

## **Impacts of Non-Tariff Barriers for Women Small Scale Cross-Border Traders on the Kenya-Uganda Border**

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### **Abstract**

For women, small-scale cross-border trade has played an empowering role in the alleviation of poverty in East Africa. However, women cross-border traders face distinct constraints and challenges when trading across East Africa's borders. Information asymmetry between cross-border traders and border officials regarding procedural information and duties creates an economic environment of risk and uncertainty. Bribery and corruption is exacerbated among women traders by gender-based harassment and threats to personal safety. Focus group discussions and surveys at the Busia and Malaba border crossings suggest that the time, effort, and resources spent by women cross-border traders to balance non-tariff barriers exacts a significant business cost and adversely affects their economic behaviour in the East African cross-border regime.

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## **Introduction**

Informal cross-border trade by small and medium enterprises in the East African Community is estimated to be worth \$1.76 billion dollars annually. However, many cross-border traders regularly operate under challenging conditions due to the lack of reliable, accessible, and accurate trade and market information; the prevalence of corruption among security and customs officials at the border; frequent harassment and other personal safety risks. These non-tariff barriers prevent small-scale, cross-border traders (CBTs), the majority of whom are women, from fully benefiting economically from increased trading opportunities in the East African Community (EAC) region. In the future, more efforts need to be made to address the unique, yet important, concerns of women small-scale cross-border traders to ensure that the benefits of trade are not limited to increasing economic profit without simultaneous consideration being made for how to improve the social welfare of the most vulnerable CBTs.

To further the understanding of the economic burden women cross-border traders carry, series' of interviews and focus group discussions were conducted with approximately 50 Kenyan and Ugandan women small-scale CBTs at the Kenya-Uganda border at Busia and Malaba crossings. Approximately 100 Kenyan women traders and 100 Ugandan women traders at the Busia border market were also given questionnaires relating to cross-border trade and their experiences with border officials. In all cases, participants expressed their consent to anonymously share their experiences.

Collectively, the data from interviews and surveys at the border suggests that small-scale economic behaviour across the Kenyan-Ugandan border is significantly affected by primary information asymmetries from seeking exchange rates, commodity prices, border procedures, trade requirements, and documentation information. Additionally, exposure to corruption, bribery, and harassment is highlighted as a prohibitive cost of doing business across the border. Interviews with these traders focused on the diversity of economic costs when seeking border-crossing information. Collectively, these interviews inform a typology of non-tariff costs on cross-border trade for women and demonstrate the linkages that exist in the Kenyan-Ugandan context between poverty, gender, and trade which serve to establish the obstacles that women CBTs face when attempting to fully capitalize on the economic opportunities available through import/export trade in the EAC.

## **Lack of Information**

Small-scale CBTs operating at the Kenya-Uganda border lack access to reliable and accurate sources of trade and market information, particularly on questions related to tariffs, exchange rates, customs procedures, product standards, and other regulations. This is one of the major risks that small-scale traders in this region face that may prevent them from fully benefitting from trade opportunities.

One of the common threads throughout the focus group interviews was the desire that these traders have for information particularly in advance of arrival at the border. During interviews, one small-scale trader discussed how the inability to access and retrieve information prior to arriving at a border crossing puts herself and other small-scale traders at a serious disadvantage and forces them to rely on middlemen to provide this information. As a result, when surveyed, women small-scale traders ranked “prices of commonly traded commodities at popular markets” and “information on daily exchange rates” as the two most important pieces of information that would have a positive impact on their abilities to maximize profits. The information that these CBTs are lacking is critical to making economically-sound and well-informed business choices. Not having this information can force traders to make decisions without full knowledge of market realities which can result in reduced or even non-existent profits particularly as a result of the short shelf-life of many of the goods being traded. One trader, when interviewed, complained that “due to lack of information, maybe there’s a market somewhere, but you don’t know where, you don’t know where it can go. What happens is you [are forced to] dispose of it.” Lack of appropriate storage facilities, when coupled with lack of information about market opportunities, can result in crops spoiling before they can be sold, which has an elevated impact on small-scale traders who are heavily reliant on their trade for their livelihood.

