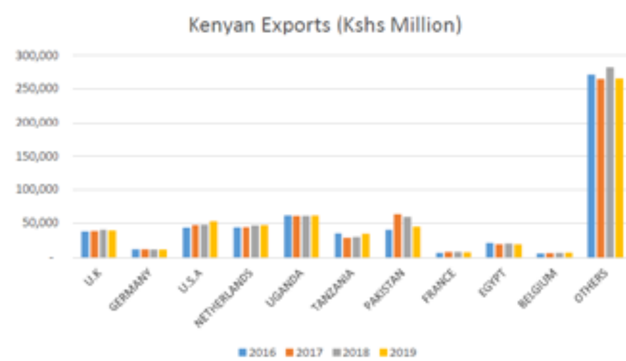


Figure 4: *Kenyan Exports and Imports to and from top destinations* | **Source:** *Central Bank of Kenya*

In Kenya, before the COVID-19 outbreak, the exported fresh produce was valued at approximately **Ksh.144 billion per year and Kshs.12.7 billion per month.** Additionally, Kenya exported 5000 tons of perishable products per week by air against capacity of 6000tons. Currently, **the capacity has gone down to 1500 tons per week against demand of 4000tons.** Similarly, **in the floriculture subsector, before COVID-19, Kenya was exporting 30,000MT of flowers per week. Currently, the industry is exporting 12,000MT per week.** This is expected due to the restrictions imposed by various countries as mitigation measures of COVID-19 pandemic.

Exports & Imports - Rwanda

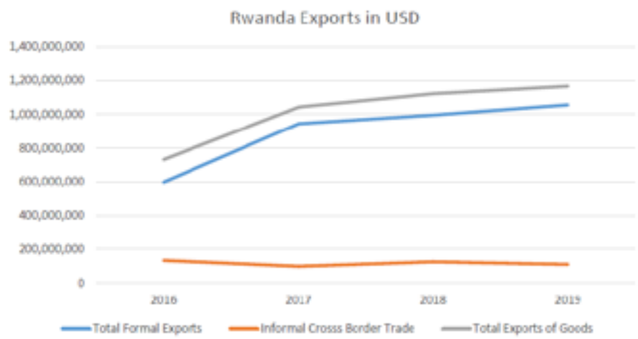


Figure 7: *Rwandan Exports and Imports Values in USD* | **Source:** *National Bank of Rwanda*

Rwanda (Value in USD)	2016	2017	2018	2019
Total Formal Exports	598,692,202	943,531,926	995,710,921	1,055,599,752
Informal Cross Border Trade	132,689,172	98,410,676	125,287,772	109,972,679
Total Exports of Goods	**731,381,103**	**1,041,942,602**	**1,120,998,693**	**1,165,572,432**
Total Formal Imports	2,223,295,790	2,215,366,640	2,425,028,306	2,691,517,515
Informal Imports	30,587,407	23,283,057	20,297,838	11,945,732
Total Imports	**2,279,065,181**	**2,238,649,698**	**2,445,326,145**	**2,703,463,247**

"In Rwanda, due to COVID-19 effects, there has been a decline of 150tons per week in horticulture products that were carried by RwandAir."

Exports & Imports – South Sudan

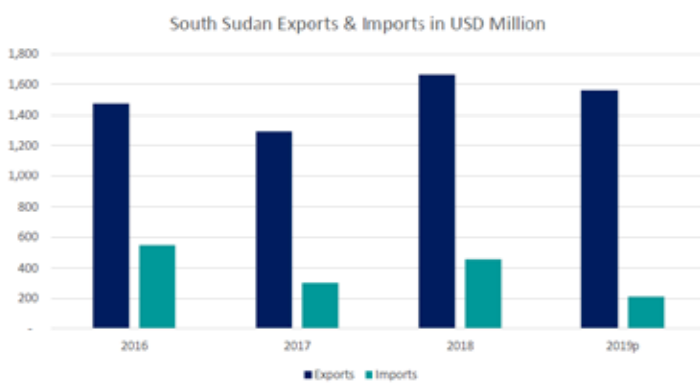


Figure 9: *South Sudan Exports & Imports in USD Million*
2019p - provisional* | **Source: *Bank of South Sudan & ITC TradeMap*

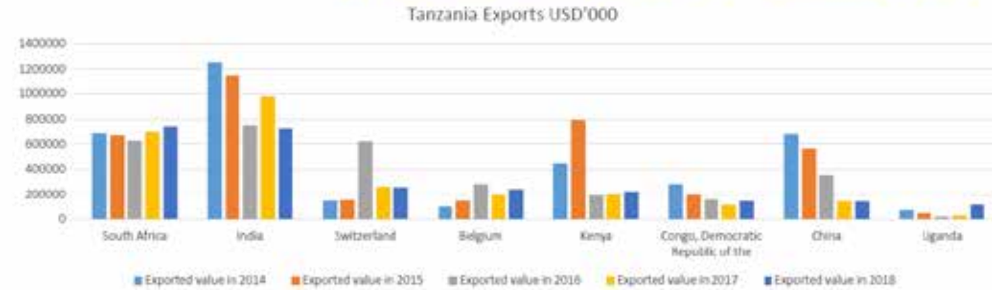
Value in USD Million	2016	2017	2018	2019p
Value of Exports	1,475	1,291	1,662	1,561
Value of Imports	549	300	459	213
Total Trade	2,024	1,591	2,121	1,774
Deficit	910	991	1,203	1,348

South Sudan total trade increased by over 19.5 percent to US$ 2,121 million in 2018 from US$ 1,591 million in 2017.

The main trading partners were the EAC, EU, UAE and China.

Overall, the trade deficit increased by 21.39 percent to US$ 1,203 million in 2018 from US$ 991 million in 2017.

Exports & Imports - Tanzania

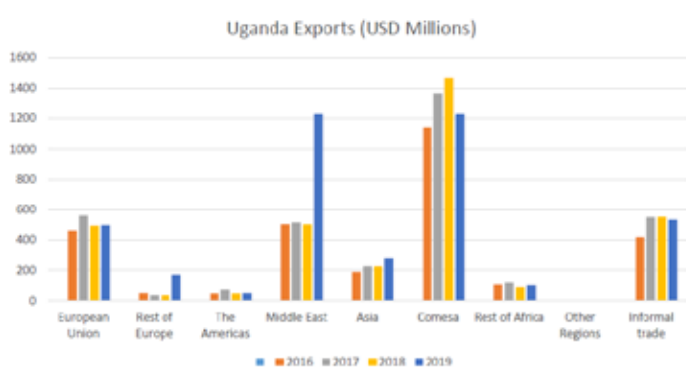


Tanzania's total trade increased by 2.6 percent to US$ 12.4 billion in 2018, from US$ 12.1 billion in 2017. The increase in total trade was largely attributed to an increase in merchandise imports by 9.8 percent relative to a decline of 10.2 percent in export of goods.

India, China, South Africa, Kenya and the UAE continued to be the main Tanzania's trading partners.

Figure 6: *Tanzanian Exports and Imports to and from top destinations* | **Source:** *ITC TradeMap, EAC Trade & Investment Report, 2018*

Exports & Imports - Uganda



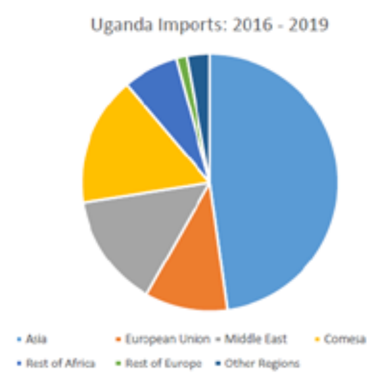


Figure 5: *Ugandan Exports and Imports to and from top destinations* | **Source:** *Bank of Uganda*

Imports and exports (values & volumes) have been negatively impacted by the Covid-19 pandemic. The Ministry of Trade in Uganda has reported that **Ugandan exports have declined from USD 383.62m in January 2020 to USD 352.91m in February 2020. Similarly, the imports declined from USD 711.99m in January 2020 to USD 701.34m in February 2020 to USD 593.79m in March 2020.**

3.0 Formal Trade within the EAC

On average, EAC countries source **6%** of their total imports from the region, and supply **20%** of their total exports to the region.

Impact on Formal Trade within the EAC

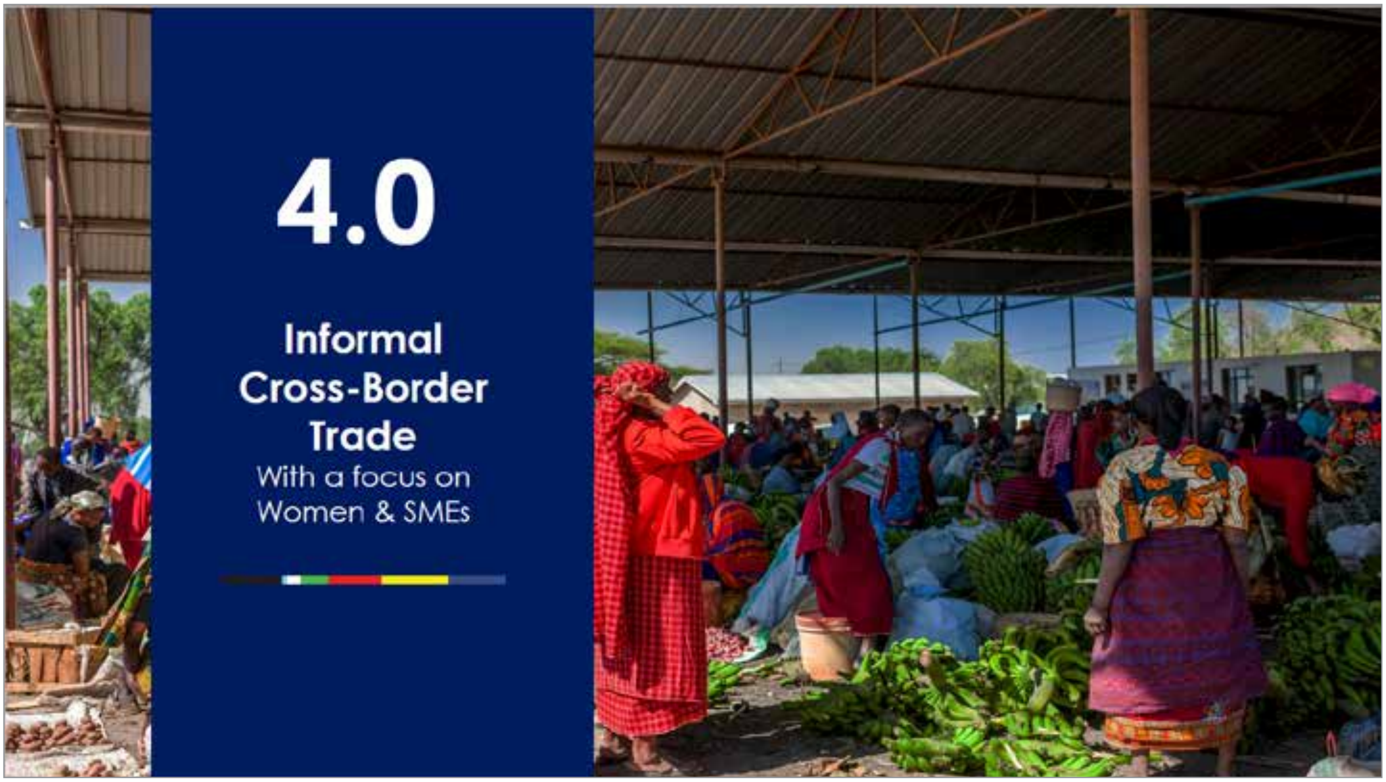
According to the EAC Trade and Investment Report 2018, formal trade among the EAC partner states largely constitutes of **chemicals, textile, iron and steel.** Agricultural commodities also form a large portion with significance in food items like **rice, maize, sorghum, coffee, tobacco, wheat and other cereals.** However, manufactured goods such as **cement, petroleum, textiles, sugar, confectionery, beer, salt, fats and oils, paper, plastics and pharmaceuticals** are also **traded across the Region.**

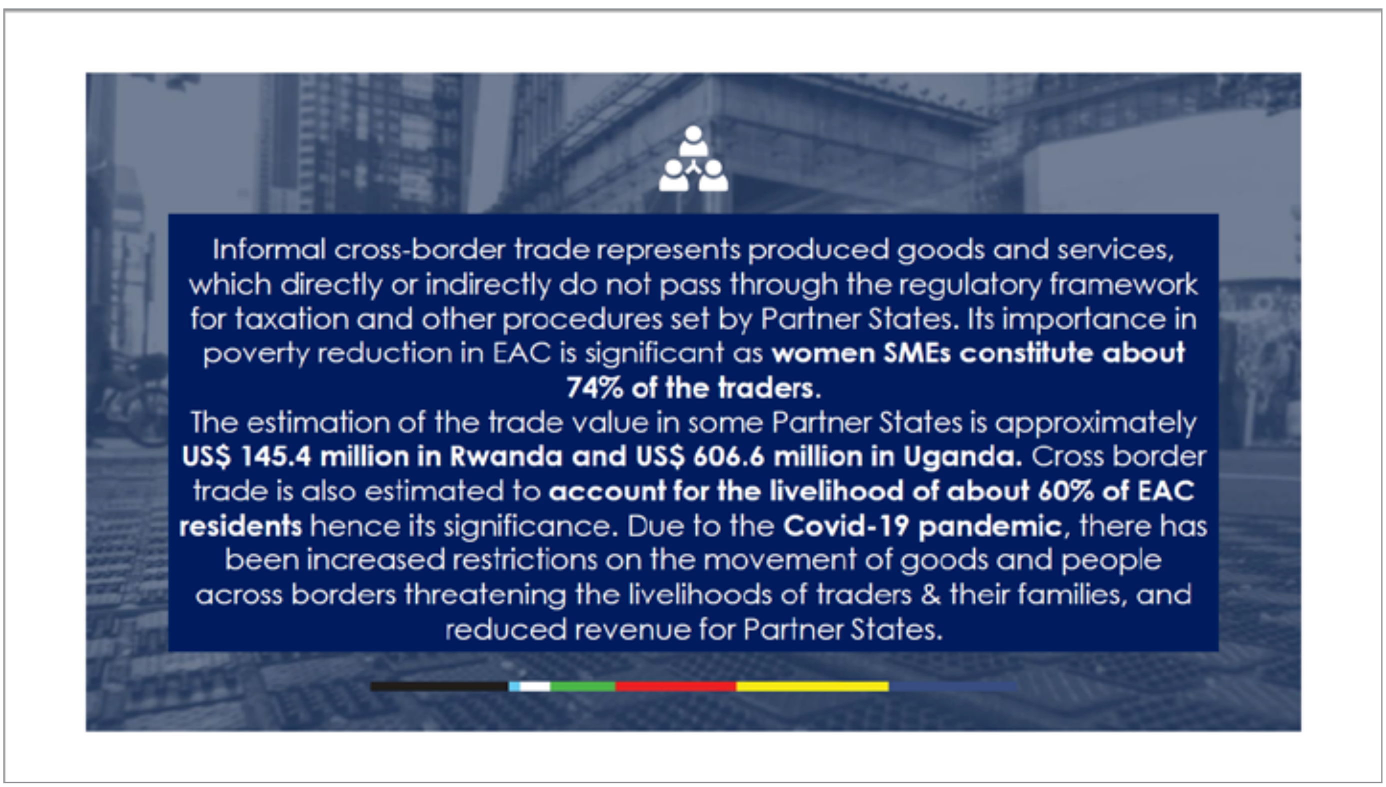
Intra-EAC Trade: 2014-2018 (USD million)

EAC Partner States		2014	2015	2016	2017	2018
Total EAC Trade Value	Uganda	1,326.9	1,401.8	1,241.4	1,691.8	2,050.7
	Tanzania	1,489.3	1,273.8	851.3	707.7	811.3
	Kenya	1,847.7	1,693.7	1,523.4	1,862.3	1,950.3
	Burundi	184.8	165.9	169.5	162.5	150.9
	Rwanda	863.4	593.0	596.4	563.2	638.8
	South Sudan				480.4	379.0
	Total	**5,712.1**	**5,128.1**	**4,382.0**	**5,467.9**	**5,981.1**

Source: *EAC Trade and Investment Report, 2018*

"Although movement of cargo is not restricted, some Partner States have limited the movement to ***essential goods*** *only. This has the potential of reducing the trade value of intra-EAC trade."*


4.0
Informal Cross-Border Trade
With a focus on Women & SMEs

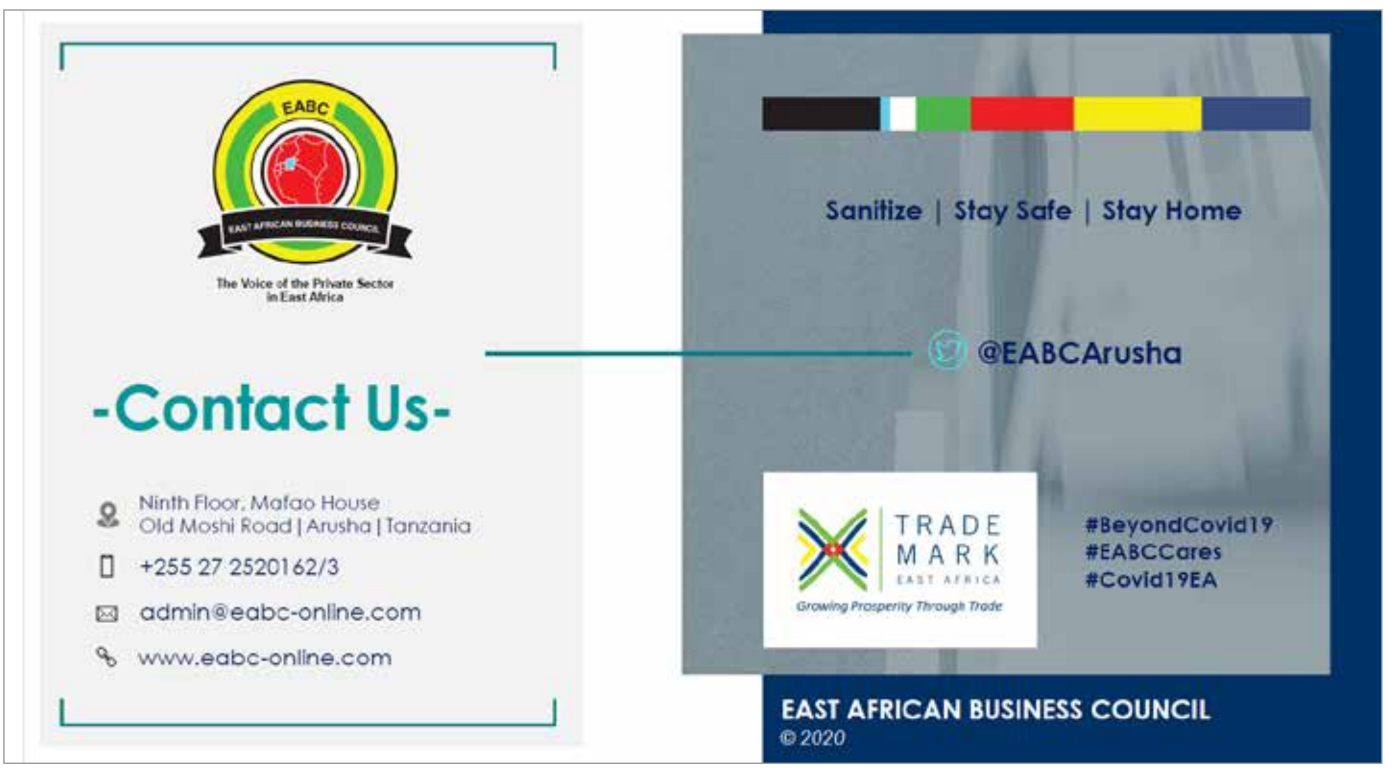

Informal cross-border trade represents produced goods and services, which directly or indirectly do not pass through the regulatory framework for taxation and other procedures set by Partner States. Its importance in poverty reduction in EAC is significant as women SMEs constitute about 74% of the traders.
The estimation of the trade value in some Partner States is approximately US$ 145.4 million in Rwanda and US$ 606.6 million in Uganda. Cross border trade is also estimated to account for the livelihood of about 60% of EAC residents hence its significance. Due to the Covid-19 pandemic, there has been increased restrictions on the movement of goods and people across borders threatening the livelihoods of traders & their families, and reduced revenue for Partner States.

