

# WALKING IN THE DARK: Informal Cross-border Trade in the Great Lakes Region

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In collaboration with



United Nations Entity for Gender Equality  
and the Empowerment of Women

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## Executive Summary

Small-scale cross-border trade<sup>1</sup> plays an important role in the Great Lakes region, where goods are traded between the Democratic Republic of Congo (DRC), Rwanda, Uganda and Burundi; this enables regions that do not produce enough to cover their own needs to receive supplies of products for individual consumption (mainly foodstuffs). This trade is mostly informal insofar as the traders are not registered and pay no income taxes. However, they do pay export or import taxes accordingly and often pass through official border crossings with the appropriate travel documentation. They thereby contribute to the national economy, even though part of their operation is informal. It is for this reason that we refer to “small” or “informal” cross-border trade.

Small trade is a survival mechanism and a means of employment for at least 45,000 traders and those who depend on them<sup>2</sup> in a region which has long suffered from armed conflict and in which other economic opportunities are limited. These cross-border trade links provide visible proof of the economic interdependency that exists between the countries in this region, and constitute a significant factor for economic growth and closer ties between populations which are often divided and mistrust their neighbours because of the violent conflicts which have affected and continue to affect the region. Small informal cross-border trade<sup>3</sup> is largely dominated by women: according to this study, they make up 74 percent of traders across four border locations in the Great Lakes region. It should be noted that they have fewer commercial opportunities than their male counterparts and that their economic contribution is often ignored by financial institutions.

Since 2000, International Alert has been promoting the political participation of women in the Great Lakes region by supporting the work of local women’s groups and associations, and since 2009 has been working on women’s *economic capacities and closer ties between women traders*.<sup>4</sup> This programme has two objectives: to strengthen the business environment for women working as small traders in order to improve their chances of economic survival; to create opportunities for dialogue between traders and the authorities as part of peacebuilding efforts. The capacity for women traders across the border locations targeted by this programme to liaise with one another will be strengthened, thereby increasing levels of mutual tolerance between communities on all sides of the borders.

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1 For the context of this report, small-scale cross-border trade is defined as follows: *all revenue-generating cross-border commercial activities with a daily transaction value of less than 100 US dollars (USD) per trader*. This definition is drawn from International Alert (2010): *The Crossing: Small-scale Trade and Improving Cross-Border Relations between Goma (DR Congo) and Gisenyi (Rwanda)*. London.

2 This figure is taken from studies we carried out in 2010 and 2011 at five different border locations in the region (Goma, Bukavu, Uvira, Arua and Cibitoke), although the actual figure is almost certainly much higher. As well as the traders themselves, this commercial activity also provides significant revenue for those who produce the merchandise, the wholesalers and the employees of the trading companies involved, as well as those who transport the produce (and their families).

3 We have adopted the following definition of *informal trade*: *any activity that goes unrecorded and/or is subject to no formal written accounting procedures and which is carried out as the primary or secondary employment of a given individual working as a director or entrepreneur*. Definition (translated) taken from the Commission économique pour l’Afrique, l’Union Africaine, la Banque africaine de développement (2010). *Etat de l’intégration régionale en Afrique IV. Développer le commerce intra-africain [The state of regional integration in Africa IV. To develop intra-African commerce]*. Addis-Ababa.

4 The first phase of this work (2009-2010) was financed by the European Commission. The current programme (2011-2013) is being financed by the Norwegian Ministry of Foreign Affairs, with a further contribution from UN Women.

The main findings of this research are:

1. The revenue generated by trade is mostly spent on households to cover basic needs such as food and schooling. Women in particular play an important role in this trade, as they make up the majority of the traders and rely on it as their primary means of subsistence. Women traders above all sell food produce with a low market value, whereas their male counterparts sell a wider variety of products with a higher value.
2. Women traders face specific difficulties: they have the lowest levels of start-up capital, they generally trade goods which generate the lowest levels of profit, and they face harassment at the border, as well as a negative perception of their activities (except within their own family). Furthermore, their commercial activities do not free them from their family responsibilities: their work means they return home late in the evening and must then complete their household chores.
3. For both male and female traders, access to capital is limited and mainly depends on household resources. DRC specifically faces a further problem, that of informal taxes and the many agencies with a presence on the border. In some cases this results in traders being mistreated by public officials. The interviews carried out with traders revealed that they had a preference for informal taxes as they were “negotiable”; however, (i) certain taxes are not supposed to be paid and therefore constitute a violation of national laws, and (ii) these taxes are based on informal agreements that are unpredictable, not sustainable and must constantly be renegotiated.
4. The traders’ lack of awareness of their rights and responsibilities is a major problem. They are generally unaware of tax rates, the different (national and regional) treaties and regulations in force, and the specific roles and responsibilities of the various border agencies.
5. Relations between traders are sometimes fraught and they complain of discrimination, harassment, among others, from their counterparts in other countries. These difficulties reflect a climate of commercial competition, but they are also the result of a history of regional violence now rooted in the population’s memory and which is reflected in the prejudices, stereotypes and rumours used by one group against another.<sup>5</sup>
6. The traders are often badly organised. A minority of them are members of associations or cooperatives, and these are generally weak and tend to have competing relationships with one another. The vast majority of traders who do not belong to an association or cooperatives strongly desire to do so, but feel that this is beyond their capabilities.

The main recommendations based on this research, addressed respectively to the regional governments, regional institutions and external actors, are as follows:

- *The issue of the large number of informal taxes must be addressed.* This above all concerns DRC and Burundi, and should be resolved by correctly applying taxation rates, control mechanisms and fines for those who fail to respect these regulations. In the case of DRC, this requires both national and provincial authorities to strictly apply recent orders and decrees in order to limit the number of authorised agencies working on the borders and eradicate illegal taxes.
- Small traders do not reject taxes as such, but are limited instead by opacity of the process, the sheer number of taxes and excessively high tax rates. *The national authorities, including customs authorities, should provide traders with access to this information.* Taxation should be simplified (with a one-stop counter) and rates should be adapted to the financial resources of *small* traders, as provided for in regional agreements.
- *The governments in the region should put in place policies to promote small trade*, especially when exercised by women, by adopting fiscal policies which fight against poverty. This is particularly important given the role played by small cross-border trade in the survival of the population. The imposition of high taxes (in an effort to increase the state’s tax revenues) runs the risk of stifling small-scale economic activities which provide a livelihood for hundreds of thousands of people.

<sup>5</sup> International Alert (2007). *Words that kill: Rumors, prejudices, stereotypes and myths among the peoples of the Great Lakes of Africa*. London.

- *A strategy to progressively formalise small cross-border trade should be established* in order to allow traders to develop their business and thereby provide the state with higher levels of tax revenue. This requires a significant improvement in access to finances through the creation of guarantee funds and saving/credit schemes to be made available to the least well-off traders. Women should benefit from privileged access to financial resources under such schemes.
- *National policies should focus in particular on the role of women.* For example, directives could be put in place to address the treatment of women at border crossings (e.g. women traders being searched).
- *Platforms should be established* with support from local and international NGOs and in collaboration with the national authorities; these would allow government representatives and traders from all sides of the borders to meet at the various border crossings in order to improve the interaction and levels of trust between traders and public officials and ensure that the rights and responsibilities of all groups are respected. Particular efforts should be made to fully include women in this process, given the large number of women and the important role they play in cross-border trade.
- In the development, revision and application of regional agreements for economic integration, organisations working in this area (The East African Community/EAC, The Common Market for Eastern and Southern Africa/COMESA and The Economic Community of the Great Lakes Countries or *Communauté Économique des Pays des Grands Lacs/CEPGL*), as well as national governments *should take into account the particular challenges which exist (in particular those that affect women traders) and the importance of small cross-border trade as a means of economic survival.* They should develop a strategy to monitor the problems encountered by small traders to ensure that their policies continue to be adapted to the realities on the ground.

# 1. Introduction

## 1.1 Context, rationale and objectives

Small cross-border trade plays an important role in the Great Lakes region, where goods are traded between DRC, Rwanda, Uganda and Burundi.<sup>6</sup> This trade is mostly informal insofar as the traders are not registered and pay no income taxes. However, they do pay export or import taxes accordingly and often pass through official border crossings with the appropriate travel documentation. They thereby contribute to the national economy, even though part of their operation is informal. It is for this reason that we refer to “small” or “informal” cross-border trade.

Cross-border trade is crucial for the supply of products to countries which do not have an adequate provision of goods for individual consumption, such as certain foodstuffs. The importance of the role played by cross-border trade is made clear in Table 1, which displays the export and import values of cross-border trade recorded in the Great Lakes region in 2009.

**Table 1: Cross-border trade in the Great Lakes region (2009, \$000)<sup>7</sup>**

		Importer			
		Burundi	DRC	Rwanda	Uganda
Exporter	Burundi		7037	3291	426
	DRC	652		5975	4346
	Rwanda	1738	11392		3071
	Uganda	28515	78307	141853	
	World	337649		1109830	4246228

Much of this cross-border trade is not carried out by large-scale traders, but instead by small traders who cross the border regularly. In the context of this report, small cross-border trade is defined as follows: any revenue-generating cross-border commercial activity with a daily transaction value of less than 100 US dollars (USD) per trader.

This small trade is not only important for the supply of goods to the different regions concerned (this extends far beyond the specific border areas<sup>8</sup>): it also provides a significant means of subsistence for small traders themselves. It is therefore a key survival mechanism in the absence of economic alternatives. The lack of diverse livelihoods has resulted from the many cycles of violent conflict which have affected the region (and continue to affect eastern DRC), and can also be linked to reforms that have deprived a segment of the population of their means of subsistence. As we will see, the revenue in most of the households concerned depends on this trade, which allows

<sup>6</sup> There is also significant trade between Tanzania and DRC (especially via Kigoma and Uvira); however, this is not dealt with in our study.

<sup>7</sup> World Bank (2011). 'Facilitating cross-border trade between the DRC and Neighbors in the Great Lakes Region of Africa: Improving Conditions for Poor Traders', *Report No. 62992- AFR*. Washington.

<sup>8</sup> K. Titeca (2009). 'The changing cross-border trade dynamics between north-western Uganda, north-eastern Congo and southern Sudan', *Crisis States Working Paper 63 series 2*. London School of Economics and Political Science, Crisis States Research Centre, London; K. Titeca and T. De Herdt (2010). 'Regulation, cross-border trade and practical norms in West Nile, north-western Uganda', *Africa 80(4)*, pp.573-594.

thousands of people to earn a living. Furthermore, it is mainly women who are active in this trade and allow their families to survive. However, traders encounter a whole range of difficulties. As well as the general challenges facing these workers, women traders are affected by specific dangers. One of these problems is related to taxation: when describing the tax system which, particularly in DRC, is complex, unpredictable and little understood; one female trader from Uganda said she felt like she was ‘walking in the dark’.<sup>9</sup> This image is an accurate description of the situation in which small traders generally find themselves in the Great Lakes region, and that of women in particular: female traders are kept in the dark about their rights and responsibilities. This does not only concern the different taxation rates but also the way in which women must face security problems, poor treatment at the hands of various actors and difficulties in accessing capital. What is more, they are unaware of the potential of collective action: traders’ associations and cooperatives are weak (and often non-existent), which means that women traders (and traders in general) are unable to ensure their rights are respected. Relations between traders of various nationalities from the different countries are also often challenging. This report describes the conditions of small trade and the difficulties encountered by traders, with a particular focus on the situation of women.

Because of the difficulties they face, many traders try to circumvent formal regulations and prefer informal taxes, which are perceived as being lower. Other traders depend on informal arrangements with government officials or try to avoid taxes altogether by following smuggling routes. This does not mean that all small cross-border trade is informal:<sup>10</sup> the state’s regulatory framework acts as a reference point, and some traders prefer to respect the rules in force. Taxes are paid and receipts given in exchange, as will be described later in the report.

In 2009-2010, International Alert, with funding from the Norwegian Ministry of Foreign Affairs, carried out research into the obstacles which impede the political participation of women. The second phase of the research, entitled “Inclusive Dialogue” (2011-2013), focuses on the *economic capacity of women traders*, in particular small cross-border traders. It is hoped that the project will have an impact on two levels: it will strengthen the business environment of (mostly) female small traders and thereby improve their chances of economic survival; it will create opportunities for dialogue between traders and the authorities as part of ongoing peacebuilding efforts.<sup>11</sup> The project focuses on four DRC border crossings which see quite a high volume of transactions:

- Goma-Gisenyi (DRC-Rwanda)
- Bukavu-Cyangugu (DRC-Rwanda)
- Uvira-Gatumba (DRC-Burundi)
- Aru/Ariwara-Arua (DRC-Uganda)

At the request of CEPGL and UN Women, and in order to provide a comparative perspective of a non-Congolese border, the Cibitoke-Bugarama (Burundi-Rwanda) crossing point was added to this research.

The objective of this report is to analyse the dynamics of small cross-border trade at three border points in eastern DRC, and between Burundi and Rwanda in an effort to understand how improvements in this trade could advance the economic power of women and thereby contribute to peace and security in the region. The research will be used as an instrument for female traders in campaigns to raise awareness in the four border locations concerned:

- The findings will be made available to traders, border agencies and local, provincial and national authorities, as well as regional institutions. The main conclusions will be translated

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<sup>9</sup> Interview with a Ugandan trader, Arua, 3rd March 2011.

<sup>10</sup> The distinction between *informal* and *illegal* trade is explained in chapter 5.

<sup>11</sup> This project also follows on from research on small cross-border trade between Goma (DRC) and Gisenyi (Rwanda), carried out by International Alert in collaboration with APIBA (Association d’Appui aux Initiatives de Base, a local NGO based in Goma).

into Kiswahili and Kinyarwanda and published as a brochure intended for the traders themselves. A weekly radio programme *Mupaka ni Shamba Letu* [*The Border, Our Domain*], which is produced by International Alert and broadcast in Bukavu, Goma and Uvira, will be used as a tool to disseminate information.

- Women traders from various nationalities will come together to discuss the main challenges they face based on these conclusions. With the help of local partner organisations on each border, these meetings will act as a catalyst for the communication of advocacy messages by traders and for a process of dialogue with the authorities on all sides of the borders. The traders' joint message will be strengthened by the creation of a network including several nationalities and designed to overcome tensions and mutual suspicions.

International Alert will also work in collaboration with the border agencies and provincial authorities in DRC's North and South Kivu provinces by providing customs officers with training in taxation/regulations and gender, governance and human rights. Traders will receive support in setting up associations, reinforcing their entrepreneurial skills and developing their understanding of taxation and the regulations in force. A steering committee will be set up by the provincial authorities with representation from all the border agencies involved. The steering committee will be responsible for overseeing the implementation of the project and addressing any problems related to small cross-border trade.