Many women small-scale traders find existing EAC information channels to be inaccessible; therefore, traders often cannot independently retrieve or confirm the validity of demands made on them at the border by different agencies and officials. Focus group participants also raised concerns about the lack of transparency surrounding trade information, which would empower small-scale traders to manage more profitable cross-border operations through informed decision-making. This is particularly true for fluctuating information such as currency exchange rates. Small-scale traders who have no method for independently verifying information presented to them by informal currency exchange agents are left vulnerable to economic exploitation as officials often take advantage of this information asymmetry. Currently, traders have no reliable external source of information on exchange rates other than asking the these agents who often each provide a different figure that allows them to skim some of the profits. Furthermore, on the Ugandan side in particular, currency conversion rate fluctuations are frequent, often occurring multiple times within the same day, resulting in small-scale traders being forced to pay agents based on whatever exchange rate is quoted to them. Women small-scale, CBTs in particular said that improved access to key pieces of practical information such as exchange rates would further empower them to be able to build their own businesses successfully.

Traders highlighted the information gap as a major challenge to their ability to assert their rights and benefit from regional trade policy initiatives in the East African Community. Oftentimes it is not a matter of inadequate border infrastructure that is an impediment to improved trade; rather, it is a lack of access to information, particularly among the most vulnerable small scale traders, that is preventing them from reaching their full economic potential through participation in trade.

### **Bribery and Corruption**

In describing incidences of bribery and corruption among officials at the Kenya-Uganda border, traders in Busia and Malaba explained that awareness of formal trade regulations and customs alone is typically not enough to facilitate cross-EAC border trade. Even when traders do have access to basic information levels, corrupt officials still find ways to force bribe payments.

Border officials regularly exploit the lack of transparency surrounding trade procedures to generate uncertainty and coerce traders to pay informal fees at the risk of having their goods seized. Issues surrounding how EAC officials treat the Simplified Certificate of Origin (SCOO) are an indicative example of this kind of corruption. The SCOO is intended to encourage and simplify trading procedures across the Kenya-Uganda border; however, in many cases illustrated by participants in our research, it has become another opportunity for corruption to propagate. For example, many described situations where money paid to gain entry into Kenya must be paid again to Ugandan custom agents because the Ugandan officials demand the fees associated with re-entry. In other instances, officials refuse to accept the trader's SCOO, and traders must pay again to obtain one. When interviewed, a number of traders complained that SCOOs are exempt from tariffs for small-scale goods; however, border officials often still demand the certification fee as if the trader was moving a larger amount of goods across the border. The following quotation was provided by a participant, which illustrates common frustrations that CBTs feel with corrupt border officials:

We want to move freely, free movement for workers, and for business [...], but when you come to other government agencies, they're coming out on for their own, or EAC and COMESA. Sometimes later, those government officials from Uganda, they don't accept our certificate of origin. They first ask business lady to go up to Nakawa to look for certificate of origin, then we raise alarm. At this time now, they bring the information desk officer from Uganda. We can get it this way, but problem is still there because of entry. There is something called, "entry fee." We are buying entry and yet that entry, when I reach at the customs yard from Uganda, is now not working. That is the time we're coming with the bribe now. I'm losing 6000 Kenyan shillings to buy entry. My truck to come in Kenya, then I can bribe somebody 1000 for my truck to come in Kenya. Formal or Informal? Which way will this woman use? It is almost worth it to pay off our government officials, especially in Uganda. One time, I was at the One-stop border point,

these government officials are sitting together the way we are sitting now, but there is somebody comes wanting a stamp. Only a stamp! Government officials from Uganda insisted from this man 1000 Kenyan shillings, but this stamp is supposed to be free!

This anecdote describes some of the ways in which bribery and corruption play into a CBTs' daily life. While traders are sometimes forced to pay explicit bribes to achieve the desired outcome, at times the corruption is more discrete and customs officials use the trader's confusion and lack of information about import/export regulations to their advantage. Another trader told a similar story regarding official misinformation with the taxation applied to goods being imported:

It is difficult because of the taxes from the security officers. If traders pay the taxes the government wants then you will not make a profit. But if they risk themselves they can make some money. Taxation is so high. You find for example, you buy 200 bananas but you pay taxes for three times that much. Taxation policies, taxation policy is very poor in both Kenya and Uganda. Why? In the border they are supposed to not tax goods for less than 2000 dollars. But to implement that is a problem. Because here, you are saying they are duty free. I come with my 500 dollars, I shop and take them to my house, for example, and I may use a cross-border member, but getting home I need to pay. So taxation policy is not working.