Recovery Strategy

Immediate

I. Partner States to consider a regional coordinated approach on mitigating the impact of COVID-19
II. Partner States to consider allowing free movement of both, essential and non-essential goods within and out of EAC
III. Partner States to consider full liberalization of open skies for free movement of cargo within and out of EAC
IV. Partner States to consider adding health workers at the borders to facilitate movement of cargo effectively and efficiently
V. Partner States to source for alternative markets for EAC imports and exports to reduce dependency on a few countries
VI. Embrace use of technology (online transactions) in sourcing products from outside the EAC.


Recovery Strategy
Medium - Long-Term
I. Partner States to consider improving the business and regulatory environment to ensure formalization of businesses in the Partner States
II. There is need for EAC Partner States to push for Buy East Africa Build East Africa (BEABEA). Partner States need to provide support to key industries to expand their capacity and establish new industries to manufacture import substitutes in the region. This will cushion the EAC economies from the negative impact of Covid-19
III. Partner States to facilitate the private sector to increase production of Manufactured goods in the EAC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8.2 TRADE SECTOR IN THE EAC

8.2.1 Trade in the EAC: Overview

In this section, the report explores trade between the EAC countries and the world to understand overall flows and the key goods that are traded.

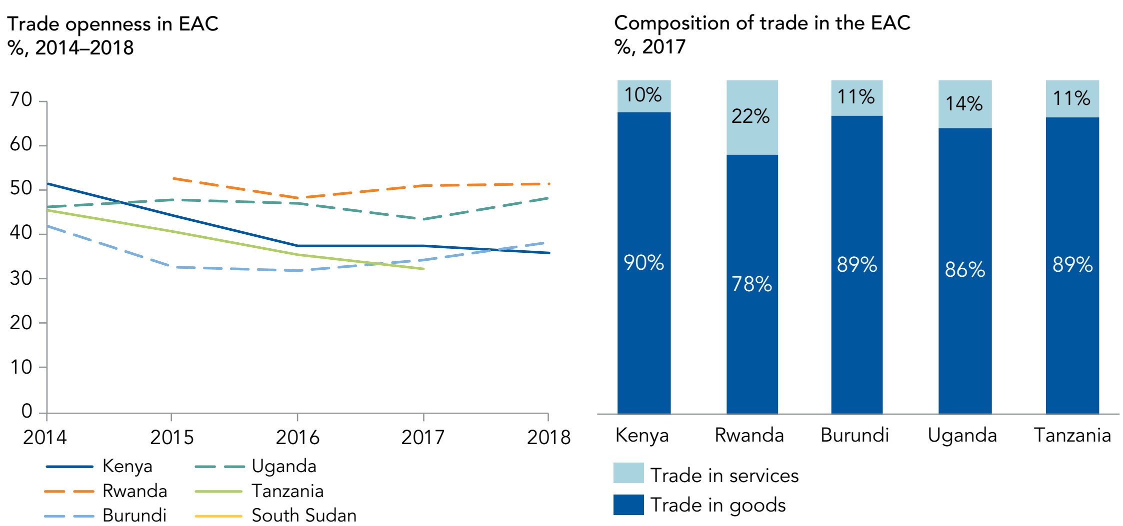
In 2018, total trade in SSA came to $555 billion (WITS 2018), of which **EAC trade accounted for 10 percent, equating to $53 billion (EAC 2018b).** All six countries in the EAC exhibit large proportions of trade openness.[9] From 2014 to 2018, Burundi, Rwanda, and Uganda showed stable levels of trade openness, averaging 36 percent, 51 percent, and 46 percent, respectively (WBG 2018). However, Kenya and Tanzania showed a more significant decline in trade openness during this four-year period. Trade openness in Kenya dropped from 51 percent in 2014 to 36 percent by 2018 (WBG 2018). Subsequently, Tanzania also experienced a decrease in trade openness, from 45 percent in 2014 to 32 percent in 2017, as seen in figure 16.

Across all countries, **trade in goods accounted for over 75 percent of total trade**, reflecting the economic structure of developing countries.

Formal trade accounted for **between 15 percent and 42 percent of nominal GDP** in EAC countries as of 2018. South Sudan reported the lowest proportion at 15 percent, followed by Tanzania at 22 percent. Rwanda had the largest proportion to GDP at 42 percent, followed by Uganda at 35 percent.

Four of the six EAC countries reported the EAC as being their largest trading partner (that is, including both exports and imports), highlighting the importance of the customs union and proximity. South Sudan regis-

FIGURE 16: Trade Breakdown in the EAC



Source: WBG, Databank (2018).

TABLE 27: Value of Trade by EAC Countries with the World

	TOTAL EXPORTS (US$, MILLIONS)		TOTAL IMPORTS (US$, MILLIONS)		TOTAL TRADE AS % OF NOMINAL GDP	
Country	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**
Burundi	150	180	756	793	27%	29%
Kenya	5,700	6,100	16,700	17,400	28%	27%
Rwanda	950	1,019	2,900	3,000	42%	42%
South Sudan	83.5	3.2	484	675	17%	15%
Tanzania	4,300	3,900	7,800	8,500	23%	22%
Uganda	2,901	3,087	5,600	6,700	32%	35%

Sources: EAC , Trade and Investment Report (2018); IMF, WEO Database (2020); WBG, WDI Database (2020d).
Notes: *Turquoise = increase from 2017 to 2018. Orange = decrease from 2017 to 2018.

TABLE 28: Key Trading Partners of EAC Countries as of 2018

BURUNDI'S KEY TRADE PARTNERS	TOTAL TRADE (%)
EAC	16%
EU	15%
UAE	14%

KENYA'S KEY TRADE PARTNERS	TOTAL TRADE (%)
China	16%
EU	15%
COMESA	12%

RWANDA'S KEY TRADE PARTNERS	TOTAL TRADE (%)
EAC	16%
China	14%
SADC	12%

SOUTH SUDAN'S KEY TRADE PART-NERS	TOTAL TRADE (%)
EAC	39%
UAE	8%
China	6%

TANZANIA'S KEY TRADE PARTNERS	TOTAL TRADE (%)
India	16%
China	16%
EU	13%

UGANDA'S KEY TRADE PARTNERS	TOTAL TRADE (%)
EAC	21%
UAE	14%
China	12%

Source: EAC, Trade and Investment Report (2018b).
Notes: Yellow represents trade within EAC. "EU" stands for European Union;. "UAE" stands for United Arab Emirates.

tered the highest proportion of EAC trade, at 39 percent, followed by Uganda at 21 percent. For Kenya, EAC trade accounted for only 8 percent of the country's trade, while Tanzania was lower at 5 percent. China made the list of top three trading partners for all countries except for Burundi, confirming China's growing influence with the bloc.

Total EAC exports dropped marginally to $14 billion in 2018 from $14.7 billion in 2017 (EAC 2018b). The reduction in exports is accounted for by low international prices of mainly agricultural commodities due to a rise in production. The export of primary minerals also declined due to the drop in the international demand resulting from declining economic growth in Asia. According to the 2018 EAC Trade and Investment Report, this has also affected earnings from other key export commodities; for example, earnings from coffee and tea fell by more than 24 percent. In terms of trade services, transport and tourism account for most services exports. Together, this **suggests that EAC countries should continue to prioritize growing trade among neighbors and developing a competitive advantage in manufacturing**.

Total imports in the EAC grew by 19.2 percent, from $32.2 billion in 2017 to $38.3 billion in 2018 (EAC 2018b).

8.2.2 Intra-EAC Trade

In this section, we examine intra-EAC trade and summarize available statistics on formal trade per country.

Agricultural produce (maize, coffee, and tea) and light manufacturing (sugar and sugar confectionery) made up the bulk of EAC countries' exports. **The main import commodities included petroleum products, vegetable edible oil, motors, machinery, and medicaments,** making up 60 percent of total imports into the EAC region.

Trade flows within the EAC have grown from 2017 to 2018 and are largely dependent on commodities. **Exports in the EAC grew by 5.6 percent between 2017 and 2018, from $2.9 billion to $3.2 billion**. Burundi and Rwanda experienced the highest growth, 44 percent and 34 percent, respectively, off a lower base. Kenya, Tanzania, and Uganda grew by 0.1 percent, 9 percent, and 11 percent, respectively (EAC 2018b). The export growth is attributed to the increase in agricultural production and improved weather conditions, the elimination of non-trade barriers among partner states, and increased trade in manufactured products with higher value. Kenya and Uganda accounted for the largest proportion of EAC exports; both were valued at over $1 billion.

Figure 18 shows the top three export goods for all partner states according to the value of exports from a partner state to the rest of the EAC region in 2018. For most countries, this was either agricultural produce, natural stones and minerals, or light manufacturing.

EAC intra-regional imports grew by 13.9 percent, to $2.8 billion in 2018 from $2.5 billion in 2017. Uganda was the main import trading partner for most partner states in the EAC (see below). Import trade within the EAC consisted of commodities such as petroleum, salt, sugar and sugar confectionery, textiles, pharmaceutical products, and so forth.

TABLE 29: Value of Intra-EAC Trade by EAC Countries

	TOTAL EXPORTS (US$, MILLIONS)		TOTAL IMPORTS (US$, MILLIONS)	
Country	2017	2018	2017	2018
Burundi	11	17	151	134
Kenya	1,272	1,274	590	676
Rwanda	85	90	479	549
South Sudan	18	2	462	377
Tanzania	464	508	243	303
Uganda	1,126	1,254	565	796

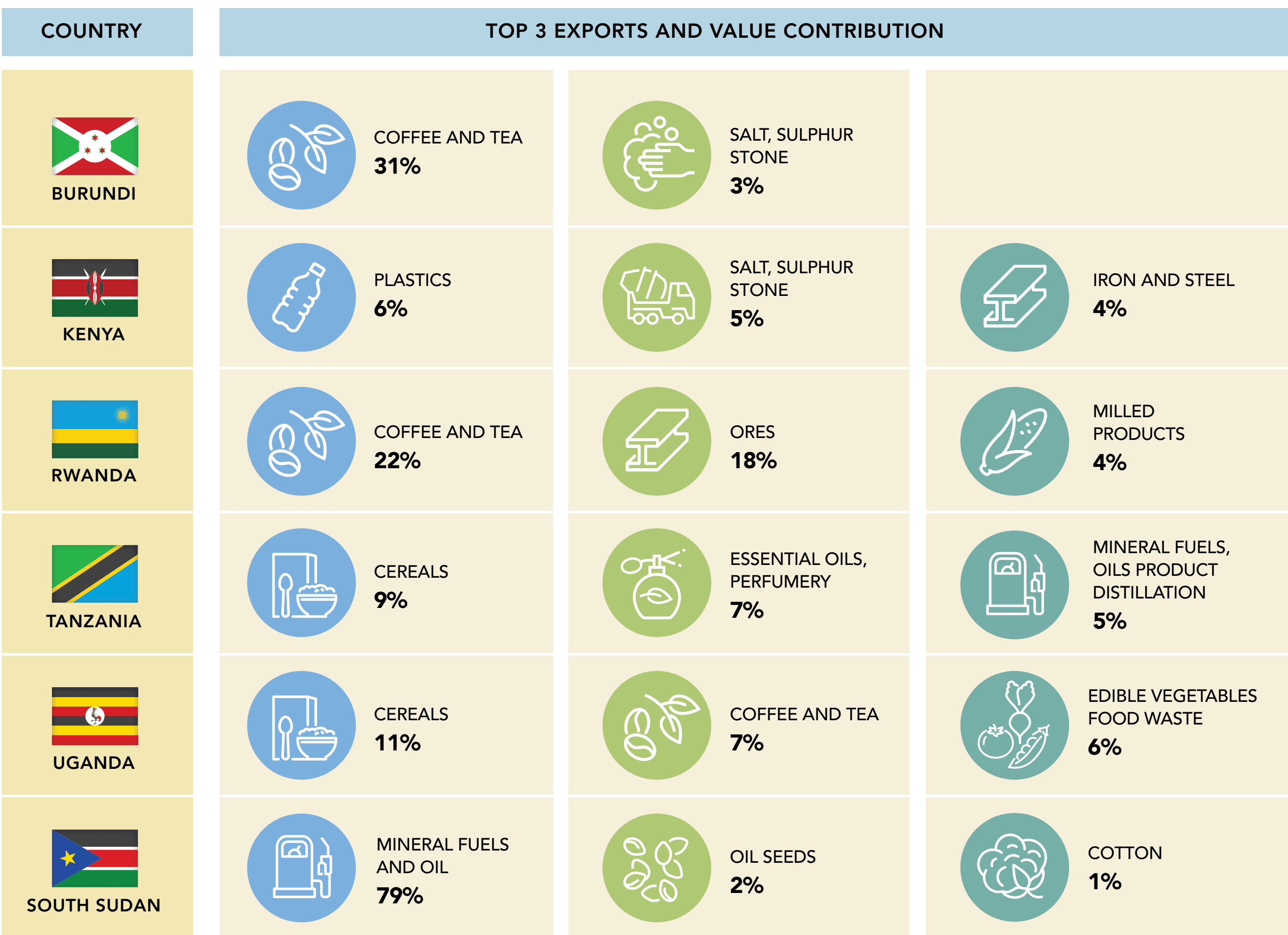
Source: EAC Trade and Investment Report (2018).

Notes: Turquoise = increase from 2017 to 2018. Orange = decrease from 2017 to 2018.

FIGURE 17: Key Trade Commodities by EAC Countries

Source: EAC, Trade and Investment Report (2018b).

FIGURE 18: Top Three Intra-EAC Export Goods in the EAC



Source: EAC Trade and Investment Report (2018b).

FIGURE 19: Top Three Import Commodities in the EAC

COUNTRY	TOP 3 EXPORTS AND VALUE CONTRIBUTION		
BURUNDI	IRON AND STEEL **16%**	SALT, SULPHUR STONE, LIME AND CEMENT **9%**	PLASTICS **3%**
KENYA	MACHINERY **35%**	SUGAR AND SUGAR PRODUCTS **33%**	EDIBLE VEGETABLES AND MAIZE **32%**
RWANDA	SALT, SULPHUR STONE, LIME AND CEMENT **12%**	PLASTICS **8%**	IRON AND STEEL **8%**
TANZANIA	SOAP AND WASHING PREPARATIONS **11%**	VEHICLE AND VEHICLE EQUIPMENT **9%**	PHARMACEUTICAL PRODUCTS **9%**
UGANDA	NATURAL STONES AND METALS **27%**	IRON AND STEEL **8%**	SALT, SULPHUR STONE, AND CEMENT **5%**
SOUTH SUDAN	VEHICLE **30%**	MACHINERY AND APPLIANCES **9%**	ELECTRICAL MACHINERY, EQUIPMENT **9%**

Sources: EAC Trade and Investment Report (2018b); World Integrated Trade Solution (WITS) Database (2018).
Note: Kenya commodities and figures are from WITS.

An evaluation of each country's intra-EAC trade and any reported statistics on informal trade is provided in the appendix.

8.2.3 Import Tariffs

Uganda is the only partner state within the EAC that grants duty free to all commodities originating from the EAC. Accompanied with this, Uganda provides an 80 percent reduction in the EAC CET rates to goods originating from COMESA countries (WTO 2019). All EAC partner states benefit from the EAC Duty Remission Scheme, which allows manufacturers to import raw goods duty free for export (WTO 2019). Duty-remission facilitates gazetted manufacturers to import inputs at a lower rate.

In terms of the general average tariff rate for commodities, EAC partner states apply rates ranging between 70 percent and 100 percent on traded commodities. Higher rates are applied for agricultural goods such as meat, fish, coffee, and tea. The value-added tax (VAT) on import commodities is generally 18 percent for most goods and services except in Kenya, where a VAT of 16 percent is charged (WTO 2019). Across the EAC, excluding South Sudan and Burundi, VAT accounted for more than 25 percent of total tax revenue.

Excise duties are applied across manufactured goods such as alcoholic beverages, nonalcoholic beverages, fuel, sugar, and tobacco products. Generally, alcoholic beverages are taxed heavily across the EAC, but these products are not among the top three imports for any of the EAC partner states. However, key import commodities in Kenya include sugar products and manufactured tobacco, suggesting the inelastic nature of goods (WTO 2019).

TABLE 30: General Tariff Comparison

COUNTRY	BOUND TARIFFS	PREFERENTIAL TARIFFS
Burundi	• Tariff lines for agricultural products: 18%, but could range from 0% to 75%, with high rates for meat, fish, coffee, tea, and legumes • Nonagricultural products: 10%	• Administrative levies: 0.5% on the value of cost, insurance, and freight
Kenya	• 100% on all agricultural products	
Rwanda	• Simple average bound rate on agricultural products: 74.6%. Rate on nonagricultural products is 91.7%	
Tanzania	• Tariff schedule of 120%	
Uganda	• Simple average tariff 72.8% • Agricultural: 77.1% up to 100% • Nonagricultural: 51.1%	• Duty-free treatment to all products originating from EAC partner states

Source: WTO, *Trade Policy Review* (2019).

Note: "Bound tariffs" are the maximum most-favored-nation (MFN) tariff level for a given commodity line. "Preferential tariffs" are rates agreed with other countries (for example, through customs unions) that are lower than their MFN rate. No available data on South Sudan. MFN tariff rates for agricultural products are up to 100 percent.

TABLE 31: EAC Import Tariff and Additional Tax Comparisons

COUNTRY	VAT*	EXCISE DUTIES	OTHER CHARGES
Burundi	• 18% for most goods and services	• Fuel: FBu 210 per liter • Sugar: FBu 600 per kilogram • Tobacco products, alcoholic beverages: FBu 125 per liter • Carbonated beverages: FBu 30,000 per hectoliter	• n/a
Kenya	• 16% for goods and services (Note: this was reduced to 14% in response to COVID-19.)	• Alcoholic beverages: K Sh 2.8 • Tobacco products: K Sh 2.8 • Non-alcoholic beverage: K Sh 0.6	• Border taxes: import declaration fee 2% of value of cost, insurance, and freight and minimum charge of K Sh 5,000 • Goods imported under duty remission: K Sh 10,000 • Imports from EAC and COMESA partners exempted from import declaration fee • Sugar levy: 7% of ex-factory price
Rwanda	• 18% on supply of goods and services • VAT exemptions include all exports, minerals sold in domestic market, international transportation services, and services rendered as a tourist.	• Consumption taxes levied on 14 products ranging between 5% and 70% • Products include: • Alcoholic beverages: 70% • Non-alcoholic beverages: 5%–40% • Tobacco products: 36%	• Computer-processing fee levied per declaration lodged with customs: RF 500 for simplified declaration and RF 3,000 for a standard declaration • Commercial imports are subject to a withholding tax: 5% value of cost, insurance, and freight unless importer has a valid tax certificate • Tax concessions on imports ranged between 34% and 61% of customs collections
Tanzania	• 18% for most goods and services	• Alcoholic beverages: T Sh 3,655 per liter • Non-alcoholic beverages: T Sh 589–T Sh 803 per liter • Imported fruit juices: T Sh 232 per liter	
Uganda	• 18% to the sale price of locally produced goods and services	• 70%–200% depending on the import good (includes tobacco products, alcoholic and nonalcoholic beverages, and so on (fuel)	• Environmental levy imposed on imports of used motor vehicles: 50%

Source: WTO, *Trade Policy Review* (2019).