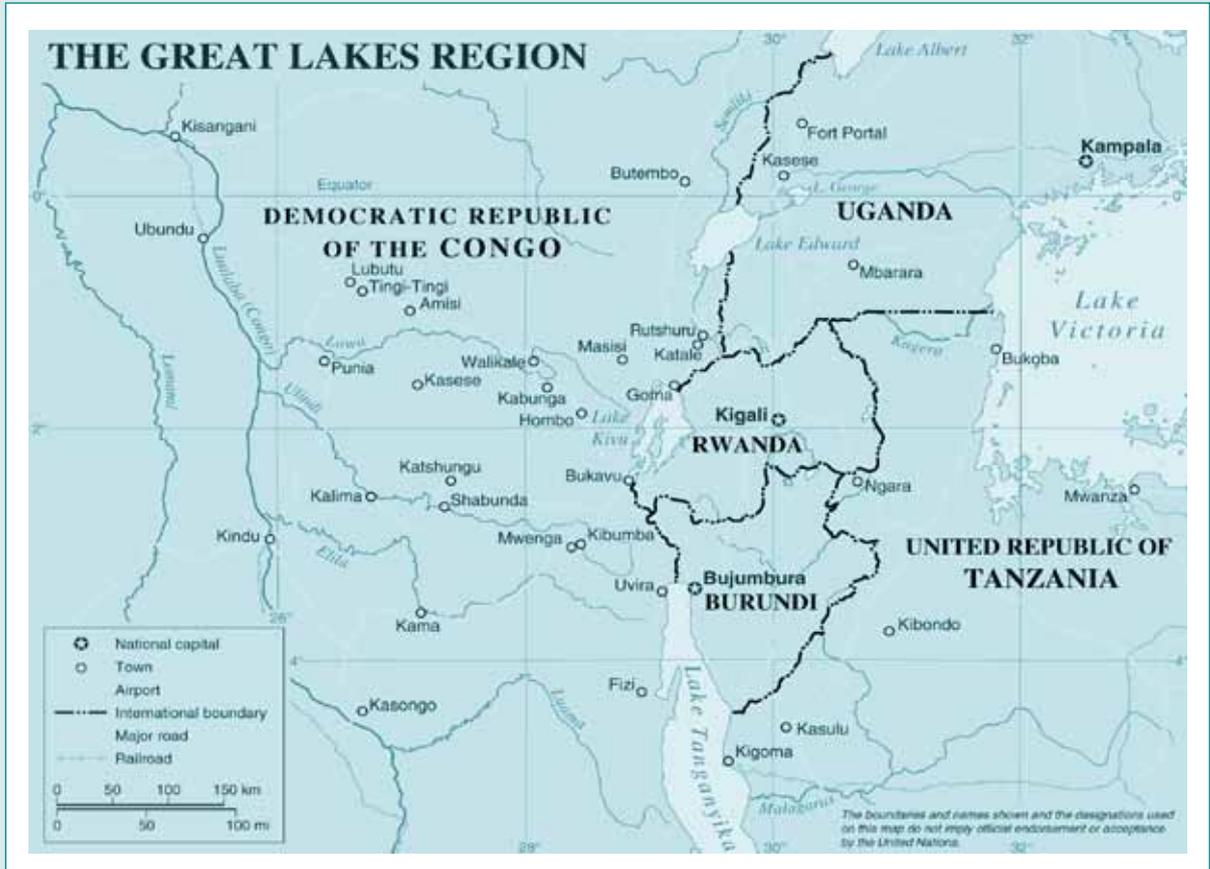
Within the scope of its partnership with International Alert, UN Women has financed entrepreneurship training sessions for women engaged in informal cross-border trade in Goma. Following initial positive results in Rwanda, the organisation intends to pursue its advocacy for the implementation of a microcredit scheme in Burundi and DRC. UN Women will also work closely with border authorities by organising training sessions on gender-sensitive communications, and is committed to pursuing its efforts to ensure that women involved in informal cross-border trade in the Great Lakes region are taken into account in the development of national and regional policies and legislation.

## 1.2 Methodology

This study relates to four border sites:

Bukavu-Cyangugu (DRC-Rwanda):	Bukavu site (see Map 1)
Uvira-Gatumba (DRC-Burundi):	Uvira site (see Map 1)
Aru-Arua (DRC-Uganda):	Arua site (see Map 2)
Cibitoke-Bugarama (Burundi-Rwanda):	Cibitoke site (see Map 1)

Map 1: The Great Lakes region



Source: United Nations Map No. 4004.1, January 2004.



The study was organised on a participatory basis using three sources of data:

1. *Collection of administrative data*, particularly statistics on cross-border trade in foodstuffs, as recorded by the Congolese, Rwandan, Burundian and Ugandan customs authorities, as well as external trade divisions and others. However, this data produced limited results, as very few statistics on small trade are collected and recorded on a regular basis by the respective customs authorities.
2. *Collection of quantitative data* via a standard questionnaire issued to small traders (both formal and informal) as they crossed the border at the main observation points, chosen according to their importance. The study was carried out using simple random sampling and an infinite population.<sup>12</sup> Small traders were chosen randomly: every fifth trader to arrive was systematically offered the questionnaire.<sup>13</sup> The intention was to record the testimonies of at least 900 small traders at each site. It should be noted, however, that at the Uvira-Gatumba and Cibitoke–Bugarama sites, this number was not reached because of a reduction in traffic (linked to the market days in operation). Observation at each site was carried out for a period of 14 days, except at the Arua-Ariwara site, where this period was reduced to 13 days because of a lack of authorisation from the district authorities on the first day of the study. It should also be noted that, during the observation period, a recording was made of the number of small traders, according to product and gender, travelling from town 1 to town 2 and vice versa, thus providing an estimate of the volume of transactions for each specific product.
3. *Collection of qualitative data* via focus groups and targeted interviews with key informants. Sessions to discuss specific points with traders from associations attached to the main markets were held at the associations' offices or other appropriate locations on either side of the border. Targeted interviews were carried out with senior staff members from the various operational services working on the borders, as well as representatives from the associations and various other actors from the cross-border trade sector. A focus group question guide and an interview guide were used. At each site we organised 5 to 6 focus groups with traders and at least five targeted interviews.

Prior to the study, a theoretical and practical training session was held at each site for those carrying out the study as well as their supervisors and those responsible for data input. The quantitative data was encoded and analysed using SPSS (*Statistical Package for Social Sciences*) and Excel, while the data relating to trader numbers was entered and analysed using Excel. The data was entered each day following the on-the-ground interviews. The data collected as part of this report was also used in UN Women's 2012 reference report.<sup>14</sup>

### Possible bias and methodological limitations

1. "No response" bias. The fact that interviews were held at border crossings meant that some small traders were in a rush to go and sell their produce and were therefore not interviewed, even having been randomly selected. This bias was observed at the beginning of the study. Despite the distinctive appearance of those carrying out the interviews, respondents were initially a little wary and mistook them for tax collectors. Over time this mistrust disappeared and was replaced by a frank and open attitude on the part of traders.
2. "Translation" bias. It may be that the questions were interpreted differently in Kiswahili, Kinyarwanda, Kirundi and Lugbara when compared to the original French or English text. For this reason, much of the training given to those issuing the questionnaire focused on translating it into Kiswahili, Kirundi and Lugbara; the agents then use this translated text alongside the French and English versions. At the Arua site, the questionnaire was first translated into English before being translated into Lugbara.

<sup>12</sup> In practice, a population is considered infinite if it is impossible to list or count each member thereof (D. Anderson, D. Sweeney and T. Williams (2007). *Statistique pour l'économie et la gestion [Statistics for economics and management]*. De Boeck and Larcier Sa: Paris).

<sup>13</sup> This survey was carried out under the following conditions: each selected target came from the same population and each one was selected independently.

<sup>14</sup> UN Women (2012). *Baseline report on women in informal cross-border trade in the Great Lakes Region*. New York.

3. “Interviewer” bias. The opinions of the interviewers themselves and their supervisors may influence the results, for example when interviewers verbally indicate which answer is “correct”. We tried to minimise this bias during training using role play.
4. “Respondent” bias. It may be in the interests of respondents to provide certain false answers in order to benefit at a later stage. The interviewers explained the objectives of the study to each respondent.
5. “Confidentiality” bias. Confidentiality and anonymity were applied throughout the interviews. To ensure participation was voluntary, the interviewers were required to explain the difference between their research and the various services related to taxation operating on the Congolese border.
6. “Evaluation of product quantity” bias. During the interviews, the interviewers were required to evaluate the quantity (weight, number of litres, number of articles, etc.) of products being exchanged. This task was made easier by several practical exercises carried out during the training sessions.
7. “Informality” bias. We considered the issue of receipts to be an indication of the legal nature of taxes. As explained below, although this indicator functioned well, the amount of informal taxes actually paid is much higher for several reasons (the receipts themselves may be unofficial, for example).
8. At the Bukavu and Arua sites, we lost one day’s work following an administrative delay in securing authorisation from the border authorities.

### To reduce the risk of these biases, we:

- devoted time and effort to choose and train experienced interviewers;
- organised a preliminary study as well as intensive supervision during the real study;
- rigorously verified all questionnaires and offered on-the-spot feedback to interviewers before they returned to the field;
- ensured that our encoders entered the data the day after it was collected and could be therefore checked for any errors;
- asked an experienced researcher to carry out rigorous qualitative analysis, i.e. detailed, on-the-ground research.

This report begins by analysing the profile of the traders in terms of the percentage of women, their level of education, age, nationality and civil status (Chapter 2). We go on to analyse the economic importance of small cross-border trade, commercial exchanges and the types of products sold by men and women (Chapter 3). Chapter 4 provides an analysis of traders’ capital and profits, paying particular attention to differences based on gender. We then examine the difficulties relating to formal and informal taxes at the different border locations (Chapter 5). Chapter 6 relates to the problems encountered by traders, with a particular focus on problems experienced by female traders and relations between traders from the different countries. Chapter 7 examines the solutions as perceived by traders and offers a discussion about the specific problems associated with the informal nature of much of the trade which takes place. Finally, a conclusion and recommendations are provided in Chapter 8.

## 2. Profile of small traders

### 2.1 Education

Our study shows that the general level of education among traders is low: across all sites, 26 percent of small traders have had no education at all and 79 percent have no education beyond primary school. The largest proportion of small traders (94 percent) who did not go beyond primary school was in the sample at the Cibitoke site. 20 percent of traders finished secondary school, while 1 percent completed third level/university studies. In general, traders with a low level of education (primary/vocational) outnumbered those who have had no education (53 vs 26 percent respectively), revealing that a level of basic education is necessary in this business.

**Table 2: Breakdown of traders according to level of education**

Site	No.	None	Primary/ vocational training	Secondary	Third level/ university
Bukavu	1353	33%	40%	26%	1%
Uvira	773	26%	53%	20%	0%
Cibitoke	593	30%	64%	1%	5%
Arua	921	13%	64%	21%	1%
Overall	3640	26%	53%	20%	1%

Table 3 in the appendices shows the breakdown according to nationality and gender for each site.<sup>15</sup> Generally speaking, it is mostly women who have not completed primary education, although this varies from one site to the next: the figure was very high in Bukavu (89 percent of traders with no education were women) and average in Uvira, Cibitoke and Arua (64, 48 and 58 percent respectively). Given the importance of education, women are at a clear disadvantage compared to their male counterparts. Uneducated women represented 29 percent of all traders interviewed in Bukavu, 16 percent in Uvira, 14 percent in Cibitoke and 7 percent in Arua. In terms of nationalities, the Congolese clearly have the lowest level of education: in Bukavu, 80 percent of traders had not gone beyond primary education, while this figure was 73 percent in Uvira and 57 percent in Arua.

### 2.2 The role of men and women

Across all sites, a little over half of the small traders interviewed (54 percent) were women. They were better represented in Bukavu (77 percent of our sample), while the figure for Arua was just 28 percent (see Table 3). As will be explained, this low level of representation was due to the nature of the trade which takes place in Arua.

However, the recorded data for trader numbers (Table 4) much more clearly shows the dominant role played by women, with 74 percent of cross-border trade carried out by women across all sites. Given the high number of traders observed and the absence of any bias (selection/interview bias), this data source can be considered more reliable.<sup>16</sup> Furthermore, these figures confirm the relative

<sup>15</sup> All appendices can be downloaded online at [www.international-alert.org/publications](http://www.international-alert.org/publications).

<sup>16</sup> Other recent studies in the region confirm the importance of female traders. For example, the World Bank estimates that 85 percent of small traders are women (World Bank (2011). *Op. Cit.*).

importance of the different sites: the proportion of women is higher in Bukavu (84 percent) than in Arua (32 percent).

**Table 3: Proportion of women in the sample of small traders**

Site	No.	Women	% women
Bukavu	1353	1043	77
Uvira	773	443	57
Cibitoke	593	233	39
Arua	921	257	28
Overall	3640	1976	54

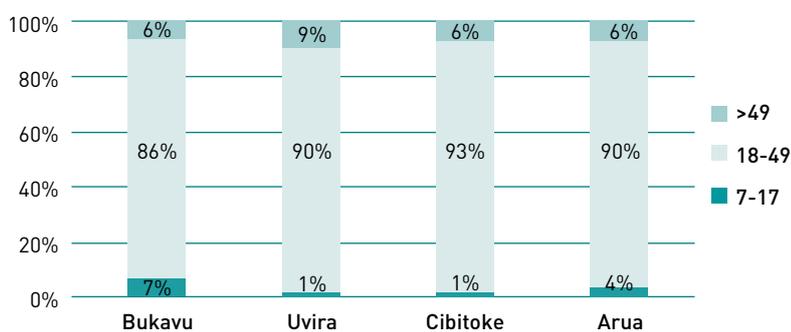
**Table 4: Proportion of women on each site and as a percentage of overall traffic**

Site	Number of people on outgoing journey	% of women on outgoing journey	Number of people on return journey	% of women on return journey	Total number of people	% women
Bukavu	1554	64%	31460	85%	33014	84%
Uvira	2520	59%	4006	43%	6526	49%
Cibitoke	708	50%	531	23%	1239	38%
Arua	1488	11%	1514	52%	3002	32%
Overall	6270	48%	37511	79%	43781	74%

## 2.3 Age of small traders

Our study revealed that the average age of small traders was slightly above 30 across the four sites. Of all those interviewed, 4 percent were children (7-17), 89 percent were adults (18-49) and 7 percent were elderly (>49). The following graph provides a breakdown of those interviewed at each site according to age group.

**Figure 1: Breakdown of interviewees according to age group**



## 2.4 Nationality of small traders

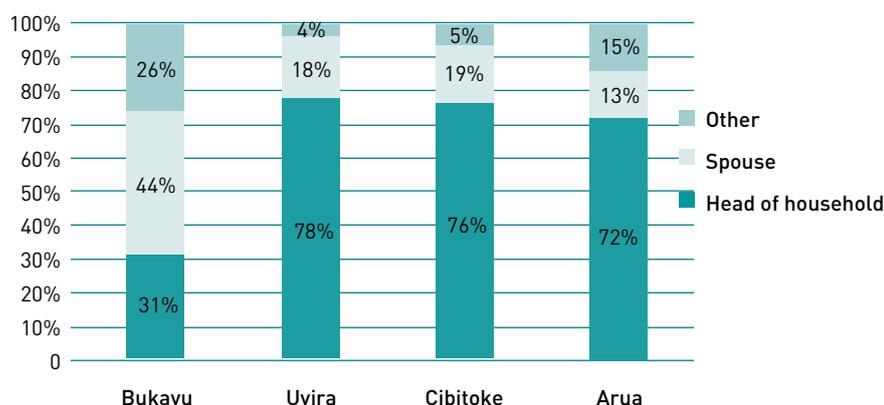
The nationality of small traders is of course closely linked to the border locations where they work.<sup>17</sup> 84 percent of small traders interviewed crossing the Bukavu-Cyangugu (DRC-Rwanda) border were Congolese and only 16 percent were Rwandan. Of the Congolese traders, 79 percent were women. At the Uvira site a similar situation was observed: 79 percent of traders were Congolese, 20 percent were Burundian and 1 percent were Rwandan. 61 percent of the Congolese traders were women. The cross-border economy is therefore particularly important for Congolese women working at both sites. At the Cibitoke site, 63 percent of traders were Burundian, 36 percent Rwandan and 2 percent Congolese.<sup>18</sup> Most of the Burundian traders were men (73 percent). Finally, a little over half (51 percent) of the small traders we met at the observation points at the Arua site were Congolese, with the remainder (49 percent) Ugandan. The Congolese traders were mostly men (77 percent).