When surveyed, more than 50% of CBTs reported encountering corruption and/or harassment within the last week, and that number grew to 81% when asked about corruption during the last month of business which indicates the widespread severity of this issue. Traders reported that police (59%) and revenue authority officials (18%) were the most likely sources of corruption, with middlemen (12%) and clearing agents (10%) representing the other common individuals benefiting from corruption. However, only 13.5% of traders indicated that they usually reported these instances to a higher authority, and this lack of reporting indicates their enhanced vulnerability to continued exploitation by corrupt officials.

Since small-scale CBTs rely on their ability to move goods across the border to make a livelihood and support their family, they fear risking their ability to trade by contesting these unfair charges and instead pay the additional fees to officials. Participants agreed that corruption was a widespread problem and very few traders can pass goods through the Kenya-Uganda border without paying informal fees or bribes.

### **Harassment and Personal Safety**

Traders described incidences of harassment by police, security and customs officials as a major challenge to cross-border trade. Similar to the statistical breakdown of sources of corruption, cross border traders indicated that police (47%), revenue authority officials (18%), and middlemen (12%) were the main instigators of harassment during

the cross-border trading experience. Participants described experiences with antagonistic police officials who stopped transport vehicles as they approached the customs yard in order to delay its goods from being cleared. After traders passed through immigration and approached their stalled goods, police officials conducted lengthy interrogations, performed unnecessary inspections of previously processed documentation, and demanded informal fees or proof of informal border procedures. If traders persisted in asserting their rights, officials would also continue to harass them until the hired transport vehicle departed without the trader's goods. Thus, some traders failed to report harassment, not because they did not recognize the official's tactics were corrupt, but because they wished to avoid any further hindrances in their transit. During interviews CBTs discussed instances where they had reported harassment only to face lengthy delays and intimidating requests for evidence which eventually ended with the traders paying a bribe to be allowed to continue across the border. The obvious result of these scenarios is an extreme hesitancy in reporting instances of harassment. Furthermore, in interviews traders were doubtful that reporting harassment would mitigate the issue as government officials are typically hostile to their complaints and would often demand evidence.

Other serious incidences of harassment by border officials involve gender-based violence such as sexual harassment, as well as other threats to personal safety. Women in particular expressed reluctance to report the harassment that they endured and called for greater sensitization training for border officials to learn how to properly address women's harassment complaints. When asked about how she dealt with harassment, one female trader stated that "however much we go through, we are harassed, we still put on a smile because we have to feed a family," indicating that many women felt that had no choice but to endure the harassment as a means of obtaining a livelihood.

Even when traders know their rights and how to pass through legal routes, they sometimes feel that they cannot use them if they seek to earn a profit because of continued difficulties with harassment and corruption. As a result, illegal "*panya* routes" become the only realistic way to transport goods across the border despite the fact that these smuggling routes also pose significant personal safety risks, and traders are frequently victims of theft or even rape. Furthermore, traders viewed *panya* routes as extremely risky to their livelihoods if caught and expressed a desire to use legal routes to cross the border if this route held the potential for profit; however given current levels of corruption and harassment they considered it a better economic decision to cross the border unofficially.

### **Other Non-Tariff Barriers**

The inconsistency and complexity of practice when trading across EAC borders was also described as a challenge to the business activities of traders. One trader described the customs and migration office as “crowded, slow-moving, long queues, officials sitting there idle, nothing is going on.” Additionally, modifications to the administrative entry process, such as with the installation of One Stop Border Posts (OSBP), without community sensitization has created further confusion for traders regarding new simplified border crossing procedures and required documents. Particularly since the introduction of OSBPs, traders describe the inconsistency with which documents and verifications are honoured throughout border crossings across the EAC, leading to rising frustration and impeding the smooth flow of goods across the border.

Another non-tariff barrier discussed by CBTs within the focus groups was a general sense of insecurity and instability present in border areas. One trader described witnessing human trafficking while border officials observed but did nothing to intervene:

But through these security officers, insecurity is most important. A country without security is not a country. We must secure ourselves. But if you see, the security officers are just sitting. There is insecurity. Because the boys sitting there are taking drugs. [...] I've seen somebody come up and pick up [the woman to traffick her]. Nobody helped them.