Note: * All partners in the EAC have at least two VAT standard rates: 0 percent is the minimum rate, and the maximum rates is as stated in the table above. Each country has a list of VAT exemptions, which are not harmonized. In light of the COVID-19 pandemic, governments have revised VAT standard rates to 14 percent in some EAC partner states (that is, Kenya).

Other charges are involved in importing goods and services, including **computer-processing fees and import-declaration fees**. In Uganda, an environmental levy is applied to vehicle imports equaling 50 percent of the value of the commodity. In Kenya, goods imported under the Remission Scheme are charged K Sh 10,000 (WTO 2019). The charges associated with importing goods and services are quite high and could potentially limit cross-border traders from transitioning into formality.

The table above highlights **differing tariff regimes despite the commonality of customs unions and trade agreements**.

8.2.4 Export Tariffs

All EAC partner states apply **export levies on a selected group of export commodities**. Across all partner states, there is an export levy on raw hides and skins of 80 percent of the value. Compared to other partner states, Uganda has a lower export levy on raw hides and skins, 15 percent (WTO 2019). Additional charges for exports include pre-shipment product fees in Burundi, computer-processing fees in Rwanda, and export royalty paid on fish and fish products in Tanzania.

No EAC partner states provide export subsidies to traders, but some states offer export support or incentives to promote trade. Uganda provides a 10-year tax exemption to businesses exporting at least 80 percent of finished consumer and capital despite the origin of the raw materials. The Ugandan Export Promotion Board offers exporters trade and market information along with advisory services. In Tanzania, the Trade Development Authority provides regulatory and advisory services to export traders. The authority is also involved in supplying trade information and information about SMEs and markets. In 2015, Rwanda revoked the provision of tax discounts of 3 percent–5 percent for exports exceeding $5 million. However, the country implemented a preferential corporate income tax of 15 percent (instead of 30 percent) for goods and services produced in Rwanda (WTO 2019). In Burundi, businesses that export nontraditional commodities are granted a preferential rate that is half the ordinary tax rate. Businesses also receive a 10 percent refund on the customs duties on packaging items and inputs used to manufacture the goods exported (WTO 2019).

While most export commodities are zero-rated items and export-support initiatives exist, it is unclear whether informal cross-border traders are aware of this information, especially the support services.

TABLE 32: EAC Export Tariff Comparison

COUNTRY	EXPORT LEVIES	OTHER CHARGES
Burundi	• Hides: 80% of f.o.b. value • Gold: 0.7% on the value • Mineral export duties range between 1%–3%	• Fees for pre-shipment product conformity verification: $235–$2,375
Kenya	• Raw hides: 2% export levy • Raw macadamia nuts: 1%	
Rwanda	• Raw hides and skins: 80% of value or $0.52/kilogram (whichever is higher)	• Computer-processing fees: RF 3,000 per export declaration
Tanzania	• Raw cashew nut export levies: 15% f.o.b. value or $160 per metric ton (whichever is higher) • Raw hides and skins: 80% f.o.b. value or $0.52/kilogram	• Export royalty paid on all fish and fish products: 6% of value
Uganda	• Hides and skins: 15% on f.o.b. value • Tobacco: $0.2 per kilogram • Fish and fish products: $0.05 per kilogram • Coffee: 1% on exports	

Source: WTO, *Trade Policy Review* (2019).

NOTE

9. Trade openness measures the country's exposure to international trade. Imports and exports in goods and services are added and divided by GDP. The larger the ratio, the more the country is exposed to international trade.

8.3 MARKET CONTEXT

This section provides per-country evaluations of the key macroeconomic, sociodemographic, and MSME contexts that are likely to affect trade in the respective markets.

8.3.1 Burundi Context

MACROECONOMIC CONTEXT

Burundi is classified as a low-income nation. As of 2019, Burundi had a GDP of $3.4 billion and a GDP per capita of $310 (IMF 2020a). Since 2017, the economy has shown signs of recovery following the recession of 2015 (GDP growth rate of -4 percent) and 2016 (GDP growth rate of -1 percent) caused by political instability. The political instability arose following President Pierre Nkurunziza's successful quest for a third term in office.

The IMF estimated GDP growth at 0.4 percent in 2019, a marginal rise from 0.1 percent in 2018. The marginal growth was driven by an improved agricultural sector as a result of better climatic conditions and a slight increase in public investment. Given the positive weather conditions, the agricultural sector has experienced an increase in the production of crucial export items such as coffee and tea. Manufacturing and agroprocessing benefited from more reliable electricity, resulting in 3.2 percent growth, contributing significantly to GDP (IMF 2020a).

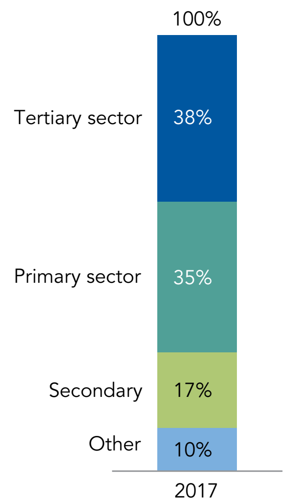
It should be noted that IMF estimates are in stark contrast with data from the Burundi Institute of Statistics and Economic Studies (ISTEEBU), which states that growth was 3.2 percent in 2016 and 4.2 percent in 2017 (ISTEEBU 2016, 2019); AfDB estimates that state growth was 3.3 percent in 2018 (AfDB 2020a). Burundi is expected back at the polls in 2020, which presents political uncertainty. To date, President Pierre Nkurunziza has stated he will not contest the elections.

Inflation has been volatile in recent years, reaching a high of 16 percent in 2017, followed by a drop to -3 percent in 2018 (WBG 2020d). The exchange rate has continued to depreciate, but the government is actively limiting the depreciation to 3.1 percent (WBG 2020d). In 2018, one US dollar was worth 1,783 Burundi francs (FBu).

The country's fiscal deficit rose to 4.2 percent for 2019 from 3.3 percent in 2019 due to poor tax collections. The deficit has been financed through increased borrowing from the Bank of the Republic of Burundi and the accumulation of domestic payment arrears. The risk of debt distress remains high, as debt is estimated at 63.5 percent of GDP in 2019, a rise from 58 percent in 2018 (AfDB 2020b).

As of 2017, the tertiary sector accounted for 38.2 percent of GDP, followed by the primary sector at 34.8 percent,

FIGURE 20: Top Sectors Contributing to GDP (% of GDP, 2017)



Source: ISTEEBU, National Accounts (2016, 2019).

TABLE 33: Key Macroeconomic Indicators for Burundi

INDICATORS	2016	2017	2018	2019*	2020*	2021*
Nominal GDP, US$, billions	3.1	3.4	3.4	3.6	3.7	3.9
GDP growth, %	–0.6%	0.5%	1.6%	1.7%	–5.5%	4.2%
GDP per capita, US$	298.0	312.5	307.0	309.9	312.7	315.7
Inflation, %	5.5%	16.6%	–2.7%	-0.7%	8.0%	6.0%
Exchange rate, K Sh/US$	1,654.6	1,729.1	1,782.9			
Current account balance, % of GDP	–3.1%	–14.18%	–15.0%	–16.4%	–17.1%	–16.6%
Population, millions	10.5	10.9	11.2	11.5	11.9	12.2

Sources: IMF World Economic Outlook (WEO) Database (2020); World Bank Group (WBG) World Development Indicators (WDI) Database (2020d).
Note: *Estimates

then the secondary sector at 17.4 percent. The largest contributor within the tertiary sector was hotel and restaurant services, followed by public administration services, then education services. No further sectoral breakdown was provided by ISTEEBU.

Burundi is ranked 166th in the WBG's 2020 Ease of Doing Business ranking. From an SSA perspective, Burundi is ranked 33rd out of 48 countries. Specific to traders, Burundi ranks as follows:

- **44th for starting a business**: This high ranking reflects a few number of procedures involved (4), the short time taken (5 days), and low costs (12.3 percent of income per capita).
- **176th for getting credit**: This low ranking reflects a lack of strong legal rights and a limited depth of credit information.
- **169st for trading across borders**: This low ranking reflects the longer time taken to import and export goods and the higher import documentary compliance costs (WBG 2020e). (See table 34.)

SOCIODEMOGRAPHIC CONTEXT

Burundi has a population of 11.5 million people (IMF 2020a). Burundi reports that children account for 45 percent of the population. Adults of working age make up 52 percent of the population. Females make up 50 percent of the population. Eighty-seven percent of the population was reported to live in rural areas.[10]

The most populous provinces in Burundi in 2019 are Gitega, the new capital city (1.1 million), Ngozi (0.99 million), and Muyinga (0.95 million). Ngozi and Muyinga along with Kirundo (0.94 million) are the most populated border provinces—that is, neighboring other countries (ISTEEBU, n.d.).

No FinScope report was published in the country depicting financial access statistics. The WBG estimated that only 7 percent of adults had an account at an FI in 2014. This was equal for both females and males.

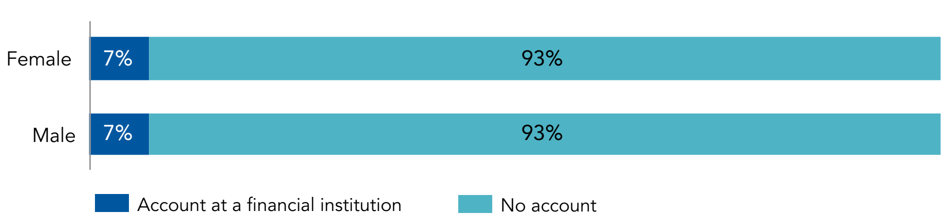
The International Labour Organization (ILO) estimates that 79 percent of female adults and 76 percent of male adults were employed in 2019. It is further estimated

TABLE 34: Ease of Doing Business Indicators Related to Trading across Borders for Burundi

TRADING-ACROSS-BORDERS INDICATORS	TANZANIA	SSA	OECD HIGH INCOME
Time	**Hours**	**Hours**	**Hours**
Export: Border compliance	59	97.1	12.7
Export: Documentary compliance	120	71.9	2.3
Import: Border compliance	154	126.2	8.5
Import: Documentary compliance	180	96.1	3.4
Cost	**US$**	**US$**	**US$**
Export: Border compliance	109	603.1	136.8
Export: Documentary compliance	150	172.5	33.4
Import: Border compliance	444	690.6	98.1
Import: Documentary compliance	1,025	287.2	23.5

Source: WBG, Ease of Doing Business (2020).
Note: Orange shading reflects above SSA averages.

FIGURE 21: Account at a Financial Institution by Sex



Source: WBG, Global Findex (2017).

that 97 percent of females that are employed were self-employed, against males at 92 percent (WBG 2020d).

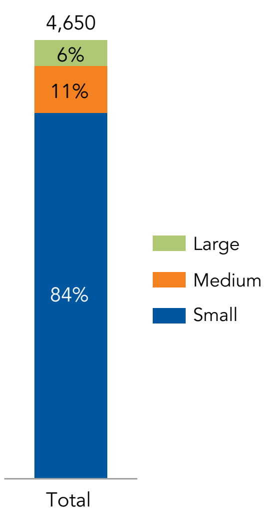
In 2017, only 68 percent of adults were literate in Burundi, of which women are considered less literate (61 percent) than men (76 percent) (WBG 2020d).

MSME CONTEXT

ISTEEBU carried out a survey of commercial enterprises in 2017 and estimated that 4,650 small, medium, and large businesses were in Burundi. Small and medium-sized enterprises accounted for 96 percent of all businesses—that is, 4,381 (ISTEEBU 2017, 2019).

No distribution by gender was available from the ISTEEBU survey. The IFC MSME Finance Gap report provided these insights, reporting that women accounted for 27.3 percent of micro enterprises and 12.8 percent of SMEs. This suggests a low representation of women business owners. The Finance Gap reported there were 3,799 MSMEs, 90 percent of which (3,411) were micro enterprises (IFC 2017).

FIGURE 22: Distribution Split of MSMEs



Source: ISTEEBU, Survey of commercial and industrial companies, profit and loss accounts by business lines (2017, 2019).

8.3.2 Kenya Context

MACROECONOMIC CONTEXT

Kenya is a lower-middle-income nation, with a gross domestic product (GDP) of $98.6 billion and a GDP per capita of $1,997 as of 2019 (IMF 2020a). Over the past decade, economic growth in Kenya has averaged 5.5 percent (WBG 2020d). This relatively high growth can be attributed to a return to political normalcy and resilient private-sector consumption. The IMF projects growth to hover around 6 percent up to 2024 (IMF 2020a).

Inflation since 2016 has remained stable at between 5 percent and 6 percent and is projected to stabilize at 5 percent into 2022 as a result of the prudent monetary policy (AfDB 2019). The exchange rate in Kenya has remained relatively stable due to increased foreign reserves, strong diaspora remittances, and government intervention. This was also supported by the narrowing of the current account deficit to –4.7 percent of GDP in 2019 from –6.2 percent in 2017, and foreign earnings in part due to the recovery in tourism.[11] As of 2018, the exchange rate stood at 101.3 Kenyan shillings (K Sh) per US dollar.

Kenya's fiscal deficit has continued to rise, reaching over 7 percent of GDP as of 2017–18, in part due to large infrastructure investments. Similarly, the government persistently missed its revenue and grant targets by an increasing margin, starting at K Sh 58 billion in 2013–14 (the first year where targets were reported) to K Sh 187.8 billion in 2016–17.[12] This has been despite a compound

TABLE 35: Key Macroeconomic Indicators for Kenya

INDICATORS	2016	2017	2018	2019*	2020*	2021*
Nominal GDP, US$, billions	69.2	78.7	87.9	98.6	109.1	119.5
GDP growth, %	5.9%	4.9%	6.3%	5.6%	1.0%	6.1%
GDP per capita, US$	1,522.3	1,684.0	1,830.6	1,997.6	2,151.5	2,294.2
Inflation, %	6.3%	8.0%	4.7%	5.8%	4.5%	5.0%
Exchange rate, K Sh/US$	101.5	103.41	101.3			
Current account balance, % of GDP	–4.9%	–6.2%	–5.0%	–4.5%	–4.6%	–4.4%
Population, millions	45.5	46.7	48.0	49.4	50.7	52.1

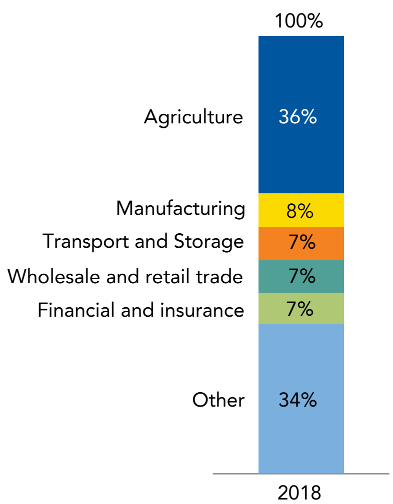
Sources: IMF World Economic Outlook (WEO) Database (2020); World Bank Group (WBG) World Development Indicators (WDI) Database (2020d).
Note: *Estimates

annual growth rate of 15 percent in collected revenue over the same period. Together, this has contributed to the country's increasing public debt, estimated at 57 percent of GDP in 2018,[13] which has led the IMF to elevate the country's risk of debt stress from low to moderate.

The repeal of interest rate caps in November 2019 restored the CBK's control over monetary policy and will likely result in growth in private-sector lending (East African 2019).

From a GDP contribution perspective, the top sectors include agriculture, manufacturing, transport and storage, wholesale and retail trade, and financial and insurance. (See figure 23.)

FIGURE 23: Top Five Sectors Contributing to GDP (% of GDP, 2018)



Source: KNBS, Quarterly GDP Report (2019).

In the WBG's 2020 Ease of Doing Business ranking, Kenya is ranked 56th out of 190 countries, second highest among the EAC countries and the third highest country in SSA. Relevant to traders, Kenya ranks as follows:

- **129th for starting a business**: This low ranking reflects the length of time taken to open a business (23 days) and the high associated costs (22.4 percent of income per capita).
- **4th for getting credit:** This high ranking reflects the strength of legal rights, credit information sharing, and CRB coverage. Further, there has been continued growth in digital lending platforms.
- **117th for trading across borders**: This low ranking reflects that the time taken for import border and documentary compliance is significantly longer than that for exportation, and that costs for export documentary compliance and import border compliance are high (WBG 2020e). (See table 36.)

SOCIODEMOGRAPHIC CONTEXT

As of 2019, Kenya had a population of 49 million people (IMF 2020a). Thirty-nine percent of the population was aged below 15 years, while working-age adults (that is, 15 years to 65 years) made up 58 percent of the population. Women made up a marginal majority at 50.3 percent. Seventy-three percent of individuals report living in rural areas, though this continues to decline.[14]

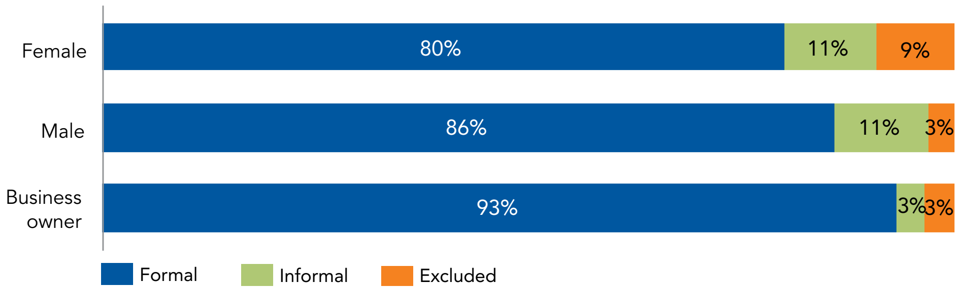
The most populous counties are Nairobi City, the capital city (4.4 million), Kiambu (2.4 million), Nakuru (2.2 million), and Kakamega (1.9 million). Bungoma County, which borders Uganda, was the most populous border county,[15]

TABLE 36: Ease of Doing Business Indicators Related to Trading across Borders for Kenya

TRADING-ACROSS-BORDERS INDICATORS	KENYA	SSA	OECD HIGH INCOME
Time	**Hours**	**Hours**	**Hours**
Export: Border compliance	16	97.1	12.7
Export: Documentary compliance	19	71.9	2.3
Import: Border compliance	194	126.2	8.5
Import: Documentary compliance	60	96.1	3.4
Cost	**US$**	**US$**	**US$**
Export: Border compliance	143	603.1	136.8
Export: Documentary compliance	191	172.5	33.4
Import: Border compliance	833	690.6	98.1
Import: Documentary compliance	115	287.2	23.5

Source: WBG , Ease of Doing Business (2020).
Note: Orange shading reflects above SSA averages.