## 2.5 Civil status and household responsibilities

This study showed that most traders were married (59 percent), 17 percent were single, 6 percent were widowed and 5 percent divorced. Across all sites, the proportion of those who were widowed and divorced or separated was much higher among women traders than men.<sup>19</sup> This is linked to a series of factors: in a region which has been ravaged by conflict, many women have lost their husbands. The lack of economic alternatives, such as access to the land, forces them to engage in small cross-border trade.

The percentages shown above do not provide a full picture of household responsibilities. We therefore divided traders into categories based on their responsibilities at home: head of the family, spouse or other. The study showed that 59 percent of traders were the head of their family and looked after the needs of the household. This figure would have been much higher if we had not included Bukavu, where the percentage was significantly lower than in Uvira, Cibitoke and Arua.<sup>20</sup> Given that women in this region tend to describe their spouse (or another male member of the family if their spouse is deceased) as the head of the family, the actual figure for women who are in charge of the family is probably much higher than indicated by these figures.

**Figure 2: Breakdown of traders according to household responsibilities**



<sup>17</sup> See appendices 9 to 12.

<sup>18</sup> Taking each observation site individually, we could see that there were more Burundians (74 percent) in Cibitoke and more Rwandans (87 percent) in Ruhororo.

<sup>19</sup> See appendix 128.

<sup>20</sup> See appendix 129.

## 2.6 Associations

Across all four sites, only 18 percent of small traders were members of an association.<sup>21</sup> Of those who were not a member of an association, 77 percent indicated they would like to become members. Most associations or cooperatives are organised informally according to trade sector (petrol, fruit and vegetables, etc.). There is no coordination between the different structures, and there are sometimes tensions between them.<sup>22</sup> In Uvira, for example, there are several organisations which represent the interests of cross-border traders, yet they do not coordinate their activities, they challenge the legitimacy of the other organisations and have only limited powers to protect small traders. Rwandan cooperatives are the exception. In Cyangugu, for example, nine cooperatives operate in cross-border trade and their members said they worked well: 'our work is stable because the cooperative works well'.<sup>23</sup> The cooperatives also helped traders to increase their capital by allowing them to purchase in large quantities. Their collective power means they are in a stronger position to negotiate in the sale of produce to Burundian and Congolese traders. What is more, the cooperatives allow them to purchase large quantities at attractive prices. However, the most obvious weakness in the system is the poor level of training received by those running the cooperatives.

Our research shows that these organisations desperately need to strengthen their capacity if they are to manage their business and improve the situation of their members. National policies and intervention by non-state actors should pay particular attention to this issue. As is clear from the responses we received, many traders would like to belong to an association or a cooperative. The interviews also show that most traders who do not belong to an association or a cooperative feel that this would be an unachievable goal for them and hope to receive external support to this end.

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21 The Uvira site had the largest number of traders who were members of an association. The lowest figure observed was at the Arua site.

22 For example, all the Congolese transporters in Bukavu belong to different categories (disabled, men, women, etc.). Tensions between these groups have led to the implementation of a schedule governing their activities.

23 Focus group, Cooperative, Kabembe market, 21st October 2011.

### 3. Analysis of small cross-border trade

#### 3.1 Relative importance of small trade as a means of subsistence

At most sites the primary means of subsistence available to the households of small traders is small trade: 64 percent of all traders rely on it as their primary means of subsistence (see Table 5).<sup>24</sup> Agriculture is the second largest activity for the traders concerned. Small trade is above all important for Congolese and Ugandan small traders.<sup>25</sup> It is also important for Rwandan and Burundian traders,<sup>26</sup> although agriculture plays a relatively greater role for these nationalities.<sup>27</sup>

**Table 5: Breakdown of traders at all sites according to primary means of subsistence**

What is your household's primary means of subsistence?	Bukavu (no.)	Bukavu %	Uvira (no.)	Uvira %	Cibitoke (no.)	Cibitoke %	Arua (no.)	Arua %	Tot. (no.)	Tot. %
Small trade	939	69%	526	68%	227	38%	638	69.3%	2330	64%
Agriculture	108	8%	210	27%	327	55%	277	30%	922	25%
Odd jobs	143	11%	25	3%	33	6%	2	0.3%	203	6%
Salary	161	12%	12	2%	2	0%	0	0%	175	5%
Other	2	0%	0	0%	4	1%	4	0.4%	10	0%
<b>Total</b>	<b>1353</b>	<b>100%</b>	<b>773</b>	<b>100%</b>	<b>593</b>	<b>100%</b>	<b>921</b>	<b>100%</b>	<b>3640</b>	<b>100%</b>

Generally speaking, small cross-border trade is more important for women than men: small trade represents the primary means of subsistence for 68 percent of women traders, compared to 59 percent of male traders.<sup>28</sup>

These figures show that the lack of available employment alternatives has forced people towards cross-border trade. This is especially the case for Congolese traders, who often have few other options in the post-conflict situation.<sup>29</sup> It should also be said that, in some cases, small cross-border trade is not sufficient to sustain a household, and other activities are required to make ends meet. Agricultural activities, for example, play an important role for Rwandan and Burundian traders. The difficulties facing traders are made even more stark by looking at the main advantages which trade brings to the household and by asking traders about the contribution made by small trade to their household's overall revenue.

According to the traders we interviewed, the main benefit of trade for their household related to primary needs: food (91 percent), schooling (47 percent), medical care (29 percent), clothing

<sup>24</sup> 69 percent of small trader households at the Bukavu and Arua sites and 68 percent in Uvira.

<sup>25</sup> Tables in appendices 14-17.

<sup>26</sup> 61 percent of Rwandan small trader households at the Bukavu site depended mainly on small trade for their livelihood; this figure was 38 percent in Cibitoke. In the case of Burundian traders, the respective figures were 59 and 38 percent respectively.

<sup>27</sup> 30 percent of Rwandan small trader households at the Cyangugu site depended mainly on agriculture for their livelihood, compared to an average figure of 8 percent. In the case of Burundian traders, the figures were 35 percent in Uvira and 56 percent in Cibitoke.

<sup>28</sup> See appendix 130.

<sup>29</sup> This is particularly true of Bukavu, where 71 percent of Congolese traders depend on this trade, while only 4 percent depend on agriculture. The fact that Bukavu is a relatively large town also means there are limited opportunities for agricultural activities (see tables in appendices 14-17).

(8 percent), housing and support for agriculture.<sup>30</sup> In other words, trade does not allow these households to advance economically; it mainly allows them to survive.

Despite the low levels of revenue that it generates, small trade plays an important role as a means of survival for a large number of people: across all sites, 91 percent of small trader households included more than three people and 23 percent included more than 10. Overall there is an average of 7.2 people per small trader household.

**Table 6: Breakdown of traders according to household composition**

Number of people in household	Bukavu (no.)	Bukavu %	Uvira (no.)	Uvira %	Cibitoke (no.)	Cibitoke %	Arua (no.)	Arua %	Overall (no.)	Overall %
1-3	78	5.8%	74	10	62	10.5%	129	14	343	9
4-9	927	68.5%	450	58	429	72.3%	670	73	2476	68
> 10	348	25.7%	249	32	102	17.2%	122	13	821	23
<b>Overall</b>	<b>1353</b>	<b>100</b>	<b>773</b>	<b>100</b>	<b>593</b>	<b>100</b>	<b>921</b>	<b>100</b>	<b>3640</b>	<b>100</b>

As indicated in Table 7, the average number of traders crossing the border each day in Bukavu, Uvira, Cibitoke and Arua in both directions, is 2358, 466, 89 and 214 respectively.<sup>31</sup> With an average of 7.2 people per household, the number of people who depend on small trade at these sites is 22,514.

As well as these 22,514 people and an unknown number of agents working on the border (and their families), this trade is also a source of significant revenue for:

- those who produce the goods traded (and their families);
- the wholesalers and employees (and their families) at the trading companies where the cross-border traders get their supplies;
- those who transport the products (and their families).

This means that the actual number of people who depend entirely or in part on this trade for their survival is almost certainly much higher than the estimated figure of 22,514.

**Table 7: Estimated number of people per site who depend on small trade**

Site	No. of days spent checking (1)	No. of people on outgoing journey (2)	No. of people on return journey (3)	Total number of people (4)=(2)+(3)	Average number of people per day (5)=(4)/(1)	Average number of household members (6)	Number of people who depend on small trade (7)=(5)*(6)
<b>Bukavu</b>	14	1554	31460	33014	2358	7.8	18394
<b>Uvira</b>	14	2520	4006	6526	466	7.4	3449
<b>Cibitoke</b>	14	708	531	1239	89	6.7	593
<b>Arua</b>	14	1488	1514	3002	214	6.5	1394
<b>Overall</b>	14 (average)	6270	37511	43781	3127	7.2	22514

<sup>30</sup> See appendices 18-21.

<sup>31</sup> The number of people on the outgoing and return journeys was checked on the days the interviews were held. The interviewers counted the number of traders according to gender and type of produce being transported.

## 3.2 Trade flows

The volumes and types of trade are not the same at all the border locations chosen for this study: the number of traders, the type and value of the products being traded, and the proportion of men and women traders all vary. The recorded data for trader numbers allow us to analyse the number of traders who cross the border each day and compare the number of “significant products” (those recorded at least 10 times during the 14 days of counting).<sup>32</sup>

Trade flows are higher from Cyangugu to Bukavu in terms both of trader numbers and product value: 31,460 traders crossed the border from Cyangugu to Bukavu over a period of two weeks, trading 24 significant products with a total value of USD1,134,837 per month. The significant products being traded were similar at other sites (fish, corn, eggs, meat, etc.). Such intense trade is linked to the fact that Bukavu has the largest market, with 245,000 residents in the town centre and around 250,000 in surrounding areas. Cyangugu, which in 2000 had an estimated population of 63,883,<sup>33</sup> is the supply point for Bukavu, especially as the lack of security affecting inner-South Kivu province since 1995/6 has led to a significant decrease in DRC’s agricultural production.

Small cross-border trade, therefore, does not only constitute a survival mechanism on an individual basis. At the collective level it helps meet demand for goods on both sides of the border. Furthermore, the direction of trade flows is influenced by various tax regimes: Rwanda does not tax exported produce while DRC taxes both exports and imports. The regulations in force in Rwanda with regard to the conditions and point of sale (street vending is illegal) also result in a tendency among small traders, who do not have the means to set up a stall at the Rwandan markets, to head for the market in Bukavu.

The second largest trade flow is from Bujumbura to Uvira, where 4,006 traders crossed the border in two weeks, trading 25 significant products with a value of USD355,538 per month. Trade in the other direction (Uvira to Bujumbura) represented 2,520 traders in two weeks, with 23 significant products valued at just USD173,725 per month. This is due to the fact that Uvira mainly supplies foodstuffs with a lower value, whereas Bujumbura is the supply point for manufactured produce (beer, second-hand clothing, sandals, etc.), which is then distributed from Uvira.

The third most intense trade flow is from Arua to Ariwara: although the number of traders travelling in this direction is not particularly high and the number of significant products is equal in both directions, the value of this trade flow is much higher, at USD88,176 per month (compared to the value of significant products travelling from Ariwara to Arua of just USD35,445 per month). This is because the goods coming from Ariwara are mainly foodstuffs, while those from Arua are often manufactured products such as beer, sweet drinks, used clothing, soap, etc.<sup>34</sup> The smallest trade flow is from Cibitoke to Bugarama, with the lowest number of traders and the lowest value of goods.

Across all sites there is a significant difference between male and female traders in terms of the type of products being sold. Women sell mainly food produce such as manioc flour, tomatoes, corn, onions, fish and so on, as well as a few other specific products (e.g. body wraps, firewood and palm oil), while men sell a wider variety of products and often with a higher value (e.g. used clothing, beer, plantains, forage, soap, etc.). This is related to the value of the different goods sold by the two sexes: men do not generally trade in foodstuffs as the returns are too low. While it is rare for men to engage in cross-border trade in food produce, it is not unusual for women to export or import manufactured goods if they have sufficient capital.

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32 These figures are summarised in the tables in appendices 80-87.

33 Wikipedia (2000). ‘Figures for Bukavu and Cyangugu’ accessed 12th December 2011.

34 For more information, see K. Titeca (2009). *Op. Cit.*

This division naturally has a significant influence on the movement of men and women at the various border crossings: intensive trade in foodstuffs indicates a high percentage of female traders, while an absence of foodstuffs is an indication that men are over-represented. In the case of flows from Ariwara to Arua, for example, women represent 52 percent of traders while in the opposite direction they represent just 11 percent. A similar phenomenon can be observed at the other border locations.

Finally, it should be noted that a certain number of important products are traded fraudulently. For example, one important product traded between Cyangugu and Bukavu, yet appears in few statistical records, is charcoal. The trade of charcoal is subjected to strict rules in Rwanda, where those who want to cut down trees require authorisation at the district level. Where such authorisation is granted, an agricultural expert from the district estimates the number of trees that can be felled for the production of charcoal. When the product crosses the border, the Rwandan customs authorities verify the necessary certification. If this is not produced, the charcoal is considered illegal and is destroyed. Trade in illegal Rwandan charcoal is nonetheless a popular (fraudulent) activity at the Cyangugu-Bukavu border crossing.

Due to the fact that public officials in Rwanda are generally less corrupt than their Congolese counterparts (with a few exceptions), women must hide their (small quantities of) charcoal among their other products, for example tomatoes. Another important product being traded, but which also appears in few statistical records because it is subject to fraudulent trade, is cloth (*kitenge*). This is transported by Congolese traders to Burundi, where demand is high. However, because Burundi wants to protect its own market for these fabrics, it is heavily taxed. Distributors therefore resort to smuggling body wraps into Burundi; this is done by avoiding the official border crossings or by hiding the goods beneath the clothes of women traders. As will be explained in the following chapters, this situation leads to a certain amount of abuse, such as sexual harassment by border officials, who sometimes touch women all over as part of “fraud prevention”.

## 4. Traders' capital

### 4.1 Sources of capital

Most of the capital used by traders is taken from household resources.<sup>35</sup> The second source of capital is loans from family and friends. There are no significant differences between men and women or between the different nationalities. Loans from other vendors, associations or banks are relatively limited: the figure for such loans is 11 percent in Bukavu, 6 percent in Uvira, 19 percent in Cibitoke, and 2 percent in Arua.<sup>36</sup>

Unfortunately, we were unable to carry out research into available financial services for traders in the region. However, another study into cross-border traders' access to finance in Rwanda<sup>37</sup> shows why they depend so heavily on household and family resources: in many cases there are no financial institutions in the most isolated regions. This is certainly the case in our study sites, such as Ariwara. Furthermore, these institutions often avoid financing cross-border trade because of the high levels of perceived risk. Associations set up by traders which offer savings and credit schemes are in many cases limited and provide a mediocre level of service. Given the importance of cross-border trade for the survival of households, and therefore for the fight against poverty in the region, there is an urgent need to set up micro-finance institutions in the most isolated regions in order to provide credit to cross-border traders with reasonable conditions and affordable interest rates.