Even when the traders personal safety is not directly impacted, witnessing this kind of insecurity erodes trust in border officials and can make traders more hesitant about proceeding with their business. Together, these non-tariff barriers, border delays, and instability have created further institutional obstacles for small scale traders and their cross-border business activities.

### **Current approaches to challenges**

In the current cross-border environment, social networks provide a significant source of traders' procedural and market information. Often inquiring through SMS, traders engage their personal connections to learn market information, exchange rate information etc. Additionally, sensitization workshops are sporadically held through which some cross-border trader participants will pass border procedure information to their networks through word of mouth. Traders can also personally engage several cross-border association resources, usually an information desk attendant, for administrative and market information.

A significant consideration in traders' approach to the challenges of cross-border trade is the constant evaluation of risk against potential earnings. Bribery, corruption, and harassment are candidly considered by traders as the costs of doing business at the

border. Where traders cannot afford to be stalled for hours in the customs yard, bribery is viewed as a necessary expense in order to reach the market across the border. Further, traders described the personal insecurities they must endure, especially as women, in order to maintain a positive potential profit on their product. As a result of dynamic expenses at official border crossings meagre potential profits drive some traders to alternative, more risky, unofficial crossing routes. Ultimately, traders expressed that they would prefer to use legal routes to cross the border if legal routes held the potential for profit.

### **Future Policy Proposals**

Throughout the focus group discussions the difference between large-scale and small-scale cross border traders was made abundantly clear, and future policy proposals need to ensure that this distinction is being acknowledged.

Many of the men interviewed were large-scale traders and their needs and concerns more typically align with typical government policy discussions about trade. Male traders were discussing issues including international marketing strategies, transportation cost, multi-tonne shipments, labour organizations, price control/subsidies, and infrastructure. Furthermore, large-scale male traders did not express the same level of reluctance when asked about reporting corruption because they have fewer fears about personal safety, and corruption/bribes have a significantly smaller impact on their profit margin. When government trade policies are created, the focus is on growing the national economy through profits; however, if these policies only take into account the concerns of large-scale traders, there is a significant risk that the most vulnerable population, the small-scale female traders, will be left behind and unable to access these promised economic opportunities.

As a result, future trade policy in the Kenyan and Ugandan context should ensure that consideration is equally given to the needs of small-scale women CBTs to ensure that social welfare is not trumped by the desire for increased profits. While small-scale trade may not have a significant impact on an macroeconomic growth, it does have a significant impact on the livelihoods of a country's impoverished. During the focus group interviews, the women raised a number of suggestions for ways in which trade policy proposals could better align with their needs.

In order to reduce both corruption and border crossing delays, traders highlighted the need for their harassment reporting to translate into consequences. Currently traders rarely report instances of corruption because there has not been a positive response from officials. Additionally, traders recommended that efforts be made to further sensitize border guards to reduce discrepancies in enforcement of regulations and speed up processes such as entry through the OSBPs.

Furthermore, when considering how to create trade policy that responds to the needs of small-scale traders, governments should look to the local networks that already exist as a way to provide solutions. For example, the women suggested that long-term, sustained support for existing cross-border trade associations would provide small-scale traders with a structured environment within which they could obtain further sensitization training on customs regulations, further strengthen the information desk systems, organize complaints effectively, and empower female traders to know and voice their rights at border crossings.

### **Conclusion**

The case study of women small-scale CBTs between Kenya and Uganda is an ideal illustration of the intersections between trade, gender, poverty, and the informal economy. Currently, primary information asymmetries exist when small-scale traders seek exchange rates, commodity prices, border procedures, trade requirements, and documentation information. This lack of information access prevents small-scale traders from making fully-informed business decisions. Additionally, exposure to corruption, bribery, and harassment is highlighted as a prohibitive cost of doing business across the border, and the weak response to reporting has left women frustrated with border officials. These issues, when coupled with additional non-tariff barriers such as slow border processing and perceived situational insecurity, present significant obstacles for women small-scale CBTs trying to benefit from the economy opportunities promised by trade. Future government policy needs to consider the significant differences between large-scale and small-scale CBTs and ensure that trade policy provides a structure whereby both groups can achieve business success while improving social welfare for all.