FIGURE 24: Financial Access by Sex and Business Owner



Source: CBK, KNBS, and FSD Kenya, FinAccess Household Survey (2019).

with 1.7 million people, followed by Narok County (1.2 million) and then Kajiado County (1.1 million); both border Tanzania (KNBS 2019).

Only 12 percent of adults had attained no formal education, while 43 percent had attained at least a primary education, and 32 percent had attained a secondary education (CBK, KNBS, and FSD Kenya 2019).

As of 2019, 83 percent of adults had formal financial access, largely driven by the proliferation of mobile money. Forty-four percent of adults had formal prudential access, followed by 39 percent with formal nonprudential access. Females had marginally lower formal access at 80 percent, compared to men, who had formal access at 86 percent. Informal access was equal for both sexes, at 11 percent.

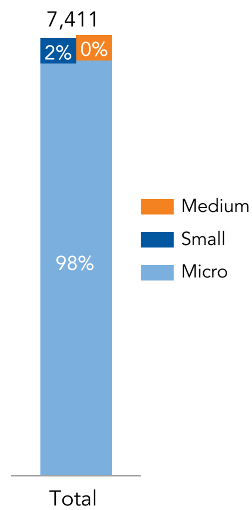
Business owners had a level of formal access of 93 percent and informal access of 3 percent, compared to casual workers, who had 81 percent formal and 8.4 percent informal access.

The ILO estimates that 58 percent of female adults and 62 percent of male adults were employed in 2019. It is further estimated that 76 percent of females that are employed were self-employed, against males at only 46 percent (WBG 2020d).

MSME CONTEXT

According to the KNBS MSME survey, there was a total of 7.41 million MSMEs in 2016. This was made up of 1.56 million enterprises licensed by county government (21 percent of total MSMEs) and 5.85 unlicensed enterprises (79 percent of total MSMEs). MSMEs were categorized based on employee count: micro enterprises have fewer than 10 employees, small have between 10 and 49 employees, and medium have between 50 and 99 employees (KNBS 2017).

FIGURE 25: Distribution Split of MSMEs



Source: KNBS, MSME Survey (2016).

The vast majority of MSMEs in Kenya are micro enterprises. Micro businesses account for 98 percent of all licensed and unlicensed MSMEs in operation—equating to a total of 7.28 million enterprises. Eighty percent (that is, 5.85 million) of these micro businesses are unlicensed.

Focusing only on licensed businesses, micro enterprises still account for over 90 percent of businesses (at 1.43 million), followed by small businesses (116,061) and medium businesses (11,671), as depicted in figure 25.

It was reported that all unlicensed enterprises were categorized as micro businesses. This is likely a result of the use of the definition by employee numbers.

The survey found that males make up the majority of licensed business owners, at 47.9 percent; females make up 32.2 percent. The converse applies for unlicensed businesses, where females make up 60.7 percent of owners,

TABLE 37: Distribution of MSMEs by Sex of Owners

OWNERSHIP BY SEX	LICENSED	UNLICENSED
Male only	47.8%	31.4%
Female only	32.2%	60.7%
Male-male partners	2.5%	0.4%
Female-female partners	1.0%	1.1%
Male-female partners	16.5%	6.4%

Source: KNBS, MSME Survey (2016).

and males make up 31.4 percent. This suggests females face added difficulties to formalize their businesses, as discussed in section 5.2.1.

From an overall MSME-enabling-environment perspective, the following mechanisms have been put in place:

i. The Government of Kenya passed the **Micro and Small Enterprise (MSE) Act in 2012** with a view of supporting the growth and development of the MSME sector. The act sets out to do the following:
   - Provide a formal definition of MSMEs based on turnover, assets, and number of employees. This has yet to be taken up by the market.
   - Establish the Micro and Small Enterprises Authority, which is to be responsible for developing, reviewing, monitoring, coordinating, and implementing policies and programs related to MSEs.
   - Establish the Micro and Small Enterprise Registrar to regulate all MSE-related associations.
   - Establish an MSE tribunal to address MSE disputes.
   - Establish the MSE Development Fund aimed at offering direct affordable financing to MSEs.

   Other than the establishment of the Micro and Small Enterprises Authority, the act has had limited impact on the market to date due to poor implementation.

ii. The **Micro and Small Enterprises Authority** sits within the Ministry of Industry, Trade, and Cooperatives. Since the authority's establishment in 2012, it had been operating with only an acting CEO until 2019, limiting its operations.

iii. The MSE Development Fund was promulgated in the MSE Act in 2012. The MSE Fund was envisioned to provide affordable financing to MSEs to help finance their promotion, research, innovation, and transfer of technology needs. To date, this has yet to be operationalized but is expected to be capitalized by the National Treasury and administered by the Micro and Small Enterprises Authority (IFC 2019).

iv. The National Treasury is reportedly working to establish an **SME Credit Guarantee scheme** that is intended to guarantee commercial bank loans to SMEs (Business Daily 2019).

The following organization seeks to support specifically women entrepreneurs and traders:

i. Federation of Women Entrepreneur Associations (FEWA) is an association of individual women business owners, chamas/investment groups, and corporate organizations. Some of the activities FEWA offers include advocacy and lobbying, capacity building, entrepreneurship and BDS, mentoring, and access to finance through the FEWA SACCO. The FEWA websites reports membership has surpassed 250,000 active individual businesswomen and 100,000 FEWA SACCO members.[16]

8.3.3 Rwanda Context

MACROECONOMIC CONTEXT

Rwanda is classified as a low-income nation, with a GDP of $10.2 billion and a GDP per capita of $825 as of 2019 (IMF 2020a). Rwanda's growth rates has been among the highest on the continent, between 6 percent and 8 percent since 2015. In 2019, this was estimated to be 7.8 percent. This has been achieved through dedicated public investment (such as Bugesera Airport) and policy reforms aligned to the country's long-term development goals, careful government spending, and a vibrant private sector. The IMF projects high GDP growth to persist, reaching 7.5 percent in 2024.

Inflation has remained below the target of 5 percent, reaching 1.4 percent in 2018. This was a result of deflationary pressures in food prices resulting from good agricultural harvests and a decline in the cost of energy (NBR 2019).

Historically, exchange rates have depreciated against the dollar at an annual average rate of about 6 percent, and this is likely to persist, given general dollar strengthening due to tighter monetary policy from the US Federal Reserve. As of 2018, the exchange rate stood at 861 Rwandan francs (RF) per US dollar (WBG 2020d).

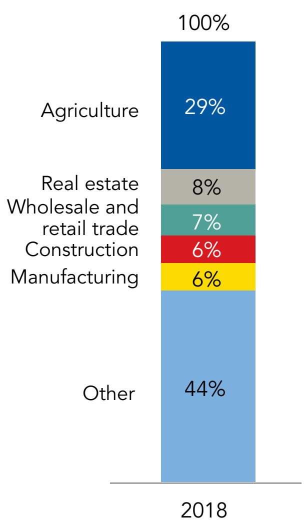
Rwanda has made notable progress in boosting domestic revenues in the last decade to reduce the country's dependence on official development assistance. As such, tax as a percentage of GDP has grown from 13.2 percent in 2011–12 to 18.5 percent in 2017–18. Despite this significant growth, the current account balance stood at -9.2 percent of GDP in 2019 due to continued public investment in infrastructure. Total nominal public debt stood at

TABLE 38: Key Macroeconomic Indicators for Rwanda

INDICATORS	2016	2017	2018	2019*	2020*	2021*
Nominal GDP, US$, billions	8.5	9.1	9.5	10.2	11.1	12.0
GDP growth, %	6.0%	6.1%	8.6%	10.1%	3.5%	6.7%
GDP per capita, US$	734.8	773.8	786.5	824.9	873.3	928.3
Inflation, %	5.7%	4.8%	1.4%	2.4%	6.9%	5.4%
Exchange rate, K Sh/US$	787.3	831.5	861.1			
Current account balance, % of GDP	–14.3%	–6.8%	–7.8%	–9.2%	–16.2%	—10.2%
Population, millions	11.5	11.8	12.1	12.4	12.7	13.0

Sources: IMF World Economic Outlook (WEO) Database, 2020a); World Bank Group (WBG) World Development Indicators (WDI) Database (2020d).
Note: *Estimates

FIGURE 26: Top Five Sectors Contributing to GDP (% of GDP, 2018)



Source: National Institute of Statistics (NISR), GDP Q2 (2019).

53.1 percent of GDP in 2018; external debt on concessional terms accounted for about two-thirds of this. Rwanda's prudent management of debt means that the country is perceived to have continued low risk of debt distress.[17]

Agriculture was the largest contributor to GDP in 2018, at 29 percent. This was followed by the real estate sector at 8 percent and trade at 7 percent.

In the WBG's Ease of Doing Business ranking, Rwanda is the highest-ranked EAC country, 38th out of 190, and the second highest ranked country in SSA. Rwanda ranks as follows in the key areas relevant to traders:

- **35th for starting a business**: This high ranking reflects the few procedures involved (five), the short duration required (four days), and the low cost to start a business.
- **Fourth for getting credit:** This high ranking reflects the strength of legal rights, credit information sharing, and CRB coverage.
- **88th for trading across borders**: This moderately high ranking reflects shorter import and export durations as well as costs, particularly compared to the SSA averages (WBG 2020e). (See table 39.)

SOCIODEMOGRAPHIC CONTEXT

Rwanda has a population of 12.3 million people (IMF 2020a). Rwanda reports that children (that is, below 15 years) account for 40 percent of the population. Adults of working age make up 57 percent of the population. Females make up 50.9 percent of the population. Eighty-three percent of the population was reported to live in rural areas.[18] As per the 2012 census, the most populous provinces were the East Province (that is, 2.6 million), South Province (2.5 million), and West Province (2.4 million).

Twenty-one percent of adults had attained no formal education, while 54 percent had attained at least a primary education, and 21 percent had attained a secondary education as of 2016 (AFR 2016).

In 2016, 68 percent of adults had formal financial access. Of this, 26 percent were banked, and 42 percent were formal non-bank access. Formal financial access for females stood at 63 percent, compared to males at 74 percent. Females had a higher usage of informal financial access at 24 percent.

Eighty-six percent of MSME owners reported having formal access, 11 percent reported informal access, and 3 percent were excluded.

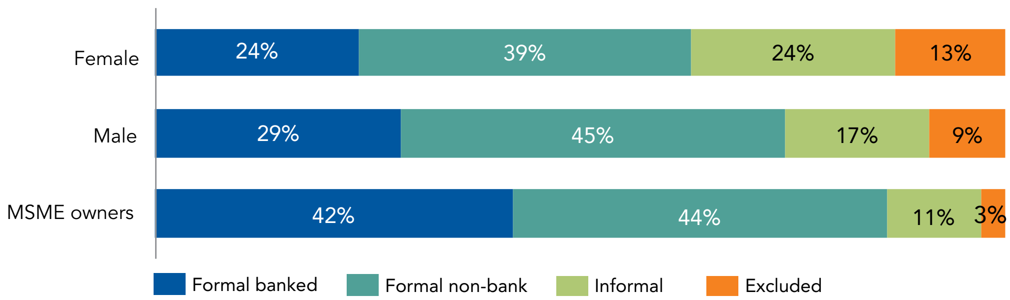
The ILO estimates that 83 percent of female adults and 86 percent of male adults were employed in 2019. It is

TABLE 39: Ease of Doing Business Indicators Related to Trading across Borders for Rwanda

TRADING-ACROSS-BORDERS INDICATORS	RWANDA	SSA	OECD HIGH INCOME
Time	**Hours**	**Hours**	**Hours**
Export: Border compliance	83	97.1	12.7
Export: Documentary compliance	30	71.9	2.3
Import: Border compliance	74	126.2	8.5
Import: Documentary compliance	48	96.1	3.4
Cost	**US$**	**US$**	**US$**
Export: Border compliance	183	603.1	136.8
Export: Documentary compliance	110	172.5	33.4
Import: Border compliance	282	690.6	98.1
Import: Documentary compliance	121	287.2	23.5

Source: WBG, Ease of Doing Business (2020).

FIGURE 27: Financial Access by Sex and MSME Owner



Source: FSD Rwanda, FinScope Rwanda (2016).

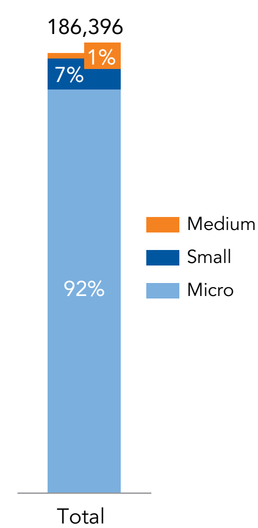
further estimated that 78 percent of females that are employed were self-employed, against males at 58 percent (WBG 2020d).

MSME CONTEXT

According to the Establishments Census conducted by the National Institute of Statistics Rwanda, a total of 186,396 MSMEs were in Rwanda in 2017. This number had increased from 151,886 in 2014, bringing the average growth rate of the number of MSMEs to 7.1 percent. Formal enterprises (defined as maintaining operational accounts and Rwanda Revenue Authority registration in addition to production of goods/services for sale or barter in nonagricultural activities) accounted for 7.4 percent of MSMEs (that is, 13,326), compared to informal enterprises, which accounted for 92.6 percent of MSMEs (167,156) (NISR 2017).

The size of businesses is characterized by the number of employees: micro enterprises have fewer than 10 employees, small have between 10 and 49 employees,

FIGURE 28: Distribution of MSMEs



NISR, Rwanda Enterprise census, 2017

TABLE 40: Number of MSMEs per Size Category

SIZE	MALE	FEMALE
Micro	67.2%	32.8%
Small	70.6%	29.4%
Medium	84.9%	15.1%
Total	67.3%	32.7%

NISR, Rwanda Enterprise Census, 2017

and medium have between 50 and 99 employees. A vast majority of MSMEs are micro enterprises. The share of micro enterprises among MSMEs stood at 92 percent.

The census found that female owners make up a minority of the MSMEs, at 33 percent, and the proportion decreases as the size of businesses rises. (See table 40.) The Rwandan government has put in place the following mechanisms to support growing businesses, financiers, and potential investors:

i. The **Rwanda Development Board** is a one-stop shop for all businesses or investors looking to set up in Rwanda. The Rwanda Development Board was set up by bringing all government agencies responsible for attracting investment under one roof. This includes agencies responsible for business registration, investment promotion, environmental clearances, privatization, and specialist agencies that support the priority sectors of information communications and technology and tourism, as well as SME and human-capacity development in the private sector.

   The Rwanda Development Board refers investors to the Development Bank of Rwanda for financing, it provides capacity building to SMEs to obtain product certification, and it also subsidizes costs of first-time product certification with the Rwanda Standards Board.

ii. The **Export Growth Fund** was established to address the export finance gap by the Ministry of Trade and Industry and the Development Bank of Rwanda. The fund is further open to other development finance institutions (for example, KfW) to invest in the facility to support the growth of the export sector. The Export Growth Fund is a single facility with the following three separate windows:

   – **Matching grants fund for costs related to market entry:** Matching grants to firms investing in activities specific to exporting that are not necessarily a consideration when not exporting. Beneficiaries are provided with 50 percent grants for activities up to $100,000. Grants are provided and administered directly by the Development Bank of Rwanda.

   – **Catalyst fund:** A subsidy on the interest rate of loans targeted toward private-sector investments in export-oriented production. The interest subsidies are of 6.5 percent on applicable market rats (typically ranging from 16 percent to 20 percent per annum).

   – **Export guarantee facility:** Transaction-related guarantees to commercial banks to securitize export finance transactions up to 80 percent of value. This is intended for short-term pre-shipment and post-shipment credit and export performance guarantees.

   As of 2018, the Export Growth Fund had supported 30 projects in coffee, tea, horticulture, textiles, and agro-processing. This support had been funded through the different windows: The matching grants provided RF 686.3 million (that is, $767,940); the catalyst fund provided RF 3.6 billion ($4 million); and on-lending to partner FIs was worth RF 5.3 billion ($5.8 million). It is estimated that these investments generated $9.9 million in export revenues and 8,789 jobs.[19]

iii. The **Business Development Fund** was established in 2011 by the Development Bank of Rwanda to assist SMEs to access finance, particularly those without sufficient collateral. The Business Development Fund therefore promotes alternative financing avenues at reasonable costs to help small businesses access credit by providing credit guarantees, quasi-equity support to start-ups, equipment leasing, managing matching grants, SACCOs refinancing, and business-development advisory services.

   Given the privatization of the Development Bank of Rwanda in 2014, a new ownership structure and strategic plan has been formalized for the Business Development Fund to deliver on its mandate of supporting SME development.

   As of 2017, RF 13.1 billion (that is, $15.2 million) had been committed in the form of guarantees to support profitable businesses without collateral to access credit from FIs. This was given out to about 436 approved loans through banks, MFIs, and SACCOs, stimulating over RF 35 billion worth of loans ($40.8 million). RF 9 billion of the funds was provided to projects related to agriculture alone.[20]

iv. Established in December 1999, the **Private Sector Federation** is a professional organization dedicated to promoting and representing the interests of the Rwandan business community. It is an umbrella organization that groups nine professional chambers. The Private Sector Federation pioneered BDS, registered wins in advocacy, and played a strong national and regional role.

The following organization offers tailored support specific to women entrepreneurs and traders:

i. **Pro-femme/Twese Hamwe** is an umbrella organization established in 1992. It is made up of 53 member organizations that seek to improve the socioeconomic status of women, promoting the culture of peace for sustainable development. To achieve this, Pro-femme/Twese Hamwe seeks to provide capacity building related to governance and the management of cooperatives, entrepreneurship, women's rights, and trading regulations and customs union; trade environment training (that is, dynamics of the trade environment); market participation, which includes facilitation of interactions with FIs and cooperatives; and advocacy.

8.3.4 South Sudan Context

MACROECONOMIC CONTEXT

The WBG classifies South Sudan as a low-income nation, with a GDP of $3.6 billion and a GDP per capita of $275 (WBG 2020d). From 2015 to 2018, GDP growth was negative, averaging –6 percent. This has been a result of the civil war that began in December 2013 following a political struggle between President Salva Kiir and the opposition leader and Vice President Riek Machar, as well as the decline in oil prices.

GDP growth was estimated to be 8 percent in 2019 following the reopening of some oil fields after a peace agreement was signed in September 2018 (AfDB 2020d). The government of South Sudan and the main opposition group, South Sudan Liberation Movement in Opposition, were able to form a unity government on February 20, 2020, two days before the deadline that had been set as part of the peace treaty. A number of key areas were yet to be agreed upon—namely, the makeup of the cabinet, security arrangements, the number of states, and governorship allocation. As such, uncertainty is likely to persist in the economy (East African 2020c).

In 2018, inflation averaged 60.8 percent from 121.4 percent in 2017, which to some extent represents the reduced central bank financing on the budget deficit as well as the positive impact of peace agreement signed in 2018 (AfDB 2020d). However, heavy investment in the security sector has contributed to high inflation rates and continued depreciation of the South Sudanese pound in 2018, giving rise to an active parallel market.