### 4.2 Start-up capital

The average start-up capital for all those interviewed was USD32.35. There was not much difference between the start-up capital of women and men at the Bukavu site (see Table 8),<sup>38</sup> although at the other sites women had significantly lower capital than their male counterparts.<sup>39</sup> Across all four sites, the average start-up capital was USD28.86 for women and USD36.52 for men. This can be explained by two main factors: i) women have less access to household resources and other networks that might provide capital; ii) women mostly trade in foodstuffs, which cost less and yield lower returns.<sup>40</sup>

**Table 8: Average start-up and current capital**

Gender	No.	Average start-up capital (1)	Average current capital (2)	Difference in % between current and start-up (3)=(2)/(1)-1
F	1974	28.86	56.52	96%
M	1650	36.52	121.65	233%
Overall	3624	32.35	86.14	166%

35 This is the case for 75 percent of female traders and 80.3 percent of male traders in Bukavu; these figures are 80.1 and 88.5 percent respectively in Uvira and 74.6 and 80.8 percent in Cibitoke.

36 Tables in appendices 47-56.

37 International Labour Organisation (2012). *Access to financial resources for women involved in informal cross-border trade. Draft report.* Geneva.

38 At the Bukavu site, the average start-up capital was USD25.59 for women and USD25.22 for men (across all nationalities).

39 At the Uvira site, the average start-up capital for women (USD38.84) was lower than for men (USD46). In Cibitoke, the figure for women was significantly lower than for men: USD34.16 compared to USD53.55. Similarly, in Arua, women's start-up capital (USD20.03) was lower than for men (USD27.61).

40 Further details are presented in tables in appendices 43-54.

The difference between men and women is even more stark when the increase in capital is considered:<sup>41</sup> we can see that men's capital increases by 233 percent compared to 96 percent for female traders.<sup>42</sup> This suggests that women are trapped in a vicious circle in which, partly because of cultural norms and their lower levels of start-up capital, they trade in less profitable goods and earn less money.

**Table 9: Average start-up capital**

Site	Gender	No.	Average start-up capital in \$	SD <sup>43</sup> in \$	P <sup>44</sup>
Bukavu	F	1043	25.59	32.73	
	M	310	25.22	30.19	p=0.858
	Total	1353	25.51	32.16	
Uvira	F	443	38.84	31.58	
	M	330	46.11	35.82	p=0.003
	Total	773	41.94	33.63	
Cibitoke	F	233	34.16	29.16	
	M	360	53.55	49.99	p<0.0001
	Total	593	45.93	44.03	
Arua	F	255	20.03	23.15	
	M	650	27.61	29.68	p<0.0001
	Total	905	25.48	28.19	

### 4.3 Estimated profits of small cross-border trade

The data on the profits yielded by the various products<sup>45</sup> show that women play an important role in cross-border trade and are involved in the sale of a certain number of profitable goods, thus providing an indication of the role this trade plays in their economic and social status. For example, the data for goods traded from Bukavu to Cyangugu show that the two most profitable products are mainly traded by women.<sup>46</sup> However, only a minority of women are engaged in the trade of high-profit goods; most sell very low-profit products (including foodstuffs).<sup>47</sup> From Bukavu to Cyangugu, for example, the most common goods traded by women are vegetables (salad leaves and cabbage),<sup>48</sup> which yield significantly lower levels of profit (USD5.33). Overall, women therefore earn a bit less than men.<sup>49</sup>

41 To calculate this increase, interviewees asked for capital figures at the start of the business and those valid on the day of the interview. Most interviewees had no difficulty in providing the amount of the capital with which they first engaged in small trade; the challenge was to estimate the amount of capital currently involved in their business.

42 Bukavu: 72 percent for men, 39 percent for women; Uvira: 86 percent for men, 74 percent for women; Cibitoke: 85 percent for men, 48 percent for women. The only exception was the Arua site: 350 percent for men, 400 percent for women. For more information, see appendices 43-54.

43 SD=Standard Deviation

44 P is a probability that expresses the degree of significance of the statistical test. It is obtained differently depending on the statistical tests being carried out. In this case, we are comparing averages and the difference is considered significant if  $p < 0.05$ .

45 In order to estimate average profit levels, we took the number of small traders interviewed per product type and then calculated the average quantity transported by each one. We calculated the average purchase price per article on the basis of the prices quoted by each trader. The average cost of each article was calculated by adding its average purchase price and the average taxes due. Once we knew the average sale price of each article, based on the trader's declaration, we were able to calculate the average profit per article by taking the difference between the average sale price and the average cost. Lastly, the average profit made by each trader was obtained by multiplying the average profit per article by the average quantity transported.

46 Carrots and milk, with respective figures of USD18.11 and USD8.39 and 84 and 16 traders per month for these two products respectively

47 See tables in appendices 80-87 and 89-96.

48 336 traders per month, 81 percent of which were women.

49 The data used in this section are presented in the tables in appendices 82-89 and 91-98.

This appears to be confirmed if we look at the profits made by women in overall trade relative to the percentage of women involved. By comparing the percentage of profit made by female traders on significant products with the percentage of women working in trade, we see that 74 percent of women active in small cross-border trade earn 64 percent of the profits made on significant products (see Table 10).

As explained a little earlier, this is linked to the different cultural values associated with certain products depending on the trader's gender, as well as limited access to capital and the involvement of women in the trade of lower-profit products. This also explains why women's capital increases at a relatively low rate (see Table 8).

**Table 10: Trading profits and women's profits**

Trade flow	Number of products	Total estimated profit per month	Women's profits	Women's profits as %	% women
Bukavu to Cyangugu	8	\$9,014.14	\$3,188.20	35%	64%
Cyangugu to Bukavu	37	\$281,896.42	\$235,718.88	84%	85%
Uvira to Bujumbura	23	\$57,937.22	\$35,802.86	62%	59%
Bujumbura to Uvira	28	\$115,264.38	\$53,847.74	47%	43%
Cibitoke to Bugarama	25	\$12,450.44	\$6,745.02	54%	50%
Bugarama to Cibitoke	30	\$13,644.52	\$1,546.30	11%	23%
Arua to Ariwara	54	\$40,827.46	\$6,101.50	15%	11%
Ariwara to Arua	39	\$21,695.94	\$8,657.68	40%	52%
<b>Overall</b>	<b>244</b>	<b>\$552,730.52</b>	<b>\$351,608.18</b>	<b>64%</b>	<b>74%</b>

## 5. Taxation

Taxes and state border agencies play an important role in cross-border trade. This section provides an analysis of the taxes collected at the different border points and the behaviour of the various services involved. As these services are national institutions, we will analyse the situation in each country. *Informal taxes* – especially in the Congo and Burundi – are a major problem. These are taxes which we define as being collected outside of the state’s regulatory framework and as going unrecorded. In many cases they are not collected on the basis of a particular regulation, edict or law and are, therefore, illegal. In other cases they are collected on the basis of a regulation or law but are not paid into state coffers. The fact that these taxes are *informal* does not necessarily mean that they make no contribution to public goods and services, for example by adding to the very low salaries received by public officials. In this context, and specifically in reference to what was then Zaire, Prud’homme uses the term “informal taxes”, which he defines as ‘informal means of financing the provision of public goods and services’.<sup>50</sup>

In order to facilitate this study, the indicator used for formal taxes was the issuance of a receipt to prove a tax had been paid. The indicator used for informal taxes was the absence of a receipt issued to the trader.

The taxes referred to below (both formal and informal) relate to all costs paid by traders in the context of cross-border trade and communicated as such to our interviewers. This includes not only import and export taxes, but also immigration costs borne by traders as well as market and municipal taxes, which are often collected at or near the border.

It is necessary to nuance the definition of informal taxes somewhat: as we have just said, the issuance of receipts was used as an indicator of the level of informal taxation. However, the informal nature of taxation is in reality much more widespread: at certain sites, such as Cibitoke, traders admitted that they did not always say when they had paid informal taxes in Burundi because they ‘don’t want their secret to be revealed’.<sup>51</sup> A similar phenomenon was observed in Arua/Ariwara, where traders did not want to own up to all the informal taxes paid in DRC for fear of reprisals. In some locations parallel receipts are used, strictly for *internal* use only, but are not taken into account and are not a reflection of state regulations. For example, at one Congolese border crossing such receipts are used for the payment of informal revenue between officials. Similarly, at some border sites, provincial government offices collect taxes even though they have no authorisation to operate in these locations. One common practice at all border locations is to declare a lower amount than actually paid: for example, a trader importing goods for which he must pay USD30 is issued a receipt for USD15 and actually pays the tax collector USD20. This is a win-win situation for both individuals, while the state loses out.

To summarise, the indicator used to distinguish between formal and informal taxes gives us a good idea of the levels of taxation, but in reality the level of informal taxation is much higher than the percentages provided below.

Before going on to analyse the situation in each individual country, we will examine the various regional agreements which (ostensibly) regulate national fiscal policies.

50 R. Prud’homme (1992). ‘Informal local taxation in developing countries’, *Environment and Planning C: Government and Policy*, 10, p.1-17, p.2. The author draws a distinction between the various informal taxes, such as “pincés”, extortion, requests, contributions, gifts and donations.

51 Cross-border traders focus group, Cibitoke, 24th October 2011.

## 5.1 Organisations for regional integration

There are various agreements in place which regulate regional trade and have implications for small cross-border trade. All of the countries dealt with by this report have signed a whole series of regional agreements designed to eliminate tariff and non-tariff barriers to trade. Burundi is a member of the East African Community (EAC), the Economic Community of the Great Lakes Countries (CEPGL), the Common Market for Eastern and Southern Africa (COMESA), and the Economic Community of Central African States (ECCAS). DRC is a member of the Southern African Development Community (SADC), COMESA, ECCAS and CEPGL. Uganda is a member of EAC, COMESA and the Intergovernmental Authority on Development (IGAD), and Rwanda is a member of EAC, CEPGL and COMESA.<sup>52</sup>

The EAC protocol on a customs union was signed on 2nd March 2004 and implemented in January 2005. According to this protocol, all tariff and non-tariff barriers to trade should be eliminated. However, non-tariff barriers continue to be a problem; in 2006 an EAC mechanism was adopted to identify, monitor and eliminate such barriers by establishing national monitoring committees in Kenya, Uganda and Tanzania (2007), and in Burundi and Rwanda (2008).<sup>53</sup> Despite this, a range of non-tariff barriers to trade continue to operate in the form of a long list of customs documents, lengthy formalities at borders and certification requirements which prevent people getting involved in trade.<sup>54</sup> Tariff barriers persist: EAC's trade regime includes a list of 58 "sensitive products" which are subjected to *ad valorem* customs taxes, including 100 percent for sugar, 75 percent for rice, 60 percent for milk and various dairy products, 50 percent for *kitenge* and 45 percent for used clothing. The objective of this measure is to protect local production, based on the assumption that the region has the capacity to meet demand.<sup>55</sup> What is more, the protection laws put in place by the different countries vary considerably.<sup>56</sup> Finally, there are problems with the rules relating to the origin of products. EAC adopted simplified rules to facilitate the trade of goods with a value of less than USD500 in order to boost business between small traders. However, this system is not without its problems. First of all, because of the capacity of the institutions concerned, there are often significant delays in the issuance of certificates.<sup>57</sup> Secondly, some border authorities do not provide certificates of product origin, as is the case for example in Cibitoke. All of these factors combine to steer traders towards informal transactions. One solution to this problem might be the creation of a "one-stop border post" in Cibitoke to allow for better coordination between the two countries.

The introduction of common tariffs across the EAC customs union has led to a significant increase in import taxes in Rwanda. These are now at 25 percent for fruit, vegetables, cereals and animal produce, which has also forced many traders into informal trade.<sup>58</sup>

COMESA has established a Simplified Trade Regime (STR) to facilitate cross-border trade. This regime allows small cross-border traders to import or export without paying any customs taxes on goods with a value of USD500 or less per batch (and which appear on the joint list of eligible merchandise), provided they complete a simplified certificate of origin. According to DRC's representative at COMESA's 27th Intergovernmental Committee held in December 2009, his country was committed to applying the STR and finalising the list of eligible products. The

52 UN Women (2012). *Op. Cit.*

53 East African Community (EAC) (2011). *Status of elimination of non-tariff barriers*. EAC secretariat, Arusha, Tanzania..

54 L. Okumu and O. Nyankori (2010). 'Non-tariff barriers in EAC Customs Union: implications for trade between Uganda and other EAC countries', *Economic Policy Research*. Research Series N° 75.

55 E. Mugisa, C. Onyango and P. Mugoya (2009). *An Evaluation of the Implementation of the East African Community Customs Union. Final report*. EAC, pp.16-17.

56 UN Women (2012). *Op. Cit.*

57 E. Mugisa et al (2009). *Op. Cit.*

58 International Alert (2010). *La Traversée: Le petit commerce et l'amélioration des relations transfrontalières entre Goma (RD Congo) et Gisenyi (Rwanda)* [Crossing: Small business and improving border relations between Goma (DRC) and Gisenyi (Rwanda)]. London.

Rwandan government also declared that it had finalised and adopted such a list.<sup>59</sup> During a ministerial meeting held at the end of 2011 as part of COMESA's reform project, it was decided to regularly update the joint list via national working groups (made up of border officials and others) in order to respond to the dynamic changes taking place in the goods being traded.<sup>60</sup> COMESA also set up offices to provide information on trade, for example at the Uvira/Gatumba and Goma/Gisenyi border sites.<sup>61</sup>

Within the framework of CEPGL, meetings are held twice yearly or as often as required between governors from the border provinces.<sup>62</sup> The governors have used these occasions to recommend harmonising and modernising customs procedures at the border and the introduction of cross-border para-fiscal regulations.<sup>63</sup> As part of the same framework, CEPGL is currently revising the *Protocol for the liberalisation of trade in fresh produce from CEPGL member states*, which was in fact ratified by member states in the 1980s. Products which appear on this list are supposed to be subject to free movement within the community. The list includes 'raw produce'<sup>64</sup> such as 'vegetable produce harvested in this country', for example tomatoes, beans, peas, etc., but also fish and animals.

In the long term, following the revision and adoption of the *Protocol on the free movement of persons, goods, services and capital* within CEPGL, there are plans to establish a free trade zone which will target the progressive reduction of taxes and other tariff and non-tariff barriers to trade beginning in 2012.<sup>65</sup> The creation of a customs zone is planned for 2015. However, this protocol has yet to be ratified.<sup>66</sup>

In general, those involved have poor knowledge of the various treaties and their implementation: this is definitely the case for traders, who lack sufficient awareness of their rights, but also for public officials working at the borders.<sup>67</sup>

## 5.2 Congolese taxes

There are a high number of border services operating in DRC. Those authorised by the law to do so, and their respective mandates, are as follows:<sup>68</sup>

1. *Direction Générale de Migration* (DGM, Department of Migration): to apply policies, laws and regulations on immigration and emigration, and verify documentation (individual permits for Congolese nationals and visas for foreigners).
2. *Direction Générale des Douanes et Accises* (Customs and Excise Authority) (DGDA): to collect duties, taxes and excise payable on imports, exports and the transport of goods, monitor the borders, and combat fraud and contraband.
3. *Office Congolais de Contrôle* (OCC, Export Control Agency): to verify the quality, quantity and conformity of all goods. In the case of mining and other products (coffee in particular), the OCC issues an export verification certificate.