South Sudan was classified as being in debt distress due to high and extra-budgetary spending, with a debt to GDP ratio of 41.7 percent. External debt was estimated at 34 percent of GDP. The fiscal deficit in 2019 was estimated at between 1 percent and 2 percent of GDP. In 2016, the Minister of Finance announced a new policy to stop direct borrowing from the Bank of South Sudan, reducing the central government's financing of its fiscal deficit from the banking system.

The foreign-exchange market witnessed supply shortfalls in recent years. These have been a result of capital flow reversals, declining remittances, and limited sales by the Bank of South Sudan. The passing of "special accounts" scheme in 2017, where commercial banks are required to sell immediately their foreign exchange purchased from special account holders[21] to the Bank of South Sudan at the bank-established official rate, created a parallel foreign-exchange market. Furthermore, the bank's practice of prioritizing foreign-exchange allocations for government payments and payments of essential commodities gives rise to exchange restrictions. To normalize the foreign-exchange market, there is a need to discontinue the "special accounts" scheme and let the exchange rate be unified and market determined to establish transparency and fairness in allocations.[22] Nevertheless, as of 2018, the official exchange rate stood as 141.4 South Sudanese pounds (£) per US dollar.

TABLE 41: Key Macroeconomic Indicators for South Sudan

INDICATORS	2016	2017	2018	2019*	2020*	2021*
Nominal GDP, US$, billions	3.4	3.4	4.6	3.7	3.4	3.5
GDP growth, %	–16.7%	–5.5%	–1.1%	11.2%	4.9%	3.2%
GDP per capita, US$	281.5	273.1	353.2	275.2	243.3	244.0
Inflation, %	379.8%	187.9%	83.5%	51.2%	8.1%	24.5%
Exchange rate, K Sh/US$	46.73	113.65	141.39			
Current account balance, % of GDP	4.9%	–3.4%	–6.5%	-2.5%	–2.4%	0.3%
Population, millions	12.2	12.6	13.0	13.4	13.8	14.2

Sources: IMF World Economic Outlook (WEO) Database, 2020a); World Bank Group (WBG) World Development Indicators (WDI) Database (2020d).
Note: *Estimates

The oil sector remains the key driver of the economy. No formal estimates are provided of the actual contribution of the oil sector. The second-largest sectoral contributors to GDP include services and agriculture (AfDB 2020a).

South Sudan is the lowest-ranked EAC country in the WBG's Ease of Doing Business ranking, at 185th out of 190, and the 46th out of 48 SSA countries. Relevant to traders, South Sudan ranks as follows:

- **172nd for starting a business**: This low ranking reflects the number of procedures it takes to open a business (12) and the high associated costs (77.4 percent of income per capita).
- **181st for getting credit:** This low ranking reflects the lack of strong legal rights and no credit information sharing.
- **180th for trading across borders**: This low ranking reflects overall lengthy durations and high costs to import and export (WBG 2020e). (See table 42.)

SOCIODEMOGRAPHIC CONTEXT

South Sudan has a population of 13.4 million people (IMF 2020a). South Sudan reported that children account for 41 percent of the population. Adults of working age make up 55 percent of the population. Females make up 50 percent of the population. Eighty percent of the population was reported to live in rural areas.[23]

The population distribution for all cities and regions in South Sudan is not available, but the most populous cities are identified as Juba, the capital city (that is, 450,000), Winejok (300,000), and Malakal (160,765).[24]

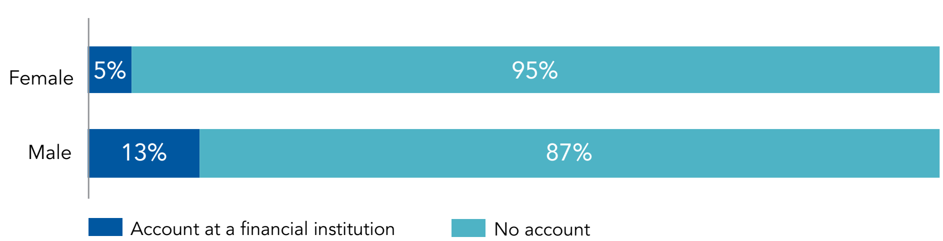
With no FinScope report, we used the WBG's Global Findex dataset to evaluate South Sudan's access to finance. As of 2017, the WBG estimated that only 9 percent of adults had an account at an FI. Five percent of female adults had access, while 13 percent of male adults had access.

TABLE 42: Ease of Doing Business Indicators Related to Trading across Borders for South Sudan

TRADING-ACROSS-BORDERS INDICATORS	SOUTH SUDAN	SSA	OECD HIGH INCOME
Time	**Hours**	**Hours**	**Hours**
Export: Border compliance	146	97.1	12.7
Export: Documentary compliance	192	71.9	2.3
Import: Border compliance	169	126.2	8.5
Import: Documentary compliance	360	96.1	3.4
Cost	**US$**	**US$**	**US$**
Export: Border compliance	763	603.1	136.8
Export: Documentary compliance	194	172.5	33.4
Import: Border compliance	781	690.6	98.1
Import: Documentary compliance	350	287.2	23.5

Source: WBG, Ease of Doing Business (2020).
Note: Orange shading reflects above SSA averages (WBG 2020e).

FIGURE 29: Account at a Financial Institution by Sex



Source: WBG , Global Findex (2017).

The ILO estimates that 62 percent of female adults and 66 percent of male adults were employed in 2019. It is further estimated that 94 percent of females that are employed were self-employed, against males at 87 percent (WBG 2020d).

Low adult literacy rates (32 percent) undermine the quality of the labor market in South Sudan, and for females, this rate is even lower (AfDB 2020d). The AfDB South Sudan Economic Outlook shows that only 25 percent of women in the country are literate and have an average of 3.8 years of schooling.

MSME CONTEXT

South Sudan comprises SMEs that participate in wholesale and retail trade, and a large segment of this sector is informal. In 2010, 10,746 registered businesses were in South Sudan (Dube and Dube 2016), but it is currently unclear how that number has grown since then.

8.3.5 United Republic of Tanzania Context

MACROECONOMIC CONTEXT

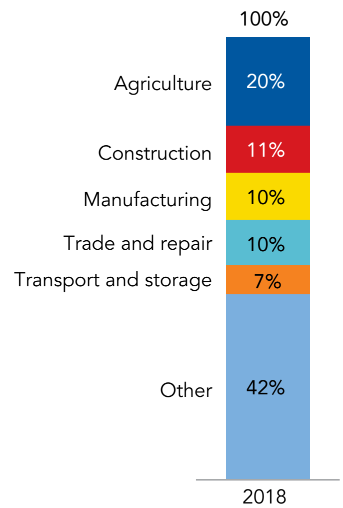
Tanzania is classified as a low-income nation, with a GDP of T Sh 143.7 trillion (that is, $62.2 billion) and a GDP per capita of T Sh 2.5 million ($1,105) as of 2019 (IMF 2020a). Tanzania has averaged relatively high economic growth over the last decade, between 6 percent and 7 percent. The IMF estimates that growth dropped to 5.2 percent in 2019, which is at odds with the government's higher projections (IMF 2020a). This is believed to be attributed to unpredictable policies being passed by the current government. For example, in attempts to increase tax collections, the mining sector has experienced repeated interventions that have discouraged investment (Reuters 2019).

Tanzania is expected to have its general elections in October 2020, with President John Magufuli seeking a second term in office. Critics have decried efforts by the ruling Chama Cha Mapinduzi party to silence the opposition, raising uncertainty.

Inflation has remained low; it was recorded at 3.8 percent in 2018, which resulted from an improvement in the food supply from favorable weather. Inflation is projected to rise to 5 percent by 2024, in line with monetary policy targets (AfDB 2018a). The exchange rate has remained stable, standing at 2,263.8 Tanzanian shillings (T Sh) per US dollar in 2018.

The current account balance was estimated to be 4.1 percent of GDP in 2019 and is expected to remain

FIGURE 30: Top Five Sectors Contributing to GDP (% of GDP, 2018)



Source: Tanzania National Bureau of Statistics (TNBS), Q3 GDP report (2019).

TABLE 43: Key Macroeconomic Indicators for Tanzania

INDICATORS	2016	2017	2018	2019*	2020*	2021*
Nominal GDP, US$, billions	49.8	53.2	56.9	62.2	67.2	72.5
GDP growth, %	6.9%	6.8%	7.0%	6.3%	2.0%	4.6%
GDP per capita, US$	966.3	1,002.9	1,039.7	1,104.8	1,159.3	1,213.6
Inflation, %	5.2%	5.3%	3.5%	3.5%	3.9%	4.3%
Exchange rate, K Sh/US$	2,177.1	2,228.9	2,263.8			
Current account balance, % of GDP	–4.3%	–3.0%	–3.7%	–3.2%	–3.8%	–3.8%
Population, millions	51.5	53.1	54.7	56.3	58.0	59.7

Sources: IMF World Economic Outlook (WEO) Database, 2020a); World Bank Group (WBG) World Development Indicators (WDI) Database (2020d).
Note: *Estimates

above 3 percent to 2022. This was driven by increasing expenditure on infrastructure projects such as a new railway line and hydropower plants. Public debt increased to an estimated 39 percent of GDP; external debt accounted for 75 percent of this. Debt levels are perceived to be manageable, putting Tanzania at a low risk of debt distress.

The agriculture sector was the largest contributor to GDP in 2018, at 20 percent. This was, however, the sector's lowest contribution since 2012. This is likely attributed to higher growth in the secondary and tertiary sectors—namely, construction (11 percent of GDP) and manufacturing (10 percent of GDP) (TNBS 2019).

Tanzania was 141st out of 190 in the WBG's Ease of Doing Business ranking, 22nd in SSA. In relation to the indicators that affect traders, Tanzania ranks as follows:

- **162nd for starting a business**: This low ranking reflects the large number of procedures involved (10), time taken (29.5 days), and high costs (40.6 percent of income per capita).
- **67th for getting credit**: This high ranking reflects the depth of credit information and strong legal rights. Further, there has been continued growth in digital lending platforms.
- **182nd for trading across borders**: This low ranking reflects the longer time taken to import and export goods and the higher overall costs (WBG 2020e). (See table 44.)

SOCIODEMOGRAPHIC CONTEXT

Tanzania is the most populous EAC country; its reported population is 56 million (IMF 2020a). Forty-four percent of the population is below the age of 15 years, while working-age adults make up 53 percent. As with Kenya, females make up marginally more of the population, at 50.1 percent. Sixty-six percent of the population was reported to live in rural, as opposed to urban, areas (WBG 2020d).

The most populous administrative regions in 2019 were Dar es Salaam, the economic capital of Tanzania (5.3 million), Mwanza (3.7 million), and Kagera (3.1 million). The most populous regions bordering directly with another country were Kagera, Kigoma (2.7 million), and Tanga (2.3 million).[25]

Fifteen percent of adults had attained no formal education, while 64 percent had attained at least a primary education, and 18 percent had attained a secondary education (FSDT 2017).

In 2017, 65 percent of adults had formal financial access. Of this, 17 percent were banked, and 48 percent had non-bank formal access. The proportion of women who are financially excluded, 30 percent, is larger than that of males, 25 percent. Whereas females had less formal access, 61 percent, than males, 70 percent, females were more likely to have informal access, at 9 percent against 4 percent.

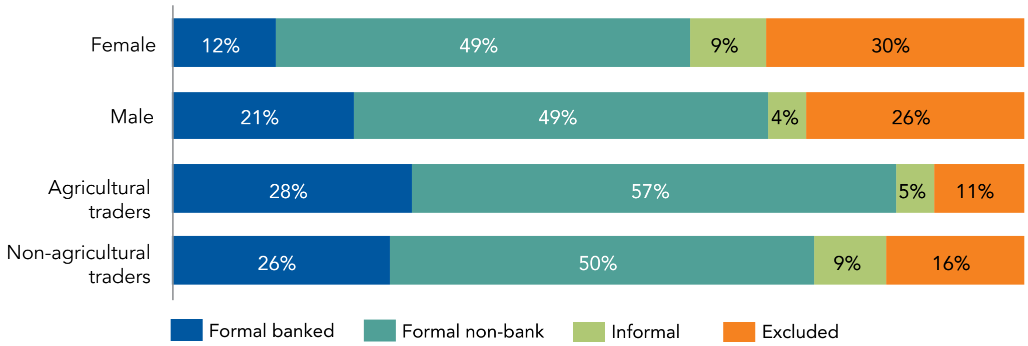
Agricultural traders were reported to have a higher formal access, 85 percent, than nonagricultural traders, 75 percent. Nonagricultural traders had a higher informal financial access usage at 8.5 percent, compared to 4.5 percent from agricultural traders.

TABLE 44: Ease of Doing Business Indicators Related to Trading across Borders for Tanzania

TRADING-ACROSS-BORDERS INDICATORS	TANZANIA	SSA	OECD HIGH INCOME
Time	**Hours**	**Hours**	**Hours**
Export: Border compliance	96	97.1	12.7
Export: Documentary compliance	96	71.9	2.3
Import: Border compliance	402	126.2	8.5
Import: Documentary compliance	240	96.1	3.4
Cost	US$	US$	US$
Export: Border compliance	1,175	603.1	136.8
Export: Documentary compliance	275	172.5	33.4
Import: Border compliance	1,350	690.6	98.1
Import: Documentary compliance	375	287.2	23.5

Source: WBG, Ease of Doing Business (2020).
Note: Oeange shading reflects above SSA averages.

FIGURE 31: Financial Access by Sex and Traders



Source: FSD Tanzania, FinScope Tanzania (2017).

The ILO estimates that 77 percent of female adults and 86 percent of male adults were employed in 2019. It is further estimated that 90 percent of females that are employed were self-employed, against males at 81 percent (WBG 2020d).

MSME CONTEXT

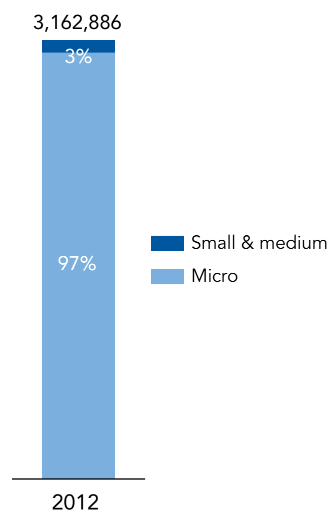
The most recent census of MSMEs in Tanzania was carried out in 2012 by FSD Tanzania. The National Baseline Survey found that there were 3.1 million MSMEs and that only 3.9 percent (that is, 123,353 MSMEs) were registered with the Business Registration and Licensing Agency; 96.1 percent were not registered (3 million MSMEs) (FSDT 2012).

MSMEs are categorized based on employee count and capital investment in machinery: micro enterprises have fewer than 10 employees and up to T Sh 5 million in investments; small have between 10 and 49 employees and T Sh 5 to 200 million in investments; and medium have between 50 and 99 employees and T Sh 200 to 800 million in investments (FSDT 2012). The vast majority of MSMEs are micro enterprises—that is, 97 percent. All medium-sized businesses were registered with the Business Registration and Licensing Agency, while only 16 percent of small and 4 percent of micro businesses were registered.

A subsequent register of businesses was carried out by TNBS in 2015. This identified that micro businesses accounted for 77.3 percent of all enterprises, followed by small businesses at 21.7 percent. Medium and large businesses accounted for less than 1 percent of all establishments. No overall number of total MSMEs was reported from this registry (TNBS 2016).

Females make up a higher percentage of micro businesses, 55 percent, than small and medium-sized businesses, 14 percent.

Figure 32: Distribution of MSMEs



Source: FSD Tanzania, National baseline survey report, 2012

The Tanzanian government has in place the following mechanisms to support the growth of the MSME industry:

i. The **SME Development Policy of 2003** set out to transform Tanzania from an agricultural to a semi-industrialized economy by stimulating growth in the SME sector. The policy sought to achieve this through the following:
   - Enhancing the **legal and regulatory framework** and **strengthening institutions and associations** that support the SME sector
   - Improving **physical infrastructure and the provision of utilities**
   - Providing **BDS,** such as entrepreneurship development, business training, and dissemination of information, facilitating the acquisition and adaptation of technologies, and supporting access to markets for SMEs

TABLE 45: Distribution of MSMEs by Sex of Owner and Size of Business

SIZE OF BUSINESS	MALE	FEMALE
Micro	44.6%	55.4%
Small and medium	86%	14%

FSD Tanzania, National baseline survey report, 2012

- **Enhancing access to finance** for SMEs
- **Rural industrialization** through establishing manufacturing enterprises

A review of the implementation of the policy carried out in 2012 identified that the document remained relevant and, at the time of writing, had been comprehensive. Growth in the number of enterprises and tax-paying businesses was attributed to the policy. The key gap identified related to the complexity of the implementation and the need for more directed implementation, the lack of clarity on which leading agency was in charge of each subject area, and the lack of a SME desk within the Ministry of Industry and Trade to coordinate the implementation. Furthermore, there was a need to update the policy—for example, with regard to the areas in which MSMEs require the most support (UNIDO 2013).

ii. Established in October 1973, the **Small Industries Development Organisation** is the main government arm for promoting MSMEs in the country. The organization's BDS offerings are structured around achieving the following objectives:

- **Technology and technical services**: Aiding MSMEs to develop and take up new innovative and adaptive technologies and providing MSMEs with affordable and appropriate working premises for MSMEs to establish and run their businesses
- **Training and technical services:** Providing business/entrepreneurship training and extension services
- **Marketing and information services:** Promoting business networking and market linkages, aiding in marketing services both locally and internationally, and providing packaging services
- **Financial services:** The Small Industries Development Organisation's credit guarantee scheme is implemented in partnership with CRDB Bank to provide loans to MSMEs' investment and business-promotion activities in agroprocessing and agribusinesses. The organization also provides MSMEs with links to FIs for potential financing.
- **Business training and consultancy:** This includes business advisory, entrepreneurship, and business-skills training in key segments and sectors.

iii. The **Tanzania Entrepreneurship and Competitive Centre** was established in 2016 to promote entrepreneurial innovation and competitiveness in the country. It aims to achieve this through skills development, by promoting local economic development through increased interactions between academia, industry, and government (that is, triple-helix cluster approach), and by providing business intelligence through studies and advisory services.[26]

iv. The **National Economic Empowerment Council** was established in 2004 to speed up the process of empowering Tanzanians economically. To this end, the council offers entrepreneurship training, coaching, and mentoring support to MSMEs in different sectors. It also helps MSMEs to attend local, national, and international trade fairs. The National Economic Empowerment Council further manages a guarantee scheme on behalf of the government and is collaborating with CRDB Bank to offer financial services to MSMEs that are members of SACCOs (Mori 2014).

From a women entrepreneurship and traders perspective, the following organizations focus on supporting their business ventures:

i. Women's Information Centre: Established in 1997, the centre aims to increase the visibility of the policies of the Ministry of Health, Community Development, Gender, Elderly, and Children and strengthen its institutional and managerial gender-oriented capacity to raise women's empowerment in Tanzania. The Women's Information Centre further promotes dialogue with the civil society by undertaking collaborations with women's groups, associations, and organizations.[27] In 2004, the centre opened the Women Information Window, which offers information to women on legal issues, education, and business and marketing opportunities. In 2008, the Women's Information Window facilitated the establishment of the Tanzania Women's Bank, which is mostly owned by the government and operates with funds from the Women's Development Fund (Mori 2014).

ii. Women's Development Fund: Established in 1992, the fund is administered by the Ministry of Health, Community Development, Gender, Elderly, and Children and aims to support the economic empowerment of women, especially in rural areas, by providing them with loans that they can use to start/scale up a wide range of income-generating activities. This includes agriculture, sale of processed food, and petty trade (IDS 2017).

8.3.6 Uganda Context

MACROECONOMIC CONTEXT

Uganda is classified as a low-income nation by the WBG, with a GDP of $30.7 billion and a GDP per capita of $770 as of 2019 (IMF 2020a). The GDP grew to 6.1 percent in 2019 from 2.3 percent in 2016. This was accounted for by the growth in the ICT sector and favorable climate conditions, promoting growth in the agricultural sector.

The 2021 general elections may create some uncertainty following the parliament's constitutional amendment to remove presidential age limits.[28] This followed the 2005 deletion from Uganda's constitution of the two-term-limit clause. A Ugandan lawyer has filed a petition with the East African Court of Justice to determine whether the Constitutional Court of Uganda's decision to extend presidential term and age limits was against the EAC's treaty on democracy and good governance. A ruling on this had yet to be passed (East African 2020d).

In 2018, inflation dropped to 3.1 percent and has remained stable due to reported prudent monetary policy, a stable exchange rate, and lowered food inflation (AfDB 2018b). Increased inflows from agricultural exports continue to contribute to a stable currency. Other factors affecting the Ugandan exchange rate include remittances, growth in FDI and tourism, and oil production. In 2018, the official exchange rate stood at 3,727 Ugandan shillings (U Sh) per US dollar (WBG 2020d).

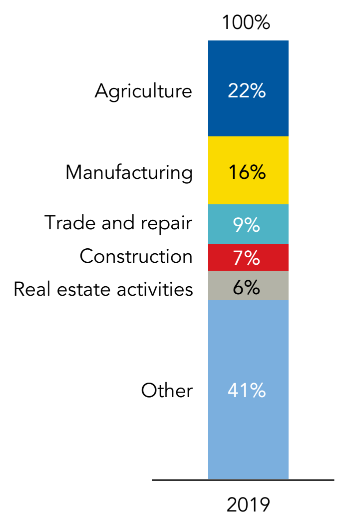
Uganda's current account deficit widened to -11.5 percent of GDP in 2019 from -3.4 percent in 2016. As with other EAC countries, this was driven by large infrastructure investments in power generation, roads, and the oil sector. The public debt to GDP ratio was estimated at 30 percent in 2018–19.[29] The country aims to embark on a "Domestic Revenue Mobilization Strategy" that seeks to grow revenue by 2.5 percent of GDP over five years.

The top five sectors contributing to GDP are agriculture, manufacturing, trade and repair, construction, and real estate activities, as depicted in figure 33 (UBS 2019b).

Uganda is ranked 116th in the WBG's 2020 Ease of Doing Business ranking and 12th in SSA. In relation to the indicators that affect traders, Uganda ranks as follows:

- **169th for starting a business**: This low ranking reflects the large number of procedures involved (13), the time taken (24 days), and high costs (40.5 percent of income per capita).
- **80th for getting credit**: This moderately high ranking reflects the depth of credit information and strong

FIGURE 33: Top Five Sectors Contributing to GDP (% of GDP, 2019)



Source: UBS Statistical abstract (2019).

TABLE 46: Key Macroeconomic Indicators for Uganda

INDICATORS	2016	2017	2018	2019*	2020*	2021*
Nominal GDP, US$, billions	24.8	26.5	28.1	30.7	33.9	37.1
GDP growth, %	2.3%	5.0%	6.1%	4.9%	3.5%	4.3%
GDP per capita, US$	676.9	702.4	724.2	770.1	823.1	873.7
Inflation, %	5.5%	5.6%	2.6%	2.9%	3.9%	4.4%
Exchange rate, K Sh/US$	3,420.1	3,611.2	3,727.1			
Current account balance, % of GDP	–3.4%	–5.0%	–8.9%	–9.5%	–9.7%	–8.1%
Population, millions	36.6	37.7	38.8	39.8	41.2	42.5

Sources: IMF World Economic Outlook (WEO) Database, 2020a) ; World Bank Group (WBG) World Development Indicators (WDI) Database (2020d).
Note: *Estimates

TABLE 47: Ease of Doing Business Indicators Related to Trading across Borders for Uganda

TRADING-ACROSS-BORDERS INDICATORS	UGANDA	SSA	OECD HIGH INCOME
Time	**Hours**	**Hours**	**Hours**
Export: Border compliance	59	97.1	12.7
Export: Documentary compliance	24	71.9	2.3
Import: Border compliance	145	126.2	8.5
Import: Documentary compliance	96	96.1	3.4
Cost	**US$**	**US$**	**US$**
Export: Border compliance	209	603.1	136.8
Export: Documentary compliance	102	172.5	33.4
Import: Border compliance	447	690.6	98.1
Import: Documentary compliance	296	287.2	23.5

Source: WBG, Ease of Doing Business (2020).
Note: Orange shading reflects above SSA averages.

legal rights. Further, there has been continued growth in digital lending platforms.

- **121st for trading across borders**: This low ranking reflects the longer time taken to import goods and the higher costs for both import and export, particularly for import documentary compliance (WBG 2020e). (See table 47.)

SOCIODEMOGRAPHIC CONTEXT

Uganda has a population of 40 million people (IMF 2020a). Among the EAC countries, Uganda reports the largest proportion of children, 47 percent. Adults of working age make up 51 percent of the population. Females make up marginally more of the population, 50.7 percent. Seventy-six percent of the population was reported to live in rural areas.[30]

The most populous districts in Uganda are Wakiso (2.7 million), Kampala, the capital city (1.7 million), and Arua (0.9 million). The most populous border districts[31] were Arua, followed by Kasese (0.7 million) and Yumbe (0.6 million) (UBS 2019a).

Fifteen percent of adults had attained no formal education, while 55 percent had attained at least a primary education, and 24 percent had attained a secondary education (FSD Uganda 2018).

In 2018, 58 percent of adults had formal financial access. Of this, 22 percent had formal access only, and 36 percent had both formal and informal access. Formal financial access for females stood at 54 percent, compared to males at 63 percent. As with other markets, females had a higher usage of informal financial access only.

Seventy-four percent of business owners who were traders reported having formal access, 13 percent reported informal access, and 13 percent were excluded.

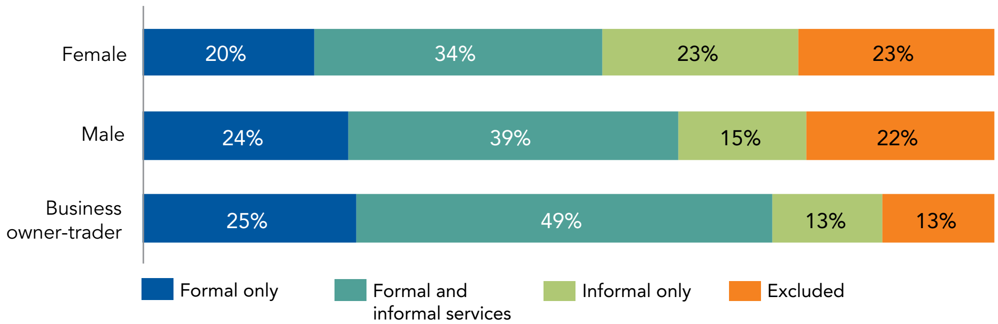
The ILO estimates that 76 percent of female adults and 65 percent of male adults were employed in 2019. It is further estimated that 85 percent of females that are employed were self-employed, against males at 71 percent (WBG 2020d).

MSME CONTEXT

The last business census carried out in 2011 by the Uganda Bureau of Statistics reported that there were 458,106 businesses in Uganda, having grown from 161,000 in 2002.[32] Of these, 457,177 were MSMEs; 70 percent of these were micro businesses (that is, 321,245), 20 percent were small businesses (91,452), and 10 percent were medium businesses (44,480). The size of businesses was categorized based on turnover and number of employees. Micro businesses have an annual turnover of U Sh 5 million and fewer than 19 employees; small businesses have an annual turnover of between U Sh 5 million and U Sh 10 million and fewer than 50 employees; and medium businesses have a turnover of more than U Sh 10 million and fewer than 50 employees (UBS 2011).

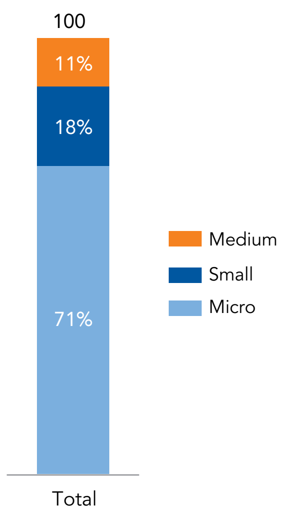
More recently, in 2015, FSD Uganda carried out a smaller survey to determine key characteristics of MSMEs. This survey found that micro businesses still accounted for 71 percent of MSMEs, followed by a marginal reductions in

FIGURE 34: Financial Access by Sex and Traders



Source: FSD Uganda, FinScope Uganda (2018).

FIGURE 35: Distribution of MSMEs per Size Category



Source: FSD Uganda, National small business survey of Uganda (2015).

TABLE 48: Ownership of Businesses by Gender

SIZE OF BUSINESS	FEMALE	MALE
Micro	24.8%	75.2%
Small	22.2%	77.8%
Medium	17.5%	82.5%

Source: FSD Uganda , National small business survey of Uganda (2015).

small businesses, to 18 percent, and medium businesses, to 11 percent (FSD Uganda 2015). Twenty percent of MSMEs reported not being registered, while 30 percent were registered with the national government and 37 percent were registered at the district level.

From the census, female owners accounted for 44 percent of owners in 2011, having risen from 37 percent in 2002. However, the survey registered a significant drop in female ownership, accounting for only 24 percent of MSMEs. Female ownership further declines as the size of business grows.

The government has put the following mechanisms in place to support MSMEs in Uganda:

iii. The **Uganda MSME Policy of 2015** sets out to stimulate growth of sustainable MSMEs by doing the following:
   - Providing an enabling environment through a **policy, legal, and institutional coordination framework**
   - Promoting **research, product/process development, innovation, value addition, and appropriate** technologies, including ICT
   - Promoting **product and service standards for quality assurance**
   - Supporting **access to markets and business information services**
   - Increasing **access to credit and financial services**
   - Enhancing **capacity building** for entrepreneurship and vocational-business and industrial-development skills
   - Enhancing **gender equality, inclusiveness, and environmentally friendly** businesses for sustainable development

iv. The **Directorate of MSMEs** was established in 2015 by the MSME policy to manage the policy's implementation and oversee its monitoring and evaluation.

Organizations that support women business owners or traders include the following:

1. The **National Association of Women's Organizations in Uganda** was registered as a nongovernmental organization in 1993. Its membership includes clusters of women's community-based organizations, faith-based

organizations, other nongovernmental organizations, and women's professional bodies. Related to women-led businesses, the association seeks to promote access to economic justice, markets, and value-chain production.[33]

The National Association of Women's Organizations in Uganda's operations are national, operating in 19 districts. Some of the impact that it has had includes facilitating 26 women's group to form a network that was legally registered at the district by 2016. This district network had attracted 39 more groups to join. This network was then able to acquire inputs in bulk and market collectively (NAWOU 2019).

2. The **Women of Uganda Network** is a nongovernmental organization established in 2000 to develop the use of ICT among women and women's organizations so as to take advantage of the opportunities presented by ICT in order to address national and local problems of sustainable development effectively.[34]
3. The **Uganda Investment Authority Women Entrepreneurs Network** was established in 2000. It seeks to provide capacity building, advocacy, networking, and business advisory services to its network of women.[35]

NOTES

10. WBG (2020). Note: Population distribution estimates refer to 2018.
11. AfDB 2019; IMF Article IV, 2018.
12. CBK annual reports, 2013–17.
13. CBK annual reports, 2013–17; IMF Article IV 2018.
14. IMF (2020a). Note: Population distribution estimates refer to 2018.
15. Note: Border counties were defined as counties that directly border another nation. Counties with water bodies between them and another nation were not included.
16. Federation of Women Entrepreneur Associations website.
17. IMF, Article IV Rwanda, 2019; NBR (2019); AfDB 2020).
18. WBG (2020). Note: Population distribution estimates refer to 2018.
19. BRD 2018. Exchange rates from Oanda.com are as of December 31, 2018.
20. BDF (2017). Exchange rates from Oanda.com are as of December 31, 2017.
21. Special accounts are the accounts of "all the foreign diplomatic missions, UN agencies and offices of other organizations established by international and regional treaties, international nongovernmental organizations (INGOs), oil and mining companies, and the accounts of projects funded by international and regional partner bodies," which are subject to special rules as described in BSS Circular No. DCB/2/2017 of July 2, 2017.
22. IMF, South Sudan Article IV, 2019.
23. WBG (2020). Note: Population distribution estimates refer to 2018.
24. World Population Review website.
25. TNBS data.
26. Youth Business International website.
27. Ministry of Health, Community Development, Gender, Elderly, and Children website.
28. IMF Article IV Uganda Report, 2019.
29. IMF Article IV Uganda Report, 2019.
30. WBG (2020). Note: Population distribution estimates refer to 2018.
31. Note: border districts were defined as districts that directly border another nation. Districts with water bodies between them and another nation were not included.
32. Note: FSD Uganda carried out a survey of small businesses in 2015. This survey provided characteristic distributions of MSMEs but did not seek to estimate the overall size of the MSME sector.
33. National Association of Women's Organizations in Uganda website.
34. Women of Uganda Network website.
35. Uganda Investment Authority website.

8.4 CUSTOMS UNION AND KEY TRADE AGREEMENTS

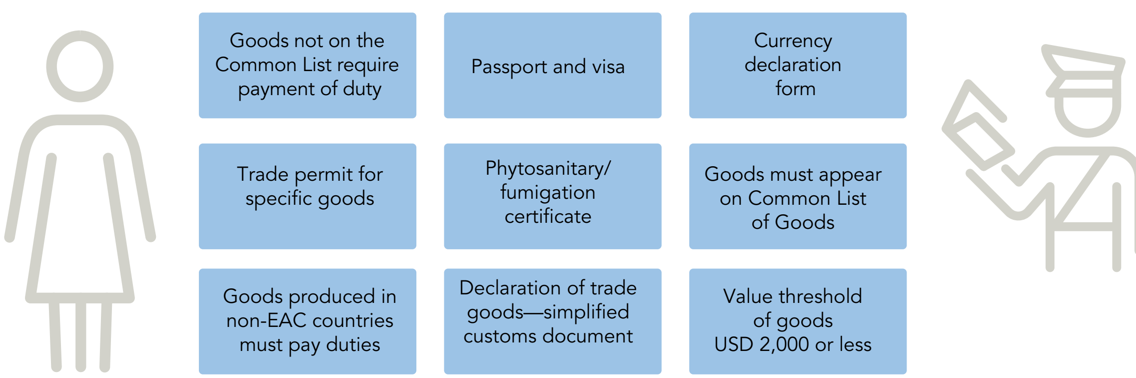
8.4.1 East African Community

With the EAC region, an STR was introduced in 2007 with the adoption of a **simplified certificate of origin for goods valued at less than $2,000**. This was accompanied with a common list of eligible products. A significant proportion (33 percent) of goods traded across the EAC are valued at $2,000 or less, giving rise to this STR (UNCTAD 2019a).

Compared to COMESA (to be discussed below), the EAC STR has had less success, as certain factors have impeded the uptake of the STR. These factors include a **lack of exemption from a number of domestic taxes, and that small-scale traded goods still require a certificate of origin and payment of duty for traders who do not possess a certificate of origin**. A certificate of origin can be applied for online, but the application process requires a few documents. In Tanzania, for example, the supporting documents required are a form for verification of origin, consignment for verification, the packing list, a commercial invoice, a bank deposit slip, and a stamped bank deposit slip. This suggests that traders would need to have access to a bank in order to obtain the relevant bank documentation and to make payment for the certificate of origin. The Chamber of Commerce, Industry, and Agriculture is responsible for verifying goods, and traders would need to travel to the chamber for verification. There are currently over 100 branches in each country (UNCTAD 2019a).

Additionally, **implementation of the STRs across different countries has not been adequately harmonized**, creating frustrations for traders.

FIGURE 36: Requirements for Certification to Exit or Enter a Country under EAC STR



Source: UNCTAD , Borderline: Women in Cross-Border in Malawi, Tanzania and Zambia (2019).

TABLE 49: Challenges Affecting EAC STR Uptake

EAC STR CHALLENGES	
Minimal exemptions from taxes	Lack of exemption from a number of domestic taxes
Stringent border requirements and additional costs	Small-scale traded goods still require a certificate of origin. Given that most traders are unable to provide this, goods that should cross the border duty free are subject to duties when their origin cannot be shown.
Limited familiarity with STR	Cross-border traders are unaware of the STR, laws, and protocols that are related to trade facilitation. They also may not fully understand the implications and benefits of the STR. This puts them at a disadvantage, as they are unable to claim their rights and proper enforcement of applicable laws. Border officials may also have limited knowledge of STRs.
Disinformation about STR mechanisms	Disinformation about STR mechanisms remains an issue in the EAC. For example, traders purchase simplified certificates of origin at border posts even though the form is available at customs offices free of charge.
Inconsistent implementation of STRs	Reports of the unpredictability of declarations and different implementation across countries result in confusion.

Sources: UNCTAD, Borderline: Women in Cross-Border in Malawi, Tanzania and Zambia (2019) ; Stakeholder interviews, 2020.

EAC countries have further developed **15 one-stop border posts (OSBPs)** with the support of TradeMark East Africa, UKAID, and Canada. As of 2018, 13 had been operationalized. These OSBPs serve to provide proper physical infrastructure and ICT solutions that lead to a reduction in customs processing time and costs paid by businesses. It was reported that the 13 OSBPs had reduced time spent at borders from days to anywhere from 1.5 to 30 minutes on average (TMEA 2018; EAC 2018a).

8.4.2 Common Market for Eastern and Southern Africa

The COMESA STRs were introduced in 2007 with the aim of streamlining trade procedures at the border. Three key components are associated with the COMESA STR: (i) a **common list of approved products** (ii) **a simplified customs document,** and (iii) **a simplified certificate of origin**. The list of approved products is agreed upon by the COMESA partner states that have shared borders based on goods that are commonly traded (UNCTAD 2019a).

Goods that are considered eligible (that is, goods that form part of the approved list) comply with the following requirements (UNCTAD 2019a):

- Goods should be produced within the COMESA region; or
- The value of any foreign material should not exceed 60 percent of the total cost of all material; or
- The value added of the goods produced in the partner states should be at least 35 percent of the ex-factory cost.
- Goods must contain a reference number that corresponds to the exporting license of the manufacturer/producer.