<sup>59</sup> *Ibid.*, p.37

<sup>60</sup> E-mail correspondence with a COMESA representative, 18th March 2012.

<sup>61</sup> The offices already established are as follows: Kasumbalesa (DRC); Kasumbalesa (Zambia); Goma (DRC); Rubavu (Rwanda); Bunagana (Uganda); Bunagana (DRC); Gatumba (Burundi); Kavimvira (DRC). Those about to be established are in Kasindi (DRC) and Mpondwe (Uganda). E-mail correspondence with a COMESA representative, 18th March 2012.

<sup>62</sup> CEPGL. 'Protocol to institutionalise the meeting of governors from border provinces in ECGLC member states'. 7th May 2009.

<sup>63</sup> CEPGL. 'Minutes from the first meeting of governors from border provinces in ECGLC member states'. Bukavu (DRC). 6-7th May 2009.

<sup>64</sup> As indicated in the trade and customs cooperation agreement between the Republic of Burundi, the Rwandan Republic and the Republic of Zaire.

<sup>65</sup> International Alert (2010). *Op. Cit.*

<sup>66</sup> CEPGL. Protocol on the free movement of persons, goods, services and capital.

<sup>67</sup> Focus group and targeted interviews, Bukavu and Cibitoke, 21st October 2011 and 25th October 2011; Interview with a border official, Uvira, 18th October 2011.

<sup>68</sup> DRC (2008). *Guide déontologique des officiels du secteur migratoire* [Deontological guide for migration officials]. Kinshasa. See also DRC (2010). *Operational Order n°234/2010*. Kinshasa; DRC (2002). *Decree n°036/2002*. Kinshasa. These identified the public services and bodies authorised to operate on the borders of DRC.

4. *Direction de la Quarantaine internationale* (Hygiene Department): give vaccinations, verify sanitary documentation and check state of hygiene of foodstuffs.
5. *Police des frontières* (Border Police): to monitor border crossing points and territorial borders in locations other than official crossing points, combat fraud and cross-border criminality, monitor flows of nationals and foreigners (under the authority of the central police force but in coordination with provincial police), and settle isolated conflicts between individuals which may arise on the border.

In reality, as has been widely demonstrated in literature,<sup>69</sup> the practices of the Congolese government institutions, as well as the fiscal practices of border officials, often differ from official guidelines. In concrete terms, there are problems in the following areas:

- ***Direction de la Quarantaine internationale***: this department is legally authorised to operate on the border and its official role is to ‘carry out sanitary checks at the various border posts and public and private storage units’.<sup>70</sup> Nonetheless, the way in which this department exercises its responsibilities results in traders having to pay taxes on small quantities of goods for reasons neither well explained nor appearing to have a direct link to hygiene. For example, the department often demands product samples to carry out “quality checks”, but fails to carry out such checks before the trader’s departure. Supposing the department found a product to be of poor quality, it would no longer be possible to locate the trader and confiscate his goods.<sup>71</sup> The department responsible for animal and plant quarantines (SQUAV), which is officially part of the hygiene department, also collect “taxes”, often without issuing a receipt and with no direct or apparent link to its official mandate.<sup>72</sup>
- ***Military personnel*** are also behind informal taxation. At the Uvira site, for example, seven different military units were operating at the border: the presidential guard, T2,<sup>73</sup> *Amani Leo* troops,<sup>74</sup> transport police, border police, naval police<sup>75</sup> and the ANR.<sup>76</sup> Many of them are involved in informal taxation. In many cases they intimidate those crossing the border and put pressure on them to pay something. In principle, military personnel are supposed to guard the border at night, and traders who cross the border during this time must naturally pay informal taxes. They often arrive early or stay late to profit from the largest number of traders. This leads to tensions with other state officials. According to one public servant, ‘the military want a monopoly: they refuse to give way to anyone else’.<sup>77</sup> One soldier summarised the situation as follows: ‘We are in the field of God, where everyone has to earn something’.<sup>78</sup> A police officer remarked that ‘there is always an opportunity to make a profit’.<sup>79</sup>
- ***Local authorities or chiefdom***: although these are legally authorised to collect taxes, they are not authorised to do so at the border. Their agents use the border to collect “taxes” from small traders at crossing points in rural areas, as was observed in Sange and Kiliba (Uvira site).
- ***Informal non-contracted agents*** (known locally as *viseurs*): these are plain-clothes youths used by the agents of various official services (OCC, DGDA, Hygiene, DGM and military

69 A. Tegera and D. Johnson [2007]. ‘Rules for sale: formal and informal cross-border trade in DRC’, *Regards Croisés*, no 19; T. Trefon [2009]. ‘Public Service Provision in a Failed State: Looking Beyond Predation in the Democratic Republic of Congo’, *Review of African Political Economy*, 36:119, pp.9-21; P. Englebert [2009]. *Africa. Unity, Sovereignty and Sorrow*. Lynne Rienner Publishers.

70 Journal Officiel de la République Démocratique du Congo. Cabinet du Président de la République. ‘Article 4’. Kinshasa. 1st August 2006.

71 One woman trader summarised the situation as follows: ‘There is never a day when we are happy or relaxed about hygiene; once you have your goods, you’re already frightened at the thought of the hygiene department’. Focus group of trader mothers, Bukavu, 21st October 2011.

72 SQUAV is not authorised to collect taxes. DRC [2010]. *Operational Order n°234/2010*. Kinshasa; DRC [2002]. *Decree n°036/2002*. Kinshasa.

73 T2 is a military intelligence office. At the provincial level within the military hierarchy, T1 is the office responsible for administration, T2 is in charge of intelligence, T3 handles operations, T4 is responsible for logistics, and T5 looks after mobilisation, training and ideology.

74 *Amani Leo*, which was officially launched on 1st January 2010, was part of the Congolese armed forces (FARDC) and led operations in North and South Kivu, mainly against the Forces Démocratiques pour la Libération du Rwanda [Democratic Forces for the Liberation of Rwanda] (FDLR). In a speech given in Goma in April 2012, the President dissolved this unit.

75 The naval police operates in Uvira because of its proximity to Lake Tanganyika.

76 The National Intelligence Agency.

77 State official, Bukavu, 20th November 2011.

78 Interview with a soldier, Bukavu, 15th October 2011.

79 Interview with a police officer, Bukavu, 20th October 2011.

personnel). They are placed along the road in order to approach small traders and direct them to the taxation offices. They receive no salary and carry no official state symbols, such as a badge or uniform, etc. Therefore, not only must they collect taxes on behalf of the various official bodies, but they must also ensure their own survival, which of course increases the pressure placed on the traders.

At certain crossing points, the level of informality is higher than elsewhere: for example, at a location some distance from the Uvira site (Luvungi-Rugongo), only informal taxes are collected. Paradoxically, this is done with great efficiency through a sort of “one-stop counter”, which is responsible for collecting money from traders and then ensuring it reaches the various agencies concerned (DGDA, DGM or border police). The receipts issued by this counter are produced locally and carry an official stamp, although they do not use official taxation rates and are not transferred to the higher institutions.<sup>80</sup>

This situation, which involves so many agencies and different actors, results in a high level of taxation on the Congolese border:<sup>81</sup> 70 percent of goods in Bukavu, 87 percent of goods in Uvira, and 66 percent of goods in Ariwara are taxed. Our analysis above would suggest that there is a high level of informal taxation: the figures are high in Bukavu (55 percent informal taxation compared to 35 percent formal) and very high in Uvira (79 percent informal and 13 percent formal), but low in Ariwara (13 percent informal and 58 percent formal<sup>82</sup>). According to the data produced by the study, the agencies collecting the highest level of informal taxes in Bukavu were the OCC (which taxes 40 percent of traders), the hygiene department (27 percent of traders) and the DGDA (16 percent of traders). At the Uvira site, the most prolific agencies in terms of informal taxation were the DGDA (54 percent), military personnel (45 percent), hygiene department (43 percent), the DGM (39 percent), the OCC (23 percent) and the border police (17 percent), which provides an indication of the high levels of informal taxation at this site. In Ariwara, only the immigration services collected a significant percentage of informal payments (13 percent).

These informal taxes have very different values: in Bukavu it is quite low at USD0.30 for each formally taxed trader and USD0.17 for each informally taxed trader. By contrast, taxes are much higher at the Uvira site: USD1.55 for each formally taxed trader and USD1.77 for each informally taxed trader (for imports and exports). At the Ariwara site, the figures are USD1.47 and USD1.20 respectively.<sup>83</sup>

The level of informal taxation is therefore very high in DRC: in some cases there are more people paying informal than formal taxes, and in others informal taxes are higher than formal taxes. At the Uvira site in particular, the level of informal taxation is extremely high: 79 percent of taxes paid are informal and just 13 percent are formal.

In summary, a wide variety of actors operating on the Congolese border are involved in the collection of formal and informal taxes. The high level of informal taxation leads to a significant degree of confusion, as is clear from the testimony provided by one female trader: ‘What is surprising is that these services are full of agents and sometimes we don’t know who to talk to. At one post you might even have five people talking to you. So you wonder which one to listen to’.<sup>84</sup> The way in which the many taxes (both formal and informal) are requested creates a high level of unpredictability. Traders pay taxes not only at the border but also at barriers along the road, at the entrance to the market and in the market itself, etc. Additionally, the way in which they are demanded is particularly harsh: failure to pay results in harassment at best, and in many cases the confiscation of goods. Traders complain about unfair treatment at the hands of public officials, who they say ‘start harassing us and

<sup>80</sup> Interviewers’ debriefing, Uvira, 16th October 2011.

<sup>81</sup> Details to be found in appendices 56–68.

<sup>82</sup> As explained above, the actual levels of informal taxation in Arua are likely to be higher than indicated in the collected data.

<sup>83</sup> Details to be found in appendices 56–68.

<sup>84</sup> Focus group discussion, Ruzizi (border point), 21st October 2011.

throwing our merchandise on the ground or in their office'.<sup>85</sup> They have no choice but to pay in order to reduce this maltreatment to a minimum: cases have been recorded where traders have been forced to wait for hours under the hot sun or rain in order to complete their payment.<sup>86</sup>

Traders are actively discouraged from asking for a receipt for payments made. Those who make such a request are often threatened by officials with even higher taxes. In some cases, especially at crossing points far from urban areas, payments are made in kind rather than in cash. In this context, state officials use what Englebert calls their 'legal command...[their] capacity to control, dominate, extract or dictate via the law'.<sup>87</sup> Although the Congolese State is weak,<sup>88</sup> it still has "residual command"; in other words, 'the institutions and officers of the failed state continue to carry some authority. This authority is derived mainly from the fact that the state is the law'.<sup>89</sup> Although state officials often receive low salaries, they use their position as state representatives to place financial pressure on traders. One civil society actor summarised this situation as follows: 'they exploit the disorder at the border to make money. They intimidate people with their uniforms'.<sup>90</sup> During the initial phases of the study, some of our interviewers were threatened by officials at certain border posts.

Few efforts are being made to improve this situation, and those being made have been complicated by the fact that certain individuals with economic interests are using the existing disorder to their advantage. In Uvira, for example, the provincial authorities held a meeting to address the problem of the illegal presence of certain actors at the border. After the meeting a committee was set up which included the various institutions which are "legally" present on the border, with a view to bringing the situation into line with regulations. Despite this, those institutions the presence of which on the border is considered illegal – such as SQAV and certain military personnel – put pressure on their superiors at the national level to ensure they could stay. SQAV, for example, invoked its right to stay through a letter signed by the President's chief of staff and addressed to the Deputy Prime Minister in charge of the Interior and of Security. This confirmed its right to remain at the border, and it only left following a visit from a delegation from Kinshasa. However, it returned some time later and no further action has yet been taken. This makes it clear that the state's fragmented authority and limited regulatory powers cannot ensure effective control over its border officials, which means that their actions continue to go unchecked.

Naturally, this situation also has an impact on the way in which rules and regulations are implemented and followed up. An example of this is the recent introduction of a decree to abolish illegal taxes at the border,<sup>91</sup> signed by the Deputy Prime Minister. The decree abolishes the illegal collection of taxes,<sup>92</sup> taxes on the import or export of certain foodstuffs such as vegetables, cereals, fruit, etc., and all costs relating to the inspection of foodstuffs such as vegetables, spices and so on. In interviews held with state officials, around half said they had never seen this decree. The other half said they had seen it but that they did not respect it because they had yet to receive any instructions in this regard. The head of the OCC in Bukavu, for example, said he had seen the decree but was under no obligation to follow it as he was 'awaiting instructions from [his] supervisor, the provincial director'.<sup>93</sup> In other words, this decree is being neglected by the relevant officials, which is both a cause and consequence of the fragmentation of the state and its authority.<sup>94</sup> One of the reasons for such negligence is no doubt financial in nature: officials would not find it easy to abandon this source of revenue.

85 Focus group for female traders, Bukavu, 21st October 2011.

86 Observations of interviewers, Uvira, 17th October 2011.

87 P. Englebert (2009). *Op. Cit.*, p.114.

88 This weakness is clear from institutions' inability to carry out their traditional public functions independently.

89 P. Englebert (2009). *Op. Cit.*, p.113-114.

90 Interview with a civil society representative, Bukavu, 23rd October 2011.

91 DRC (2011). *Decree n° 011/32*. Kinshasa. This decree abolished the illegal collection of taxes at the border.

92 We are talking here about taxes with no legal basis, i.e. those which are applied using texts that violate the law.

93 Interview with OCC Head, Bukavu, 19th October 2011.

94 One Ugandan customs official stated (with regard to operations on the Congolese border): 'There is no central command or correctly established government to supervise taxes and tax collections; each tax body is individualistic and selfish in the way it collects and uses funds'. Interview with Ugandan Customs Official, Odramachaku, 11th May 2011.

There are various local arrangements which are only partly drawn from national regulations. In Bukavu, for example, some goods are considered to be particularly susceptible to informal taxes, while others are not: eggs, petrol and milk are heavily subjected to informal taxation (88, 82 and 85 percent of cases respectively) and much less so to formal taxes (42, 27 and 27 percent of cases). Certain foodstuffs such as tomatoes, aubergines and ripe bananas are subject to almost no informal taxation (16, 9 and 9 percent), but instead systematically taxed on a formal basis (26, 42 and 29 percent), albeit less than other products. These rules are based on local perceptions of products used for survival; they represent a kind of “moral” economy. At other sites, such as Uvira, there is a different local arrangement by which informal taxes are collected on all categories of product, including foodstuffs. Aubergines, tomatoes and ripe bananas (which in Bukavu are subject to almost no informal taxes), for example, are informally taxed respectively in 77, 58 and 67 percent of cases, and formally taxed in just 8, 8 and 0 percent of cases.