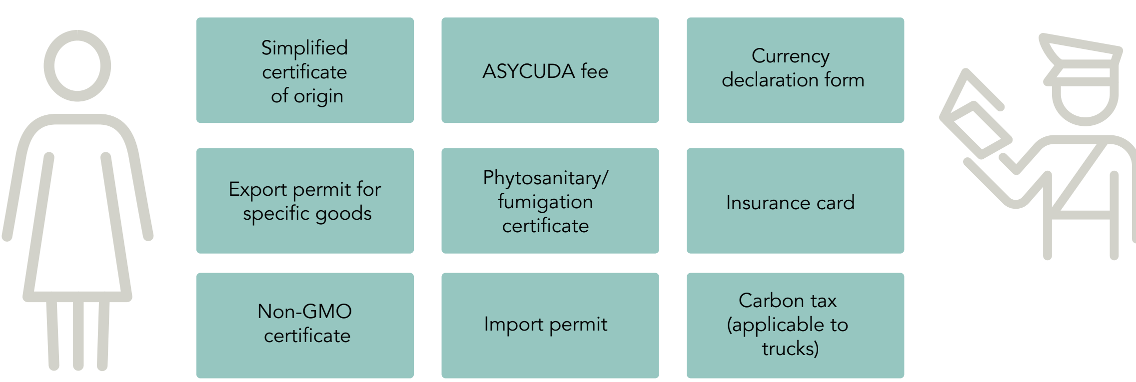
Traders are then required to complete a simplified customs document and a simplified certificate of origin. The certificate of origin is initially submitted to the designated issuing authority in the exporting partner state and then to customs authority in the importing partner state. This is done to authenticate and obtain clearance from all states. The simplified certificate of origin is **issued at the border posts, allowing traders located in remote areas to benefit from the STR** (UNCTAD 2019a)**.**

Depending on the type of goods being traded, there may be a requirement for traders to obtain a permit, particularly for certain categories of animal and agricultural products. COMESA STR also does not provide exemptions from border requirements regarding immigration or sanitary and phytosanitary (SPS) measures. A lack of provision of exemptions for these requirements suggests that this remains a constraint for small-scale traders. COMESA has implemented some solutions to relax SPS requirements involving mutual recognition of SPS measures among partner states. However, food-inspection services and laboratories are inadequate. In addition, there ceases to be a consistent approach to SPS or a comprehensive SPS policy (EABC 2020). Despite the benefits of the STR, factors impede its full uptake, as shown in table 50.

8.4.3 Southern African Development Community

Just as with COMESA and the EAC, regional integration is an important objective for SADC. However, SADC does not have an STR in place yet. The SADC ministers have **mandated the secretariat to commence plans for developing an STR for intra-regional trade (SADC 2019).**

FIGURE 37: Requirements for Certification to Exit or Enter a Country under COMESA STR



Source: UNCTAD, Borderline: Women in Cross-Border in Malawi, Tanzania and Zambia (2019).
* ASYCUDA = Automated System for Customs Data

TABLE 50: Challenges Affecting COMESA STR Uptake

COMESA STR CHALLENGES	
High costs	Additional fees (that is, processing fees) accompany traded goods that are considered eligible for STR treatment. These fees can be particularly high ($10 per invoice), especially for small-scale traders. Traders are still affected by a range of nontariff barriers that operate at the border. Formal trade requirements that are still in place form part of these nontariff barriers—for example, border service fees and certificates of origin.
Narrow list of eligible goods	The list of eligible goods for STR treatment is still limited to fewer than 30 items at some borders.
Inconsistent implementation of STRs	Implementation of the STR is impeded by the inconsistent application of rules and requirements at the border.
Limited familiarity with STR	Limited knowledge and understanding among traders of the STR and its prerequisites. This could be due to the lack of access to information.
Low presence of trade information desk officers at borders	COMESA developed a system of using trade information desk officers while piloting the STR. The objective of these officers was to provide information and assistance on clearance procedures as well as the list of goods qualifying for STR. However, the officers' assistance has been shown to be inconsistent. In some cases, the number of officers appointed to deal with STR issues affected the number of transactions carried out under the regime.

Source: UNCTAD, Borderline: Women in Cross-Border in Malawi, Tanzania and Zambia (2019).

The SADC Protocol on Trade came into effect in 2000 and includes provisions to **streamline and simplify customs procedures**. However, these provisions do not sufficiently address the needs of small-scale cross-border traders. In addition, awareness of the customs procedures among small-scale or informal cross-border traders remains limited.

The SADC Protocol on Trade consists of restrictive rules of origin that potentially discourage trade among informal or small-scale cross-border traders (UNCTAD 2019a). The rules of origin state that the trade commodity must have been wholly produced or obtained in one partner state; that the non-originating materials that make up the commodity must have undergone sufficient working or processing in one of the SADC countries; or that the value of the non-originating materials must not exceed 10 percent of the ex-factory price of the good (SADC 2019). Informal or small-scale traders may find the process of proving origination tedious and, as a result, not worth the transition into formal trade.

The documentation needed for proof of origin and transport information includes a certificate of origin, a transport document, and a certificate issued by the customs authorities of the country of transit. The certificate of origin requires a signature from the consignee and consignor and a description of the commodities, an exact description of the product, and the origin criteria. The transport document should include the passage from the exporting partner state through the country of transit (SADC 2019). The SADC Protocol on Trade is explicit about ensuring that trade requirements comply with that of international standards. These requirements may pose as a barrier to trade for small-scale traders, discouraging the transition in formality.

8.4.4 African Continental Free Trade Area

AfCFTA is a free trade area that includes **49 countries with the aim of removing tariffs from the majority of traded commodities and allowing free access to goods and services across the continent**. The objective of AfCFTA is to create a single market and deepen the economic integration of the continent.

AfCFTA entered into force on May 30, 2019. As at the writing of this report, 28 countries had deposited their instruments of ratification with the African Union Commission chairperson. These include Kenya, Rwanda, and Uganda. Fifty-four countries have signed the consolidated text of the agreement that establishes AfCFTA (tralac 2019b).

AfCFTA is anticipated to boost intra-African trade by 33 percent once full tariff liberalization is implemented (tralac 2019a). This will potentially attract additional intra-African investment and generate market opportunities, therefore fostering Africa's industrialization through regional value chains. However, the rules of origin are still under negotiation (UNCTAD 2019b). **Nevertheless, countries are concerned about their loss of revenues and the ability to protect domestic industry.**

TABLE 51: Challenges Affecting SADC Trade Protocol

SADC TRADE PROTOCOL CHALLENGES	
Restrictive rules of origin	The SADC Protocol on Trade consists of restrictive rules of origin that potentially discourage trade among informal or small-scale cross-border traders (UNCTAD 2019a). These traders may find the process of proving origination tedious and, as a result, not worth the transition into formal trade.
Heavy administration required	Traders are required to provide transport information, signatures from both the consignee and consignor, and details of the traded commodities. These requirements pose a barrier to trade and impede the transition into formality.
Dependence on trade taxes	A low or uniform CET is accompanied with government revenue challenges. Revenue from trade taxes is at least 10 percent of total government revenue in most SADC partner states (IMF 2004). Finding another source of revenue in order to replace lost trade taxes may be difficult.

Source: UNCTAD, Borderline: Women in Cross-Border in Malawi, Tanzania and Zambia (2019).

As it stands, AfCFTA agrees to a 90 percent tariff liberalization. The remaining 10 percent of tariffs are to be divided into two categories: (i) 7 percent to be designated sensitive products and to be eliminated over time; and (ii) 3 percent to be excluded from liberalization (Mail & Guardian 2019). Liberalization is expected to be staggered, depending on a country's classification as follows:

i. One of the 32 least-developed countries that will be given 10 years to achieve 90 percent trade liberalization and 13 years to eliminate the designated sensitive products. Of the EAC countries, this includes Burundi, South Sudan, Tanzania, and Uganda.

ii. Countries that are not least developed countries, which will be given five years to achieve 90 percent of liberalization and 10 years to eliminate the designated sensitive products. Of the EAC countries, this includes Kenya and Rwanda.

iii. G6 countries that face specific development challenges—namely, Ethiopia, Madagascar, Malawi, Sudan, Zambia, and Zimbabwe. These will be given 15 years to achieve 90 percent liberalization. The elimination of designated sensitive products has yet to be determined (UN 2019).

However, the rules of origin and products or services that would be applicable for duty-free trade across the region are still to be discussed and agreed in 2020.

EAC partner states that are part of AfCFTA include Kenya, Rwanda, Tanzania, and Uganda.

8.4.5 SADC-EAC-COMESA Tripartite Free Trade Area

The partner states of COMESA, the EAC, and SADC agreed in October 2008 to negotiate the SADC-EAC TFTA, which was launched on June 10, 2015, during a tripartite summit. The agreement initially covered 26 member states across the three regional economic communities. The expansion of the EAC to include South Sudan in 2016 raised the number of participating member states to 27 (tralac, n.d.).

The tripartite summit had given member states 12 months from the launch of the TFTA to conclude outstanding negotiations issues on rules of origin, trade remedies, and tariff offers. However, due to a number of challenges faced in the process, the deadline of June 2016 was not met, and the commencement of Phase II negotiations—covering trade in services and other trade-related matters—has been delayed pending the conclusion of negotiations on Phase I issues.

Twenty-four of the 27 member states have signed the declaration; only Libya, Eritrea, and South Sudan have yet to sign. The TFTA agreement has been signed by 22 member countries—namely, Angola, Botswana (signed on January 30, 2018), Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe. As of February 2020, eight countries have ratified the agreement: Botswana, Burundi, Egypt, Kenya, Namibia, Rwanda, South Africa, and Uganda. The agreement requires 14 ratifications to enter into force.

8.4.6 Economic Community of Central African States

ECCAS (CEEAC in French) is a community for wider Central African states formed in 1983 with the objective of achieving collective autonomy, raising the standard of living, and maintaining economic stability. ECCAS comprises the following partner states: Angola, Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of

Congo, Republic of Congo, Equatorial Guinea, Gabon, Rwanda, and São Tomé and Príncipe. In 2018, growth in Central Africa was 2.2 percent, which is double that of 2017 (African Business 2019). However, in comparison to SSA, Central Africa is still below the growth average of 3.5 percent (African Business 2019). Conflict between nations and financial difficulties have resulted in slowed development in ECCAS.

In relation to trade, the objectives of ECCAs include the following:

i. Elimination of customs duties and any other charges having an equivalent effect on imports and exports between partner states
ii. Abolition of quantitative restrictions and other trade barriers
iii. Establishment and maintenance of an external common customs tariff
iv. Establishment of a trade policy in relation to third states
v. Progressive removal of barriers to the free movement of persons, goods, services, and capital and to the right of establishment
vi. Harmonization of national policies in order to promote community activities—for example, industry and transport (UNECA, n.d.)

ECCAS launched its free trade area with the aim of establishing a customs union of CET by 2008. At the writing of this report, the customs union had yet to be realized. ECCAS is reportedly implementing trade-facilitation programs, including the construction of OSBPs (UNECA, n.d.).

The main characteristics of rules of origin relating to the relevant document requirements for trade include an ECCAS certificate of origin and an obligation of preregistration and approval of the manufacturer and/or exporter. The preregistration of the exporter can be quite challenging to obtain, as it demands many details about product quantities and values (UNCTAD 2019b).

8.4.7 EAC-EU Economic Partnership Agreement

The EAC finalized negotiations for an EPA with the European Union on October 16, 2014. Kenya and Rwanda signed the EPA in September 2016, and Kenya has ratified it. For the EPA to enter into force, the three remaining EAC members need to sign and ratify the agreement.[36]

The EU-EAC EPA covers trade in goods and fisheries as well as development cooperation that aims to reinforce cooperation on the sustainable use of resources. Further negotiations are ongoing to include services and trade-related rules in the future. The deal is balanced and fully in line with the EAC CET.

TABLE 52: Challenges Affecting ECCAS

ECCAS TRADE CHALLENGES	
Political insecurity	Central Africa is among the most fragile regions on the continent, having witnessed a large number of coups d'état, crises, and conflicts since 1990. These have had a destabilizing effect on trade.
High costs and delays at borders	It is reported that trucking charges are exorbitantly high. This is coupled with lengthy delays for traders.
Slow implementation	Even well past the 2008 deadline, customs union implementation has yet to be achieved.

Sources: Institute for Security Studies, Central Africa Report (2015); World Bank, ECCAS's Infrastructure (2011)

NOTE

36. European Union website. East African Community website.

8.5 INTRA-EAC TRADE

BURUNDI

Overall Burundi intra-EAC trade accounted for 16 percent of total Burundi trade in 2018.

Exports from Burundi accounted for $16.6 million in 2018, up from 11.5 million in 2017 (EAC 2018b). The main commodities contributing to the growth in exports were coffee and tea, accounting for $5.2 million, as well as soap and washing preparations, which made up $0.65 million. As with overall EAC trade, growth in coffee and tea was attributed to improved weather conditions.

Total imports from the EAC came to $134 million in 2018, which was a drop from $151 million in 2017. Most of Burundi's imports came from Kenya, Tanzania, and Uganda, making up 34 percent of total intra-EAC imports. The fall in the volume of import commodities such as petroleum oils and medicaments contributed to the drop in imports.

BOX 13

Burundi's Informal Cross-Border Trade Statistics

It was reported that informal trade contributed 39 percent of Burundi's GDP in 2010, according to Consumer Unity and Trust Society International Trade Guide on Fixing informality (ITC 2013). No more recent data points were available.

A directive set by Burundi in 2017 in effect stopped trade with Rwanda as a result of political animosity between the two countries. As of 2019, trade had begun to pick up again.

KENYA

Intra-EAC trade accounted for 8 percent of Kenya trade as of 2018.

In 2018, total intra-EAC exports marginally increased to $1,274 million from $1,272 million in 2017. Exports to Uganda accounted for almost half of total intra-EAC exports (48 percent). Kenya's most exported commodities within the EAC are plastics, salt and sulphur, and iron and steel (EAC 2018b). Salt, sulphur, stone, and cement accounted for $58.7 million in Kenya, of which 70 percent went to Uganda, while plastics exported to Uganda made up 51 percent of the total value.

Total intra-EAC imports equated to $676 million in 2018, from $590 million in 2017. Even though Kenya imported from all EAC partner states, imports from Tanzania and Uganda accounted for 98 percent of the total (EAC 2018b). The main imports from Uganda were manufactured tobacco, cane or beet sugar, leguminous vegetables, maize, and milk. The key imports from Tanzania were paper and paperboard, as well as maize and unglazed ceramic flags (EAC 2018b). The World Integrated Trade Solution database shows Kenya's key intra-import commodities to be raw materials, edible vegetable products, and intermediate goods. The key commodities from the EAC investment report, as stated above, could possibly be a detailed breakdown into the commodities listed by the database.

TABLE 53: Burundi's Key Intra-EAC Trade Partners

TOP THREE EXPORT PARTNERS	EXPORT VALUE (US$, MILLIONS, AND % OF OVERALL INTRA-EAC TRADE)	TOP THREE IMPORT PARTNERS	IMPORT VALUE (US$, MILLIONS, AND % OF OVERALL INTRA-EAC TRADE)
Uganda	3.4 (20%)	Tanzania	16.5 (12%)
Kenya	2.2 (13%)	Uganda	16.4 (12%)
Rwanda	0.8 (5%)	Kenya	13.4 (10%)

Source: EAC Trade and Investment Report (2018).

TABLE 54: Kenya's Key Intra-EAC Trade Partners

TOP THREE EXPORT PARTNERS	EXPORT VALUE (US$, MILLIONS, AND % OF OVERALL INTRA-EAC TRADE)
Uganda	612 (48%)
Tanzania	294 (23%)
Rwanda	176 (14%)

TOP THREE IMPORT PARTNERS	IMPORT VALUE (US$, MILLIONS, AND % OF OVERALL INTRA-EAC TRADE)
Uganda	488 (72%)
Tanzania	176 (26%)
Rwanda	12 (2%)

Source: EAC Trade and Investment (2018); World Integrated Trade Solution Database (2018).

BOX 14

Kenya's Informal Cross-Border Trade Statistics

A KNBS survey conducted from April to June 2011 at 24 border stations estimated that informal trade stood at $30 million. This accounted for **6 percent of formal second-quarter trade with Kenya's neighboring countries** (Ethiopia, Somalia, Sudan, Tanzania, and Uganda). Of these, informal exports accounted for $16 million and imports for $14 million. Whereas these figures are likely grossly understated because the research did not incorporate trade via air, focused only on formal border crossings, and was carried out for only two weeks, it provides some indication of the nature of informal trade.

Tanzania was the largest informal trade partner at $16 million, followed by Uganda at $5 million. Of the border stations included in the survey, the stations with the highest reported instances of informal trade were Isebania (Tanzania border), Mandera (Ethiopia and Somalia border), and Busia (Uganda border).

A more recent survey in 2015–16 was mentioned by KNBS but was yet to be officially published.

Another study published in *The Estey Centre Journal of International Law and Trade Policy* estimated that total informal cross-border trade accounted for **over 40 percent of GDP in 2012**. The type of goods traded informally varies from one trading post to another. They include small volumes transported by individuals crossing the border while carrying goods on their head or in a wheelbarrow, or large volumes transported by trucks, dhows, ships, or air. They also range from raw agricultural products to electronics and vehicles. Nevertheless, staple food commodities accounted for the majority of trade; maize accounted for 68 percent of informal flows.

Sources: KNBS (2011); Gor (2012).

RWANDA

Intra-EAC trade stood at 16 percent of total Rwanda trade in 2018.

Total intra-EAC exports grew by 34.4 percent to $21.1 million in 2018, from $15.7 million in 2017 (EAC 2018b). The main exports included coffee and tea, ores, products of the milling industry, and edible vegetables. Coffee and tea exports to the EAC amounted to $9.34 million in 2018, growing over 50 percent since 2017. Edible vegetable exports to the EAC grew by 82 percent to $19.5 million in 2018 (EAC 2018b). Uganda was the main export destination for these high-earning commodities. Positive export growth in Rwanda is due to improved weather conditions and strong economic growth.

In 2018, total intra-EAC imports in Rwanda increased to $137.2 million, from $119.6 million in 2017 (EAC 2018b). Key import commodities into the country include salt and cement, plastics, and iron and steel, which grew in 2018 by 24.5 percent, 5.9 percent, and 40.4 percent, respectively. Most imports from EAC partner states in 2018 were from Uganda, accounting for 44.4 percent, followed by Kenya with 29.9 percent.

Political rows with Burundi in 2017 and Uganda in 2018 have affected trade between large trade counterparts. At the writing of this report, the border with Uganda at Katuna/Gatuna remained closed for trade.

TABLE 55: Rwanda's Key Intra-EAC Trade Partners

TOP THREE EXPORT PARTNERS	EXPORT VALUE (US$, MILLIONS, AND % OF OVERALL INTRA-EAC TRADE)
Uganda	38.3 (43%)
Kenya	8.2 (9%)
Burundi	6.4 (7%)

TOP THREE IMPORT PARTNERS	IMPORT VALUE (US$, MILLION, AND % OF OVERALL INTRA-EAC TRADE)
Uganda	234 (43%)
Kenya	164 (30%)
Tanzania*	29 (21%)

Sources: EAC Trade and Investment (2018); World Integrated Trade Solution Database (2018).
Notes: Estimation on imports from Tanzania based on WITS database contribution estimation of 21 percent.

BOX 15

Rwanda's Informal Cross-Border Trade Statistics

The National Institute of Statistics Rwanda carries out periodic surveys on the state of informal trade in Rwanda. The last report estimated that Rwanda's informal cross-border trade accounted for **3.6 percent of formal trade in 2018, from 3.1 percent in 2017**. Informal cross-border trade amounted to $145 million in 2018, growing by 20.2 percent. Of the EAC partner states, Uganda and Burundi were key export destinations for informal Rwandan cross-border traders; earnings in 2018 amounted to $13 million and $2.8 million, respectively (EAC 2018b).

Enhanced Integrated Framework reports that Rwanda has 50 border crossing points, and that 36 are informal. Political tensions with neighboring countries are believed to be driving continued informal trade.