### 5.3 Burundian taxes

In Burundi, the *Office Burundais des Recettes* (OBR, Burundi Revenue Authority) acts as a one-stop counter with the advantage that all state revenues can be channelled through it, thus avoiding a scattering effect on taxation. OBR is a relatively new institution, established in July 2009.

According to local authorities and traders, the level of taxation imposed by OBR has forced a large number of traders to abandon cross-border trade. Those who remain complain bitterly about the high rates and offer a very negative picture of the OBR. Some traders made remarks such as ‘OBR has eaten our heart’<sup>95</sup> or ‘OBR has traumatised us’.<sup>96</sup> Traders also claimed that a strict application of these rates was impossible: ‘If you come up against a nasty tax collector (*unakufa*) – that means you’re dead. We suffer more at the Burundian border’.<sup>97</sup> During interviews with senior OBR representatives, our interlocutors themselves recognised that their rates were rather high for small traders and that this had led to extremely negative relations between them.<sup>98</sup> Some OBR representatives appear to be more “flexible” and allow the application of lower rates. One official told us: ‘if we wanted to apply the rules of the OBR, there would be no small traders left! [...] We do this out of pity’.<sup>99</sup> However, most officials do not share this view and are extremely rigid (if not hostile) in their attitude towards traders. This is why significant numbers of traders use smuggling routes to transport their goods.

An additional challenge facing traders in Burundi is the *Police de l’Air, des Frontières et des Etrangers* (PAFE, Police of Air, Borders and Foreigners). This police force monitors the movement of foreigners across the national territory in collaboration with the territorial administrative authorities, and also monitors movement into and out of the national territory.<sup>100</sup> In order to achieve its mandate, PAFE puts up barriers. All of the traders we spoke to complained that these barriers were a major source of informal taxation: receipts are not issued, no information is provided about the reasons behind these taxes (or the rates in force), and the money must be paid repeatedly. Municipal taxes are similar: these are collected at markets and on the roads in accordance with clear tariff regulations, but some level of informal taxation is also in place. Those involved argued that this situation was due to the fact that tax collectors did not earn enough to survive (around 10,000 Burundian francs, or USD8, per month). They therefore resort to fraudulent fiscal practices to survive. For example, a trader who owes 10,000 Burundian francs (USD8) in taxes will pay 7,000 francs (USD5.60) and the tax collector will give him a receipt for 5,000 francs (USD4), thus creating a win-win situation for both parties.

<sup>95</sup> Focus group, Burundian female trader, Rugombo, 11th October 2011.

<sup>96</sup> Focus group, Burundian female trader, Rugombo, 11th October 2011.

<sup>97</sup> Focus group, Congolese traders, Uvira, 13th October 2011.

<sup>98</sup> For example, *babouches* [slippers] with a value of 30,000 Burundian francs are taxed at 23,547 francs.

<sup>99</sup> As shown above, a certain number of small traders did not want to admit having paid lower taxes, as if they did not wish the “secret [between the OBR and traders]” to be revealed.

<sup>100</sup> Burundian Republic, Presidential office. ‘Statute n° 1/020 on the creation, organisation, missions, composition and operations of the national police, articles 33 and 34’. Bujumbura. 31st December 2004.

At border points in Burundi, the so-called *Rouge-Rouge* are causing problems. These are individuals who know state officials and who are aware of the taxation rates and whom traders pay to have their goods transported across the border. *Rouge-Rouge* are also involved in smuggling. Although they provide useful services to traders, they are also particularly dangerous. Traders who decide not to use these transport agents risk these agents informing on them to the authorities, or being harassed by them. There are even reported cases of goods being stolen by the *Rouge-Rouge*.

As in DRC, border officials in Burundi use civilians to assist them, which adds to existing confusion. The way in which taxes are collected from traders is often just as brutal and degrading. Levels of taxation are quite high at the Burundian border: 83 percent of products are taxed in Gatumba and 76 percent in Cibitoke. In Cibitoke, formal taxation stands at 74 percent (compared to 20 percent informally), whereas in Gatumba the figure for informal taxation is 64 percent, compared to 47 percent for formal taxation. In Gatumba, the average amount of taxation is USD1.04 for each instance of formal taxation and USD1.19 in the case of informal taxes. Import taxes are higher (USD1.57 and USD1.69 respectively) than export taxes (USD0.77 and USD0.90). Taxes are lower in Cibitoke: USD1.08 for each instance of formal taxation and USD1.17 in the case of informal taxation.

Informal taxation is therefore widespread in Burundi: in Gatumba, informal taxes are higher than formal taxes, and the value of informal taxes is higher on both sites (Cibitoke and Gatumba). According to our recorded data, it is mainly PAFE which collects informal taxes (42 percent) in Gatumba, followed by OBR (20 percent),<sup>101</sup> the municipality (14 percent), the hygiene department (9 percent) and military personnel (8 percent). The main agency which collects informal taxes in Cibitoke is also PAFE (19 percent).

At the Burundian border locations covered by this research, OBR strictly enforces the country's taxation regimes, but rates are high and the system is poorly understood by small traders. This encourages many of them to turn to informal taxation. There is also a range of state actors involved in fraudulent fiscal practices and the use of barriers to trade; this creates a particularly difficult and confusing situation for small traders.

Congolese traders particularly complained that they had to pay very high immigration taxes in Burundi, where a "token" to cross the border cost USD2 (valid for one day only). The justification given for this was that the border was close to the capital; however, this was considered grossly unfair by traders and constituted a real challenge for cross-border trade.

## 5.4 Rwandan taxes

In Rwanda, the Rwanda Revenue Authority (RRA) is the only department responsible for centralising state revenue and combating fraud. Centralisation has the advantage of facilitating commercial transactions and taxation control. At the Rwandan border, nearly half (45 percent in Bukavu-Cyangugu) or a third of traders (34 percent in Cibitoke-Bugarama) paid import taxes. However, very few paid export taxes in Cyangugu (2 percent) or Bugarama (27 percent), as foodstuffs exported from Rwanda are not generally taxed. Most of the taxes paid in Bugarama are not export taxes (just 6 percent), but rather market taxes (20 percent)<sup>102</sup> and to a lesser extent municipal taxes (2 percent). There are virtually no informal taxes paid in Rwanda (1 percent in Cyangugu and 4 percent in Bugarama).<sup>103</sup>

The traders we interviewed felt that one of the reasons for the near lack of informal taxation was

<sup>101</sup> In Cibitoke, informal taxation imposed by OBR stands at just 2 percent.

<sup>102</sup> As street vending is prohibited in Rwanda, small traders are forced to sell their products to stall holders at the market and pay taxes at the entrance. These taxes do not correspond to the costs incurred by stall holders, which are in fact very high, and are included in the calculation of taxes declared by small cross-border traders.

<sup>103</sup> Informal taxes are paid on charcoal, for example.

the high level of surveillance, both by state officials and the population.<sup>104</sup> State officials involved in informal taxation are taking a huge risk.

However, Rwandan taxes are the highest in the region: in Cyangugu, USD2.37 for each instance of formal taxation and USD1.89 in informal taxes; in Bugarama, these figures are USD1.47 and USD0.83 respectively. Import taxes are very high in Rwanda, which constitutes a barrier to regional trade and a major difficulty for small cross-border trade.

## 5.5 Ugandan taxes

In Uganda, the Uganda Revenue Authority (URA) acts as a one-stop tax collection service at the border and has been in existence for a long time (since 1991). Arua, our chosen research site in Uganda, is a highly porous crossing point with few border posts and several smuggling routes. Customs officials say they experience serious difficulties monitoring the border. The fact that DRC's border posts are quite a distance from the border itself (2 km) also makes smuggling an attractive option. This is clear from the low level of taxes collected: of the 990 traders we met at the Arua border, only 14 percent were taxed on the Ugandan side (8 percent formally and 3 percent informally).<sup>105</sup>

Our study was carried out at two official crossing points (Lia and Odramachaku) where customs officials were present and traders paid taxes. However, it also extended to informal crossing points (Ombayi and Mangasaba) where no Ugandan taxes were paid because the single URA counter only operated at a few specific locations. This does not mean that no Congolese taxes are paid,<sup>106</sup> as these are not only collected at the border but also at various barriers (see above) between the border and the various markets. Nevertheless, as this border is highly porous, many traders manage to avoid border taxes altogether.

Smuggling is widespread, but so too is the confiscation of goods. Trade is considered to be particularly dangerous and risky, and violent confiscation often takes place. In general, incidents occur when traders refuse to pay their taxes or when there is a misunderstanding, which ends in the threat or use of violence. During the period of our study, for example, one incident occurred in which a group of Ugandan traders had their merchandise confiscated by the Congolese authorities, leading to clashes with the Congolese customs officers in which their offices were set alight, creating a particularly tense situation on the border involving the Ugandan and Congolese armed forces. Similar incidents in the past have taken place on the Ugandan side of the border, such as when the army or police fired on traders involved in fuel and cigarette smuggling, with the traders attacking the offices of the URA. Trade in Arua is considered particularly dangerous. Because of the high level of informality here, significant profits can be made – and just as easily lost. Combined with the fact that the Congolese market is quite a distance from the border, this makes small trade an activity considered for men only, as reflected by the low proportion of female traders.<sup>107</sup> The high level of informality and the relatively low numbers of traders may also explain the high profits made at this site. As explained earlier, the nature of goods traded from Arua to Ariwara (manufactured products) is also a factor.<sup>108</sup>

<sup>104</sup> Interview with a Burundian trader, Cibitoke, 24th October 2011; A. Purdekova (2011). "“Even if I am not here, there are so many eyes”: surveillance and state reach in Rwanda", *Journal of Modern African Studies*, 49(3), pp.475-497.

<sup>105</sup> These taxes had a value of USD1.23 for each instance of formal taxation and USD0.79 for informal taxation.

<sup>106</sup> At the Congolese border, 66 percent of traders paid taxes.

<sup>107</sup> 28 percent according to our study and 32 percent according to data for trader numbers.

<sup>108</sup> For more information, see K. Titeca (2009). *Op. Cit.*

## 6. Difficulties experienced by small traders

### 6.1 General difficulties

Our study shows that the high number of different taxes is considered by traders as their main problem. This is especially the case in Cibitoke, where the percentage of formal taxation is higher on the Burundian side of the border (74 percent). In Bukavu, the amount of taxation is lower, but the large number of different taxes remains a problem. Insufficient capital is the second major problem, given the difficulty traders have in accessing finance. The lack of capital is a significant challenge for both men and women. Their inability to access micro-credit schemes acts as a significant hindrance to the development of their trade.

The next two problems relate to the poor functioning of border services: the many different services in operation and harassment from police and military personnel.<sup>109</sup> State officials are perceived by traders to be particularly problematic in Uvira, given that it has the highest proportion of informal taxation.<sup>110</sup> Finally, traders identify a range of problems related to the market: too far away (15 percent), low sale prices (12 percent), high transport costs (10 percent) and perishable goods (9 percent).<sup>111</sup>

During interviews and focus groups, the traders suggested that problems linked to the number and high rate of taxes, as well as the behaviour of public officials, above all revolve around a lack of clarity and access to information. The main problem, then, is not that traders refuse outright to pay their taxes, but that across the region they are not aware of the taxation rates being applied.<sup>112</sup> In addition to the lack of information, another problem raised by many traders was that they were unable to understand the way in which these rates were applied.<sup>113</sup> Secondly, and this is especially true in DRC and Burundi, the high number of bodies involved in taxation and the informal and unpredictable nature of the system are a source of concern for traders. Traders have the impression that the only aim of these taxes is to ‘satisfy the hungry stomachs’<sup>114</sup> of public officials, especially as they see little in the way of infrastructure or services provided by the state in return for the taxes they pay. Taxes are not collected as part of a *social contract* but rather as part of an individual arrangement which operates as a one-way street. Traders are forced to pay without receiving any public services in return. The third point is that taxation rates are not seen as being adapted to small trade. Across the whole range of interviews carried out, there are strong calls from traders to regulate taxation at more appropriate levels: ‘they have to take account of our profit margins’.<sup>115</sup>

### 6.2 Difficulties experienced by women

One of the questions put to traders related specifically to the difficulties facing women. This produced two striking findings: firstly, a significant percentage of traders (39 percent) felt that

109 The number of services operating at the border was seen as a problem especially in Uvira (48 percent) and Arua (27 percent), whereas police/military harassment was seen as a problem in Uvira (36 percent) and Cibitoke (23 percent).

110 79 percent in the Congo and 64 percent in Burundi.

111 Details to be found in appendices 71-79.

112 For example, a trader said: ‘We never understood that game’. Focus group, Uvira, 16th October 2011.

113 ‘The classification and taxes, that’s all in their book, and we don’t know their book. Also, that’s not our level, we don’t understand that.’ Interview with *Mamans Mbakazi*, Uvira, 18th October 2011.

114 Interviews with Burundian traders, Cibitoke, 24th October 2011.

115 Focus group with Rwandan female traders, Cibitoke, 13th October 2011.

women encountered no particular problems;<sup>116</sup> secondly, even among those who recognised they were treated differently, the problems identified by both men and women as a priority related to the cost of taxation and harassment. Problems for women traders would, therefore, seem to be broadly the same as those for men, a rather striking result. Perhaps this can be explained by the format of the questionnaire (the way in which the question was asked) and the cultural sensitivity of the question.

Nonetheless, specific problems facing women were identified during the focus group interviews and targeted interviews. First of all, women complained above all about the physical hardship of trade. They must cover long distances by foot in hot and dusty conditions, often carrying heavy bags that weigh up to 100kg. Most of them also engage in street vending because the market stalls are already occupied or because the sums requested are too high. Men can use bicycles to transport heavy loads, whereas women must hire transporters at additional cost.

Secondly, existing research has shown the crushing weight of family responsibilities borne by women.<sup>117</sup> The fact that they are involved in trade does not free them from these responsibilities. Their work means they return to the home late in the evening and are then obliged to take care of their household chores. In the morning, they must sometimes work in the fields before heading off to trade their goods. The fact that women have their own capital and often provide the family's main source of revenue is resulting in a change in household power structures. In several cases, they even manage household revenue. This creates particular tensions as men often struggle to accept a situation in which the woman places herself 'at the level of the man'.<sup>118</sup> In the region's patriarchal societies, this independence challenges cultural norms about masculine authority (and/or men's capacity as the household provider). According to some of the men interviewed, trade and the profits it generates have given 'too much freedom' to women and have resulted in 'disdain among women towards their husbands and even divorce'.<sup>119</sup> As one teacher summed up: 'This economic independence represents a danger for the stability of the household'.<sup>120</sup> Furthermore, the activities of women traders are subjected to prejudice: the fact that they leave the house early, return home late, are away from their husbands and must speak on friendly terms with the border authorities and others (to ensure their goods cross the border at the lowest possible cost) is considered to be morally "bad"; they are often considered as "free women".