Sources: EAC Trade and Investment report (2018); EIF , Partnering up to support cross-border trade prosperity in Rwanda (n.d.); and tralac Barriers hurting cross-border trade (2017).

BOX 16

South Sudan's Informal Cross-Border Trade Statistics

It is reported that the majority of South Sudan's trade is informal as a result of the **political instability and high regulatory-compliance costs**. However, no formal estimate of this is available. It is believed that the largest proportion of informal trade occurred with Uganda. The trade is highly asymmetric; the volume of exports from each neighboring country is disproportionately larger than the volume of exports from South Sudan.

As in other countries, informally traded goods vary from agricultural products to industrial goods.

Source: AfDB (2013).

SOUTH SUDAN

Intra-EAC trade accounted for 55 percent of South Sudan trade in 2018, having fallen from 85 percent in 2017. This is likely a result of continued political instability in the country, which makes it difficult to trade with non-neighboring countries.

Total intra-EAC exports from South Sudan declined significantly by 88.8 percent to $2 million in 2018 from $17.9 million due to shortfalls in the foreign-exchange market and political instability. Uganda was the only export destination from the EAC partner states in 2018. The main export commodities comprised teak logs and beams, animal products, aluminum waste, and cast iron.

South Sudan's intra-EAC imports decreased to $377 million in 2018 from $462.2 million in 2017. Kenya and Uganda were the main import destinations, accounting for 98 percent of total intra-EAC imports to South Sudan (EAC 2018b). The main import commodities consisted of primary goods such as maize, dairy products, and wheat. Key secondary commodities that were imported by South Sudan include cooking oil, iron and steel products, cement, and textiles.

TANZANIA

Intra-EAC trade accounted for 7 percent of Tanzania's total trade in 2018.

Total intra-EAC exports from Tanzania rose to $508.6 million in 2018 from $464.3 million in 2017. Kenya

TABLE 56: Tanzania's Key Intra-EAC Trade Partners

TOP THREE TRADE PARTNERS	EXPORT VALUE (US$, MILLIONS, AND % OF OVERALL INTRA-EAC TRADE)
Uganda	224 (44%)
Kenya	119 (24%)
Rwanda	104 (20%)

TOP THREE TRADE PARTNERS	IMPORT VALUE (US$, MILLIONS, AND % OF OVERALL INTRA-EAC TRADE)
Kenya	248 (82%)
Uganda	25 (8%)
Rwanda	1.4 (0.5%)

Source: EAC (2018b).

BOX 17

Tanzania's Informal Cross-Border Trade Statistics

No report assesses the size of the informal cross-border trade in Tanzania. However, the port of Dar es Salaam is a major hub for the flow of goods such as manufactured goods from China, which are traded informally to landlocked neighbors, such as Malawi and Zambia.

Source: UNCTAD (2019).

and Uganda accounted for 68 percent of total exports to EAC partner states. Key commodities were cereals, essential oils and perfumery, paper and paperboard, and mineral fuel oils. In 2018, these commodities amounted to $46.6 million, $37.6 million, $30.9 million, and $25 million, respectively. Rice and maize were the largest export commodities in terms of volume, accounting for 43,923 and 33,745 metric tons in 2018, respectively (FSNWG 2019).

In 2018, intra-EAC imports to Tanzania grew to $302.7 million from $243 million in 2017. Imports from Kenya made up 82 percent of total intra-EAC imports in 2018 (FSNWG 2019). Major import commodities included soap and washing preparations, vehicle products, and pharmaceutical products. These commodities accounted for $32.5 million, $28.4 million, and $27 million, respectively, of which all earnings went to Uganda.

UGANDA

Uganda's intra-EAC trade accounted for 21 percent of total trade in 2018.

Uganda was the **only EAC partner state with a trade surplus, whereby intra-EAC exports exceeded intra-EAC imports**. The intra-EAC trade balance amounted to $458 million in 2018 (EAC 2018b). As seen in table 57 above, Uganda was also a key export and import destination for all EAC partner states.

Uganda's total intra-exports equated to $1,254 million in 2018, which had grown from $1,126 million in 2017. Kenya and South Sudan were the key export destinations in 2018, accounting for 46 percent and 28 percent of total exports, respectively. Major export commodities in 2018 included cereals, amounting to $143.6 million; coffee and tea, accounting for $86.6 million; and residues and waste from food, amounting to $78.3 million. In terms of export volumes, beans and maize made the highest quantities: 67,123 and 48,732 metric tons, respectively (FSNWG 2019). Kenya and South Sudan were the main destinations for these two export commodities.

Total intra-EAC imports to Uganda grew to $796 million in 2018 from $565 million in 2017. Kenya and Tanzania were the sources of most imports, accounting for 65 percent and 33 percent, respectively. Natural pearls, stones, and metals amounted to $213 million in 2018 and were the import commodities with the highest value. Iron and steel were the import commodities bought from every partner state in the EAC, summing $62.4 million. Other key commodities included rice, raw hides and skins, and petroleum oils.

TABLE 57: Uganda's Key Intra-EAC Trade Partners

TOP THREE TRADE PARTNERS	EXPORT VALUE (US$, MILLIONS, AND % OF OVERALL INTRA-EAC TRADE)
Kenya	577 (46%)
South Sudan	351 (28%)
Rwanda	212 (17%)

TOP THREE TRADE PARTNERS	IMPORT VALUE (US$, MILLIONS, AND % OF OVERALL INTRA-EAC TRADE)
Kenya	517 (65%)
Tanzania	263 (33%)
Rwanda	13 (2%)

Source: EAC (2018b).

BOX 18

Uganda's Informal Cross-Border Trade Statistics

The Uganda Bureau of Statistics frequently carries out surveys to assess the size of the informal cross-border trade in the country.

Uganda's **informal exports accounted for 10 percent of total exports in 2018**. Informal exports amounted to $546.6 million in 2018, which was marginally lower than $549 million in 2017. Kenya, South Sudan, and Rwanda informal exports accounted for the majority of informal export trade earnings of $150 million, $50.4 million and $49.5 million respectively. Informal exports to Kenya grew by 5.8 percent and consisted mostly of primary products, such as maize and maize flour and beans. On the other hand, exports to Tanzania fell by 47 percent to $26.9 million in 2018 (FSNWG 2019). This is attributed to strict restrictions on the export of unprocessed agricultural products (for example, maize, beans) within the region. Major export commodities to Rwanda and South Sudan consisted of shoes, clothes, maize flour, beans, and sorghum.

Informal imports to Uganda dropped by 25.8 percent to $60 million in 2018 from $80.9 million in 2017, in part as a result of continued efforts by customs officials to raise revenues. Kenya and Rwanda were the main import destinations for Uganda during this period. Imports from Rwanda increased from $3.2 million in 2017 to $4.8 million 2018, while in Kenya and other partner states, informal cross-border imports dropped from $27.4 million in 2017 to $25 million (EAC 2018b). The decline in informal cross-border imports are due to customs officials' interest in collecting taxes on small consignments entering Uganda.

Source: EAC Trade and Investment (2018).

NOTE

37. AWIEF website.
38. AWIEF stakeholder interview.
39. Africa.com, "Africa Women Innovation and Entrepreneurship Forum (AWIEF) and Mohammed VI Polytechnic University Partner to Launch Leadtech Incubation Programme" (2020).
40. https://www.awieforum.org/programs/
41. https://www.awieforum.org/media-resources/media/
42. AWIEF stakeholder interview.

8.6 SUPPLY-SIDE FINDINGS

This section provides additional data on supply-side findings.

TABLE 58: Financial-Sector Infrastructure Distribution

COUNTRY	BURUNDI	KENYA	RWANDA	SOUTH SUDAN	TANZANIA	UGANDA
Most recent year of report	**2016**	**2018**	**2019**	**2018**	**2018**	**2019**
Bank branches		1,505	522		920	544
Bank ATMs		2,833	390		2,132	821
Bank agents		59,578	3,780		18,670	
MMO agents		223,931	102,181		483,283	212,517
Other credit provider branches	265	597	736		124	144
Insurance agents		8,612	707		635	2,384
Insurance brokers	15	215	17		115	35

Sources: BRB Financial Stability Report (2016); CBK Bank Supervision Annual report (2017, 2018); IRA, Insurance industry annual report (2019); NBR, Annual Financial Stability Report Bank, 2017 (2018, 2019); BSS Statistical Bulletin (2018); BOT Financial Sector Supervision Annual report (2018); BOU, Annual Supervision report (2017); and BOU website.

Note: Orange shading indicates that data was not available. Rwanda bank branches, agents, and other credit provider branches are 2018 data. Uganda bank branches and other credit provider branches are 2017 data. Insurance agents and brokers are 2018 data.

TABLE 59: Size of the Financial Sector

COUNTRY	BURUNDI	KENYA	RWANDA	SOUTH SUDAN	TANZANIA	UGANDA
Most recent year of report	**2016**	**2018**	**2019**	**2018**	**2018**	**2019**
Total bank assets, US$, billions	1.1	43.0	3.4	1.8	12.6	8.2
Total bank net loans, US$, billions	0.5	22.6	2.1	0.0	7.0	3.6
Bank gross nonperforming loans/gross loans, %	14.1%	12.7%	5.6%		10.5%	3.8%
Other credit providers total assets, US$, billions	0.1	5.5	0.3		0.6	0.2
Other credit providers loans, US$, billions	0.08	4.09	0.18			0.16
Insurance total assets, US$, billions	0.1	6.2	0.5		0.4	0.4
Insurance gross premiums, US$, billions	0.0	2.1	0.1		0.3	0.2
Mobile money value of transactions, US$, billions		38.9	2.1		3.6	19.8

Sources: BRB (2016); CBK (2017, 2018); IRA (2019); NBR (2018, 2019); BSS (2018); BOT (2018); BOU (2017); and BOU website.

Note: Orange shading indicates that data was not available. Rwanda bank branches, agents, and other credit provider branches are 2018 data. Uganda bank branches and other credit provider branches are 2017 data. Insurance agents and brokers are 2018 data.

TABLE 60: Sectoral Distribution of Bank Loans

COUNTRY	BURUNDI	KENYA	RWANDA	SOUTH SUDAN	TANZANIA	UGANDA
Most recent year of report	**2016**	**2018**	**2019**	**2018**	**2018**	**2019**
Personal/Consumer, US$, billions		6.5	0.2		2.1	0.7
Trade, US$, billions	0.3	4.6	0.3		1.3	0.8
Real estate, building, and construction, US$, billions		4.7	0.7		0.6	0.8
Manufacturing, US$, billions		3.2	0.2		0.8	0.6
Transport and communication, US$, billions		1.6	0.3		0.4	0.2
Energy and water, US$, billions		1.1	0.1		0.3	
Financial services, US$, billions		0.9	0.0		0.1	
Agriculture, US$, billions		0.9	0.0		0.5	0.5
Tourism, restaurant ,and hotels, US$, billions		0.7	0.2		0.3	
Mining and quarrying, US$, billions		0.1	0.0		0.2	0.0
Other, US$, billions			0.1		0.6	0.1
Total, US$, billions	0.5	24.2	2.0	0.0	7.0	3.7

Source: BRB Financial Stability Report (2016); CBK Bank Supervision Annual report (2017, 2018); IRA , Insurance industry annual report (2019); NBR , Annual Financial Stability Report Bank (2018, 2019); BSS Statistical Bulletin (2018); BOT Financial Sector Supervision Annual report (2018); BOU, Annual Supervision report (2017); and BOU website.

Note: Orange shading indicates that data was not available.

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10

Case Study

EAC WOMEN CROSS-BORDER TRADERS: AWIEF CASE STUDY

NOVEMBER 2020

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10.1 OVERVIEW AND BACKGROUND

The Africa Women Innovation and Entrepreneurship Forum (AWIEF) is a nonprofit organization established in 2015 that aims to promote innovation and entrepreneurship among women in Africa. AWIEF seeks to foster the economic inclusion, advancement, and empowerment of African women. This is done through a development program, networking functions, and the annual AWIEF conference and award evenings, all of which bring women entrepreneurs, thought leaders, and investors together.[37]

10.1.1 Membership in AWIEF

To become members of AWIEF, women are required to be entrepreneurs who either are business owners or are running a business. The business must also be registered in an African country. Membership gives women entrepreneurs access to a platform that connects women business owners to each other and other people/organizations seeking women-owned businesses. Other benefits include access to a knowledge exchange and mentorship opportunities.[38]

10.1.2 Development Programs Run by AWIEF across Africa

Key AWIEF programs include the following:

AWIEF GROWTH ACCELERATOR

The AWIEF Growth Accelerator is a four-month development initiative that focuses on **building business skills, including pitch training, capacity building, and investment**. This is focused on scaling, growing investment readiness, and developing entrepreneurial leadership among early-stage, growth-oriented enterprises that are owned by women.

Since its rollout in 2017, this pan-African program has benefited more than **100 women entrepreneurs**. Recently, the sole partner has focused implementation in South Africa alone. However, AWIEF continues to source additional partners across the continent to expand the offering.

#VALUE4HER: STRENGTHENING WOMEN'S AGRIBUSINESS ENTERPRISES IN AFRICA

#VALUE4HER is a two-year initiative (2018–20) aimed at providing **tailored agribusiness value-chain support to related women businesses.** This support includes **capacity building and training, access to national, regional, and international markets, and access to finance**. The program is carried out in partnership with the Technical Centre for Agricultural and Rural Cooperation, an institution financed by the European Union. To date, the program has trained over **1,000 women**.

In 2019, the program launched **VALUE4HERConnect, Africa's first agribusiness intelligence platform**. The platform aims to provide women traders with the following: (i) the **ability to connect, interact, trade, and share information**; (ii) **market information,** such as country profiles (including trade policies and regulation), buyer and supplier information, commodity prices, and market-entry requirements; (iii) access to finance by providing information on agribusiness-focused financiers; and (iv) **resources** on human-capacity development that can be provided both online and off-line.

The platform targets women's businesses that have been in operation **for more than three years** and do not need to be profitable and with an **annual turnover of between $20,000 and $500,000**.

In addition, the platform allows access by **external partners** that are looking to either fund, trade, procure, or source produce from these businesses. At the writing of this report, the platform had **over 600 women "agri-preneurs" registered from more than 40 countries**. Of these, 226 were within East Africa.

LEADTECH INCUBATION

The LeadTech Incubation Program was launched in partnership with the **Mohammed VI Polytechnic University, Morocco,** in March 2020. This is a six-month **incubation program targeting early-stage tech start-ups that are owned or led by women.**[39] This program also has capacity to accommodate **15 beneficiaries from across the continent** and focuses on **start-ups in fintech, agritech, edutech, healthtech, and climate/environment tech**.

The incubation program offers women tech entrepreneurs **tailored training and capacity building, mentorship programs, and funding opportunities**. The program also provides a **three-week residency at the university** with **space and infrastructure (for example, digital labs, prototyping labs)**, **five months of virtual incubation**, and an **opportunity to showcase businesses at the AWIEF conference**.

Women who are 18 years and older, live in an African country, and lead an early-stage digital start-up are eligible for the program. The women tech leaders need to have scalable, innovative businesses that integrate digital technologies into their processes. In addition, women need to be able to engage fully in the program.[40]

AWIEF WOMEN TRADER INCLUSION IN AFRICAN CONTINENTAL FREE TRADE AREA

AWIEF hosted a conference in 2019 to **call for the economic empowerment of women traders and women linked to the African Continental Free Trade Area agreement**. The conference included women politicians, businesswomen, and women entrepreneurs from across the continent. The purpose of the conference was to ensure that women were **involved in finalizing the details of the trade agreement**. The exclusion of women from these conversations could have potentially resulted in the exclusion of women from opportunities created by the agreement.[41]

OTHER INITIATIVES BY AWIEF

Apart from these initiatives and programs, AWIEF runs a series of **annual conferences and award ceremonies**. The purpose of the conferences is to give women entrepreneurs, innovators, and representatives from business associations, nongovernmental organizations, governments, and the private sector opportunities to **discuss strategies for supporting women entrepreneurs**. This is beneficial because it enhances the economic participation and opportunities for women, thus contributing to greater sustainability and economic transformation in Africa.

AWIEF awards are put together to recognize and celebrate women business owners and entrepreneurs **across different industries and sectors in Africa**. Some of the award categories are shown in figure 1.

Alongside the conference and awards, AWIEF is creating a **digital hub** that will bring African women entrepreneurs closer together. The online platform will be aimed at **knowledge sharing and e-learning, networking, and connecting women entrepreneurs to opportunities**.

FIGURE 1: AWIEF Award Categories

Young Entrepreneur An award for a young female entrepreneur under the age of 35, demonstrateing exceptional entrepreneurial skills	**Creative Industry** Creative entrepreneurial excellence of a woman in film, music, food, beauty, art, etc.	**Tech Entrepreneur** Woman entrepreneur who used science and technology to create an innovative business	**Empowerment** A woman who has invested in inspiring and mentoring female entrepreneurs
Agri-Entrepreneur Woman who has achieved business success in agriculture with impact on food security	**Global Brand** Woman entrepreneur who has created world-class product or service that is a global brand	**Social Entrepreneur** Woman entrepreneur who has made significant social impact with product or service	**Empowerment** Established woman entrepreneur for prolonged, consistent achievements in business

Source: AWIEF Website

The platform also seeks to expand entrepreneurs' access to trade and new markets, help them acquire capital, and provide business resources. The AWIEF Digital Hub is also meant to serve as a central database of women entrepreneurs for diverse groups of stakeholders looking to partner with, procure, or fund businesses.

10.2 CHALLENGES FACED BY AWIEF

Despite the number of various programs, AWIEF highlighted that **funding remains a major challenge to scaling programs to more African countries.**[42]

With regards to women entrepreneurs, AWIEF identified that a key challenge was finding funding (particularly seed capital) for businesses that **had gone through the incubators and accelerator programs** and were looking to scale. It was found that the businesses AWIEF supported were too small to meet venture capital firms' target segments, and that formal financing was too costly for the entrepreneurs.

AWIEF is therefore investigating the potential of developing **an AWIEF Fund**. The initial concept involves raising debt through both private and donor investors. The fund would seek to provide seed funding to businesses with high growth potential across the continent.

10.3 KEY LEARNINGS FROM AWIEF

i. **A pan-African approach involving the private sector, donors, and governments:** AWIEF is providing linkages between a broad range of players across the continent, exemplifying the need to co-create tailored solutions that work for the continent. This should serve the added benefit of enhancing collaboration and trade.

ii. **A digital-centered approach:** To overcome barriers of physical access, AWIEF is utilizing digital platforms and media to drive connection between women businesses, investors, buyers, and donors; to facilitate information sharing; and to provide trainings. By harnessing the growing digital connectivity on the continent, the approach increases the speed and reach of support, and limits the disruption caused when women have to leave their places of operation (for those with access to the internet at their places of operation).

iii. **A multipronged approach:** Providing well-rounded support to women entrepreneurs seeks to address the multiple barriers they may face. This support ranges from mentorship, training and capacity building, access to finance, access to markets, and building communities.

NOTES

37. AWIEF website.
38. AWIEF stakeholder interview.
39. Africa.com, "Africa Women Innovation and Entrepreneurship Forum (AWIEF) and Mohammed VI Polytechnic University Partner to Launch Leadtech Incubation Programme" (2020).
40. https://www.awieforum.org/programs/
41. https://www.awieforum.org/media-resources/media/
42. AWIEF stakeholder interview.

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