Such reasoning is not widespread, but was nonetheless observed across all sites. Women traders recognise that such opinions exist, but feel that 'men can think whatever they want, but we have to try to get by in this way. Their opinions won't kill us as long as our conscience is clear'.<sup>121</sup> This moral judgement is mainly shared by those who are not involved in trade, as opposed to those within the trader's household itself; the latter recognise that small trade is essential for their survival. It should also be pointed out that many women became involved in trade because their husbands were unemployed. As one woman trader remarked that, in such a situation, 'the woman acts as the lungs of the household'.<sup>122</sup>

Thirdly, men and women offered different interpretations of the harassment encountered at border crossing points. The focus groups and targeted interviews revealed that men had difficulty in accepting such treatment. The fact that harassment was carried out by another man is seen as particularly insulting: 'a man can't tolerate that from another man'.<sup>123</sup> Furthermore, the feeling that women are better adapted to handle such difficulties is common; they are seen to have better

116 A figure that is notably higher for women (42 percent) than for men (35 percent).

117 M. Fontana (2006). 'Survey of research on gender and trade: insights, gaps and coverage,' Paper for Session 3: *Lessons from research Gender in Global and Regional Trade Policies: Contrasting Views and New Research*, CSGR, University of Warwick, 5-7 April 2006, page 4.

118 Interviews with female traders, Uvira, 13th October 2011.

119 Female trader during focus group, Aru, 11th November 2011.

120 Interview with teacher, Bukavu, 21st October 2011.

121 Interview with woman trader, Ruzizi, 21st October 2011.

122 Women traders focus group, Bukavu, 21st October 2011.

123 Women traders focus group, Bukavu, 20th October 2011.

negotiating skills. The fact that they can cry out or get down on their knees, etc., is seen by men as an important negotiating tactic.

Due to their perceived “vulnerability”, women were more effective according to the men we interviewed.<sup>124</sup> One woman trader provided the following analysis: ‘It’s understandable that we represent the majority in small trade at the border. Women are good at adapting to the many restrictions in small trade’.<sup>125</sup> However, the intensely patriarchal system in place in the countries concerned persists and leads to degrading behaviour towards female traders at the border. Border authorities, for example, have a more negative view of women, whom they see as being “difficult”, as expressed by one Burundian customs official in the following terms: ‘women are very difficult compared to men, who are a bit more honest in what they say. Women speak in a way that invokes emotions [...]’.<sup>126</sup> One Rwandan customs official had this to say: ‘women are very difficult to manage, unlike men, who show a certain level of understanding’.<sup>127</sup> One Congolese customs official said of women that ‘they do not negotiate politely and are too capricious’,<sup>128</sup> while one of his Ugandan counterparts commented that ‘women traders are the most insincere traders’.<sup>129</sup> These comments reflected the patriarchal stereotypes in force in society and in reality have a significant impact on the way in which women traders are perceived. The prejudices held by the various actors with regard to women’s behaviour cause these actors to behave in a way which generates abuse, especially as women represent a very small minority among public officials at border posts. A report by the Congolese DGDA revealed that only 19 percent of its agents were women.<sup>130</sup> Women also suffer from particular types of harassment. For example, some women traders hide *kithenke* under their own clothes to get them across the border, which sometimes leads to abusive searches. In some cases they must undress in front of officials, who sometimes touch them. According to a report by the World Bank, 30 percent of women traders involved in a discussion group in Uvira said they had been sexually harassed or had received sexual advances from Congolese border officials.<sup>131</sup>

In summary, women suffer from a series of additional difficulties in exercising small cross-border trade. The fact that 42 percent of the women we interviewed said they encountered no specific problems was simply a reflection of the fact that they did not see these problems as being related to their gender. Problems mostly emerged during focus group discussions.

Lastly, it is important to note that the disadvantages specific to men are much fewer in number. They do, however, face one problem in particular: they sometimes struggle to get across the border because they are suspected of involvement in (rebel) political activities. This was a concern raised in particular by male Rwandan traders. The World Bank report also found this to be the case at other crossing points, both for Rwandan and Congolese men.<sup>132</sup>

### 6.3 Relations between small traders from the different countries

One specific question in the interviews conducted concerned relations between traders from the different countries. This provided the following results: Cibotoke was the location where the least number of problems were reported (just 2 percent of traders said they had problems with

124 One woman trader summarised this as follows: ‘We women can negotiate and sometimes beg until we cry “*tunababembelezaka mpaka kulia*”’. Cross-border traders focus group, Uvira, 13th October 2011.

125 Focus group 1, Ruzizi, 9th October 2011.

126 Interview with senior OBR official, Ruhwa, October 2011.

127 Interview with senior RRA official, October 2011.

128 Interview with senior OCC official, Uvira, 12th October 2011.

129 Interview with customs officer, Lia (Arua), 5th November 2011.

130 World Bank (2010). *Risky business? Poor women food traders in the borderlands of Congo, Uganda, Rwanda and Burundi. A brief report for the Africa Region*. World Bank Group: Washington, p.14.

131 *Ibid.*, p.30.

132 *Ibid.*, p.27.

their counterparts from the neighbouring country), while it was in Arua that the most difficulties were encountered (28 percent of traders reported problems). In Uvira, the same figure stood at 14 percent, and at 7 percent in Bukavu. The following types of problems were reported:<sup>133</sup> in Bukavu traders complained of discrimination from other traders (36 percent) and harassment<sup>134</sup> (30 percent), saying they were being driven away from marketplaces (19 percent). In Uvira the main problems reported were harassment (77 percent) and extortion (11 percent), while in Cibitoke and Arua traders talked of cases of discrimination (62 and 43 percent respectively), extortion (13 and 36 percent) and being driven away from the market (25 and 20 percent).

One of the causes for such tensions is a market where competition is intense. Tensions are higher when too many similar goods are being sold at the same market. Generally speaking, tensions not only arise between traders of different nationalities, but also between those from the same country. This is particularly true of Cibitoke, where Burundian traders who do not have sufficient capital to travel to Rwanda are envious of those who do. Those forced to remain in Burundi accuse the others of being 'too rich' and of 'denigrating' them.<sup>135</sup> Across all sites there are also tensions between street vendors and settled traders. Those who work at the market must pay for their stall and feel that street vendors are "stealing their clients". On the other hand, street vendors are less well protected and face greater insecurity. They are also engaged in more physically tiring work.

There are nonetheless tensions between traders of different nationalities. As the data above indicate, the greatest tensions are felt in Arua on the Congolese border, where the two nationalities continue to regard one another with considerable mistrust. The Ugandans accuse Congolese traders of not supporting their trade and of standing in their way (for example by denouncing them to the authorities): the number of Ugandans who say they have had problems with traders from DRC is twice as high (39 percent) as the number of Congolese traders who say they have had problems with their Ugandan counterparts (17 percent). Ugandan traders also feel that the Congolese authorities are guilty of discrimination towards them and favouritism towards the Congolese. Congolese traders complain of arbitrary arrests and the confiscation of their goods. Each group feels that the other is disrupting its market. This perception should be placed in the historical context of the conflicts that have affected the region: Uganda has been heavily involved in the trade of natural resources in DRC. The Congolese continue to feel that the Ugandans are only interested in the wealth their country has to offer when they themselves suffer from adverse economic conditions.

Similarly, in Bukavu, the level of mistrust between the two nationalities is largely the result of regional warfare, which was summed up during the focus group as follows: 'There is no collaboration, just mistrust. They see each other as enemies'.<sup>136</sup> Despite this, there is the view on both sides that relations between the different traders have improved considerably; for example, they regularly collaborate with one another in the provision of micro-credit.

In general, foreign traders (from DRC and Burundi) are extremely frustrated by the strict rules in force in Rwanda: street vending is illegal<sup>137</sup> there and strict regulations govern access to Rwandan markets.<sup>138</sup> Traders from over the border can only buy and sell through Rwandan cooperatives, which reduces their ability to negotiate purchase prices. The higher value of the Rwandan currency

<sup>133</sup> See appendices 70-76.

<sup>134</sup> The term "harassment" relates to any form of ill treatment suffered by a trader and which is provoked directly or indirectly by his/her colleagues in the neighbouring country; in particular this includes being forced to move away from the market or sell at a lower price or on a credit basis. It also relates to the impression that the difficulties encountered with police or military personnel can also be attributed to competitors from the neighbouring country.

<sup>135</sup> Focus group for Burundian and Rwandan women traders, Cibitoke, 25th October 2011.

<sup>136</sup> Interview with expert from the research department with responsibility for the economy, governance and trade, Bukavu, 22nd October 2011.

<sup>137</sup> This is due to reasons of hygiene and because it is difficult to impose taxes on traders with no fixed location. Street vending is also illegal in DRC, but the legislation is not applied.

<sup>138</sup> Traders must be registered and pay taxes and rental costs.

also creates tensions on the border with Burundi. Since the weakening of the Burundian franc, many traders prefer to use the Rwandan franc, thus leading to tensions and frustration.

Finally, it is important to emphasise that these tensions exist in society in general: they are the product of the region's violent history, which has left a trace in collective memories and in the prejudices, stereotypes and rumours used by one group against another.<sup>139</sup>

In short, one must be careful to neither overestimate tensions between the different nationalities nor underestimate them. Those who intervene politically should take account of this (especially in a region with a history of sporadic conflict). Traders are aware that small cross-border trade must take place on a complementary basis and that cooperation is essential.<sup>140</sup> Political intervention must therefore support such cooperation and use cross-border trade as a "common thread" to improve cross-border relations between the different populations.<sup>141</sup>

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139 International Alert (2007). *Op. Cit.*

140 UN Women (2012). *Op. Cit.*, p.47.

141 Pole Institute (2011). *Les populations du Nord-Kivu (RD Congo) face au défi du voisinage: Les pesanteurs [The populations of North Kivu (DR Congo) facing the challenge of neighborhood: the burdens]*. Goma, DRC.

## 7. Informality: the “devil’s deal”?

Paradoxically, the interviews conducted with traders revealed a preference for informal taxes in DRC over formal taxes in Burundi. The latter are perceived as being a source of ‘hassle’, while the former are seen as more reasonable because they are ‘negotiable’.<sup>142</sup> In other words, the *legitimacy* of taxes is in no way linked to their *legality*: on the contrary, traders prefer informal and often illegal taxes, perceiving them to be less expensive than formal and legal taxes.<sup>143</sup> As a result, traders often prefer to involve themselves in informal situations in which they can either try to avoid paying any taxes or pay informal taxes.

In her analysis of informality, Judith Tendler discovered that this state of affairs was based on tacit agreements between politicians and traders (especially in terms of the informal economy), whereby politicians promised not to collect taxes from traders or to protect them against the regulations in force.<sup>144</sup> She refers to this phenomenon as the “devil’s deal” because, in this context, informality is made more attractive than a formalised system, an arrangement that is difficult for both parties to leave behind. Although informal arrangements benefit traders in the short term, they provide no sustainable development at the local level: the resulting job creation is not sustainable and neither is the informal arrangement. The same argument applies to the situation experienced by small traders at the locations concerned by this report: they may not depend on agreements reached with politicians, but their actions are, to a large extent, informal. This manifests itself in two different ways: traders prefer to pay informal taxes or reach an agreement with individual public officials; or they try to avoid paying taxes by using smuggling routes (and therefore participate in the informal economy). While this provides advantages in the short term, the negative effects significantly outweigh the positive effects in both the medium and long term.

First of all, many of these taxes are not supposed to be paid and are therefore a violation of national laws or inter-state agreements ratified within the framework of CEPGL or EAC.<sup>145</sup> Secondly, the large number of taxes and high degree of informality lead to significant levels of confusion at border points. This is not only due to the fact that operators are unfamiliar with the taxation rates in force, but also because there is a general lack of clear regulations at all the borders concerned. In concrete terms, it is difficult to know how (or whether) national regulations and regional trade agreements are being respected. One agent from the Uganda Revenue Authority (based in Kampala) commented that ‘our laws are there [...] but their application depends on the person working at the border post’.<sup>146</sup> In other words, national institutions are not always aware of practices on the ground and do not consider this to be a priority.<sup>147</sup> Furthermore, fiscal rates and practices can vary considerably within a single country. As illustrated above, the two Congolese border posts covered by our study displayed significantly divergent rates of informal taxation: Bukavu applied low levels of informal taxation (USD0.17), whereas in Uvira their value was much higher (USD1.75). All of the border posts have informal arrangements with regard to the value of taxes and the quantities of merchandise which can cross without being taxed.

142 Traders focus group, Gatumba, 8th October 2011.

143 I. Abraham and W. van Schendel (2005). ‘Introduction: the making of illicitness’, in I. Abraham and W. van Schendel (eds) (2005). *Illicit Flows and Criminal Things*. Bloomington/Indianapolis: Indiana University Press.

144 J. Tendler (2002). ‘Small firms, the informal sector, and the Devil’s Deal’, *IDS Bulletin*, 33(3).

145 For example, small quantities are not supposed to be taxed in DRC, except in the case of small batches being transported for a “large trader”. Interview with DGDA Director in North Kivu, September 2011.

146 Interview with URA official, Kampala, 2nd February 2012.

147 For a detailed analysis of this phenomenon in Uganda, see K. Titeca and T. De Herdt (2010). *Op. Cit.*

Although such a system may appear to be advantageous for traders, it actually carries many inconveniences. As they are informal in nature, such arrangements must constantly be renegotiated, making informal taxes and arrangements unpredictable. One Congolese border official recognised that they ‘play around with quantities’.<sup>148</sup> Some officials may respect “local arrangements”, while others do not. Similarly, the fact that one agent has already demanded the payment of taxes in no way prevents other officials from taxing the same product. This is particularly true of DRC and Burundi, where, for example, PAFE officials at the various barriers can all demand money for the same products, while different Congolese officials can bill a wide range of costs between the border and the market. This means that unpredictability is a direct and major consequence of such informal arrangements. One trader told us: ‘Our work depends on chance!’<sup>149</sup> Consequently, profit margins are also highly unpredictable.

Another problem lies in the fact that large traders divide up their merchandise and have it transported in small quantities by traders who claim that it is for personal consumption. This has caused border officials to be particularly suspicious, which places great pressure on all small traders as the authorities tax everything and everyone, even the smallest quantities. Finally, the regular absence of instruments to measure quantities raises another set of difficulties. Although in theory goods are supposed to be taxed by the kilogram, there are no weighing scales in the institutions concerned (customs or municipal authorities), which of course leads to interminable negotiations.

It is particularly difficult to change this state of affairs: against a backdrop of limited scope for collective action and high levels of informality, traders are left with little or no power to improve the situation. Other research has shown how political powerlessness and legal fragility lead to regular manipulation of those working in the informal economy by state officials and the elite.<sup>150</sup> The situation experienced by small cross-border traders is no different. As we have already said, associations for small traders have little power or are non-existent, and suffer from many problems in terms of their capacity for action and coordination. Even in Rwanda, where cooperatives do exist, their power to protect traders and improve their situation is very limited. People therefore look for solutions at the individual level on a case-by-case basis through informal agreements with customs officials. This approach is one of adaptation rather than long-term resolution. There are nonetheless a small number of examples of collective action which have been successful in the region, such as the *Mamans Mbakazi* association in Uvira which brings together Congolese female transporters. On several occasions they have managed to put pressure on government representatives to secure change; for example, they successfully negotiated an informal arrangement with the former head of the DGM, whereby they would no longer pay the official entry permit into Burundi but instead pay a reduced rate equivalent to the value of a *token*.<sup>151</sup> This arrangement allowed them to save 300 Congolese francs; however, because it is not recognised by other government representatives within Burundi, the women were subjected to fines for not having an official entry permit, which were significantly higher than 300 francs. Furthermore, when the official with whom these traders negotiated the arrangement left office, it was no longer respected.

Some traders seek to avoid paying any taxes and engage in smuggling. In doing so they bear particularly high levels of risk. Smuggling routes, where no state officials are present, often attract criminals who steal traders’ goods. This danger is particularly acute for women, who may be subjected to rape or sexual harassment on these routes. There are specific risks at each border

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148 Interview with public border official, Uvira, 18th October 2011.

149 Interview with a trader, Uvira, 18th October 2011.

150 ‘Excluded by educational, legal and social factors from formal means of economic engagement through chambers of commerce and other formal private sector associations, informal actors are left to assert their interests through alternative, largely cliental, forms of political access’. (K. Meagher. ‘Informality matters: popular economic governance and institutional exclusion in Nigeria’. Oxford. 11-12th January 2008, p.4; K. Meagher (2010). *Identity Economics. Social Networks and the Informal Economy in Nigeria*. Oxford: James Currey.).

151 The entry permit is more expensive at this border point because all traders crossing here are travelling to Bujumbura, the country’s capital.

point: at the Uvira site, these routes pass through scrubland containing wild animals and armed groups. At the Cibitoke border point, traders must cross rivers and face the specific risk of losing their merchandise in the water. In many cases they are tempted to wait until the evening to cross in order to avoid state officials. However, by crossing in the dark, they face a series of other dangers such as theft, physical or sexual abuse. In general, they all run the risk of having their goods confiscated. In Uvira, traders preferred isolated crossing points where they were less likely to encounter state officials. However, they must cross in *pirogues* (canoes), a dangerous and exhausting exploit. Once across, they must then walk for 8km through an isolated area where instances of harassment and rape have been recorded. Due to the informal nature of their trade, these traders must collaborate with other individuals, for example by engaging transporters (this is particularly true for women) or making arrangements with state officials. These arrangements often also increase risk.

In summary, traders often prefer informal solutions; however, as has been shown, such arrangements are particularly unpredictable and unsustainable. Other traders prefer to use smuggling routes, but these carry even greater risks, both in financial and physical terms.

## 8. Conclusion and recommendations

This report has provided an analysis of the activities in which females are engaged in small cross-border trade and has demonstrated its importance: it is crucial for the supply of goods to the different regions concerned, which do not themselves produce sufficient quantities. This is especially the case in the trade of foodstuffs, in which women play an important role. The recorded data for trader numbers shows that 74 percent of cross-border trade is carried out by women. Despite this, they are in a precarious position. Trade is physically challenging work: long distances must be covered carrying heavy bags and their treatment at the hands of state officials is often brutal and humiliating. Women must work with low levels of capital (access to bank funds and micro-credit is limited or non-existent), and the profits to be made in trade are perceived as low and only enough to cover basic needs. This work is often combined with other subsistence activities such as agriculture in order to make ends meet. Furthermore, although cross-border trade means that women must spend long hours away from the home, they remain responsible for managing all of their family's affairs. As a result, as one of the women we interviewed remarked: 'this trade is too tiring and we are ageing very quickly'.<sup>152</sup> However, for these same reasons men feel that trade is particularly suited to women, who are able to work in difficult conditions and are better equipped to cope with maltreatment and difficult negotiations. This view is more of a general stereotype about women than reflecting the reality on the ground. What is more, men feel that the trade of foodstuffs demands too great an effort for too little profit. As in the rest of Africa, this trade is traditionally reserved for women.

There exists a wide range of negative prejudices about the activities of female traders. They are held in disdain by various groups (such as border officials), which see them as being particularly "difficult". This can be related to a series of social prejudices about their work: because they return home late and independently engage in trade, they are viewed as having too much power or freedom. The way in which small cross-border trade is structured is a reflection of a patriarchal society which reinforces the vulnerability of women, although trade also provides women with certain advantages.

One may wonder why traders (men or women) continue this work despite all these negative features. The answer is twofold: firstly, traders remain actively involved in trade because it is what they are used to; secondly, they have, quite simply, no other choice. The survival strategies available to people across the four sites where our study was conducted are extremely limited, and traders must earn a living with the resources they have. Against a general backdrop of economic hardship, cross-border trade – often combined with other activities – allows them to earn a living. Looking at things positively, although the profits are seen to be low, they nonetheless make a significant contribution to the household. They allow children to go to school, and help to buy medicines, etc. Small cross-border trade therefore strengthens the economic power of women, as well as their place within the household. The prejudices already outlined are mainly those held by people outside the household; the women we spoke to stated that within their household they were largely respected.

As highlighted in our introduction, not all small trade is run on an informal basis, but a large proportion of traders choose this option. They are forced to do so by a series of circumstances. Firstly, the state officials in the countries concerned (especially DRC and Burundi) use their 'legal command'<sup>153</sup> to collect informal taxes. According to our study, at certain sites, informal taxes are

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152 Burundian woman trader in focus group, Rugombo, 11th October 2011.

153 P. Englebort (2009). *Op. Cit.*, p.114.

more widespread than formal taxes.<sup>154</sup> The fragility of the state in DRC, and to a lesser extent in Burundi, creates a situation whereby many different taxes operate alongside one another and are collected by a large number of state officials; this steers small traders towards strategies to avoid and/or negotiate taxes.

Furthermore, the high rates of formal taxation are excessive when compared to the traders' financial means and encourage the adoption of tax avoidance strategies. Although these may provide traders (but not the state) with an advantage in the short term, they are essentially akin to a "devil's deal" – with negative consequences. For example, traders often hire transporters to act as intermediaries with a view to negotiating a reduction in taxes. Such dependency on middlemen increases risks, as an intermediary may disappear with the trader's goods or even act as an informant. The high levels of taxes also encourage a certain number of traders to use smuggling routes to cross the border, thus exposing them to significant risks. Even more important is the fact that traders feel they are saving money by paying informal taxes, when in many cases they are not legally *obliged* to pay them. Certain individuals (such as military personnel in DRC and Burundi) are not authorised to collect taxes, and in other cases national regulations (customs codes or various tax rates) are ignored. This situation is, above all, due to a lack of awareness among traders about their rights, as well as the power imbalance between traders and state officials. Traders are forced to 'walk in the dark'<sup>155</sup> with no information about their rights or responsibilities. What is more, the weak powers of associations and cooperatives do not allow them to heighten their collective capacity for effective negotiation or strengthen their combined voice. On the rare occasions when their rights are defended, it is the result of informal negotiations and relationships; these are personal and not lasting. However, as one Congolese customs official pointed out: 'If they persisted they could put pressure on the relevant authorities. [...] But they are not aware of the rules and have no influence'.<sup>156</sup>

One of the biggest challenges is therefore to help traders leave the informal economy and progressively enter official channels. However, in order to achieve this objective, we must first understand the reasons why traders continue to operate informally. The primary factor is the number of different taxes and the high rates to be paid, both under the informal and formal systems. First of all, regional agreements on this issue must be respected and implemented. Secondly, significant efforts are required to reduce the number of informal taxes. Finally, taxation rates must be adjusted to the economic means of the traders affected. As we have already emphasised, cross-border trade plays an important role in the survival of many families and in the fight against poverty. National policies in the region treat taxation and the fight against poverty almost as if they were separate entities, yet in terms of cross-border trade they should be addressed together. In order to promote cross-border trade and reduce poverty, measures need to be taken, such as tax cuts for small quantities of goods, access to micro-credit, and organisational support for bodies representing traders. Such measures would not only be advantageous for traders but would enable the development of each country as a whole.

## 8.1 Recommendations for governments in the region

As discussed above, taxes are seen as the biggest problem facing traders. A reduction in taxes, the abolition of informal taxes and a reduction in the number of services operating on the border should all be central to the solutions put in place for traders.

***Abolish informal taxes and increase transparency:*** some public officials are involved in the collection of informal and illegal taxes at the border. This is particularly true in DRC and Burundi. In concrete

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154 As confirmed on the Congolese border in Bukavu and Uvira, where 55 and 79 percent respectively of traders pay informal taxes.

155 Interview with a Ugandan female trader, Arua, 3rd March 2011.

156 Interview with OCC official, Uvira, 17th October 2011.

terms, the imposition of taxes by military personnel or SQAV in DRC, or by PAFE in Burundi, is not legal and the relevant national authorities should put an end to this. Those who fail to respect the law should face fines and/or be subjected to disciplinary sanctions. The national and provincial authorities in DRC must apply and enforce the decree designed to abolish the illegal collection of taxes at the border.<sup>157</sup> In order to ensure the correct and transparent application of tax rates, customs officials must be provided with the necessary equipment, including weighing scales.

***Limit the number of services operating on the border to those authorised by law:*** the high number of officials and institutions operating on the Congolese borders (despite an operational order signed by the President of the Republic in 2010) has created a confusing state of affairs, which has led to traders facing harassment and a system of informal and illegal taxation. For this reason: i) officials illegally operating on the border must leave the area with respect to the operational order made by the President's office; ii) all illegal barriers must be removed; iii) plain-clothes officials must cease to operate on the border.

***Adjust tax rates accordingly:*** traders do not refuse to pay all taxes but are ill-informed about the legal conditions under which taxes are applied and in many cases do not see the taxes they pay resulting in public investment. They also complain of high rates which exceed their financial means. Taxation needs to be simplified (by establishing one-stop counters) and taxation rates need to be adjusted to reflect the financial capacity of small traders; this can be done by establishing specific fiscal regimes for small and medium enterprises. In concrete terms, if DRC were to sign up to COMESA's free trade agreement, this would allow the STR to operate between DRC and neighbouring COMESA member states. Similarly, the adoption of the *Protocol for the liberalisation of trade in fresh produce from CEPGL member states* would allow for a reduction in taxation on small cross-border trade.

***Encourage formal trade:*** both male and female traders should be encouraged to engage in formal trade. However, this cannot be done simply through legal restrictions as long as taxes remain excessively high in relation to traders' resources. As demonstrated by this report, cross-border trade acts as an important survival mechanism for many people. Fiscal measures targeting this group must therefore be coordinated with measures to reduce poverty; this should include improved access to micro-credit schemes at affordable interest rates and on reasonable terms, as well as support to help small traders form cooperatives or associations.

***Draw up coordinated national policies which favour cross-border traders, including women:*** as we have already emphasised, small cross-border trade must not be viewed as a stand-alone phenomenon but instead be the subject of comprehensive national policies which involve the coordination of national institutions and ministries (such as the ministry of industry and trade, fiscal services, the ministry responsible for gender equality and the finance ministry, etc.) as part of efforts to promote this type of trade and combat poverty. One possibility would be to set up inter-ministerial working committees to address these issues. The initiative undertaken by the Rwandan trade ministry to establish a policy and national plan of action on small cross-border trade is encouraging and could serve as a template. Greater coordination and collaboration between national institutions from the different countries is also important. The joint committee set up by Uganda and Rwanda could be a good model in this regard.

***Provide better access to information:*** one major problem is the lack of access to information among both traders and border officials. Efforts need to be made by the states concerned to improve access to information for the various parties involved in small cross-border trade. Traders need to be made aware of the tax rates and different directives in force; this could be done by placing posters at the borders (translated into local languages) and by radio broadcasts. Border officials also need to be trained in order to better apply the relevant directives. In the case of DRC,

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157 DRC (2011). *Decree n° 011/32*. Kinshasa

both traders and officials should be aware, for example, of the deontological guide for officials working in migration, as well as the operational order made by the President's office.

***Establish effective control and follow-up mechanisms:*** efforts need to be made by the various state institutions to ensure that directives are implemented and monitored. This could be done, for example, by establishing a control mechanism allowing traders to file a complaint when abuses take place. There is a particular need for this in DRC and Burundi. Such a mechanism should include the resources and powers needed to achieve its objective. It should also target intermediaries, such as transporters, in order to prevent the abuses regularly suffered by traders (such as the *Rouge-Rouge* in Burundi).

***Include gender at all policy levels and ensure full participation by women:*** it is essential to pay particular attention to the role of women; this should form part of a comprehensive national strategy. In particular, directives should be implemented in relation to the treatment of women at border crossing points. It is clear that female traders sometimes need to be searched, but this should be done in a respectful and non-degrading way. Ideally, female officials should be responsible for this task, and more women should be generally employed at border points. This objective would be made easier if the states concerned were to adopt the Charter for the Rights and Obligations of Traders (drafted by the World Bank) and the *Protocol for the liberalisation of trade in fresh produce from CEPGL member states*.

***Improve access to capital:*** a lack of capital is one of the major problems facing traders. The capital they use comes mainly from their own revenue or from the family, which is not sufficient for traders to further their business. Access to micro-credit should therefore be made easier and traders should be encouraged to save, better plan their expenditure and develop their trade. As access to capital is especially difficult for women, any intervention should particularly address this issue. This should also involve greater support for traders wishing to form cooperatives and associations, and help to improve their management skills, basic accounting knowledge and entrepreneurial skills.

There are of course limits to these recommendations, as the problems identified reflect the conditions in which the different states have to operate. For example, the fragility of the Congolese state has a negative impact on operations at border points. This does not mean that these recommendations cannot be implemented, but rather that an overall national strategy is needed, one which should also be supported by bilateral and multilateral organisations. The establishment of small cross-border trade steering committees in North and South Kivu could lead to improved collaboration between border officials and the provincial authorities, as well as with the central departments responsible for border services.

## 8.2 Recommendations for external actors

***Improve interaction between traders and public officials:*** in order to resolve the relationship of mistrust which exists between traders and public officials, platforms could be set up to bring parties together, with an emphasis on their rights and responsibilities. Traders must be allowed to demand that their rights be respected, without being too aggressive and without overlooking the importance of paying their taxes. For their part, public officials must accept the need to respect the rights of traders, such as access to information about tax rates or the right to a receipt. Mediation or facilitation by a third party may be needed if a “social contract” is to be established between the parties. Such platforms, which must include female traders, would complement any control mechanisms in place by ensuring accountability for irregularities such as informal taxation and by allowing the relevant measures to be closely monitored.

**Improve cross-border interaction between traders:** against a backdrop of recent conflicts and economic competition, traders of different nationalities are often subject to tense relations. Relations between traders with the same nationality are also often quite negative because of the competition which exists between them in the same market. In order to improve these competitive dynamics, it would be useful to set up platforms which bring together traders of different nationalities and/or sectors, and which include women. These would also facilitate better interaction between the different governmental authorities, thus avoiding conflict and tensions. It is important for such platforms (as much as possible) to be built on existing structures rather than creating new structures with no local roots.

**Establish coordination between external actors:** a certain number of initiatives have been put in place to improve the conditions of small cross-border trade.<sup>158</sup> There is some level of interaction between these different initiatives, but coordination could be further expanded. The 2010 and 2012 conferences in Gisenyi (organised by CEPGL and UN Women) led to the establishment of a joint regional committee for action on women involved in informal cross-border trade, with the participation of the national authorities, civil society and regional organisations (notably COMESA); this is a step in the right direction.

**Include gender issues:** all those involved must be made aware of the specific problems facing women. This objective concerns not only border authorities and male traders, but also female traders themselves, who do not recognise certain problems as being gender-specific. Greater awareness of gender issues would allow men to be informed about the problems facing women and would allow women to better defend their rights.

**Support micro-finance initiatives:** as highlighted previously, access to capital is a major difficulty facing small traders, especially women. External actors should support relevant services provided by national institutions and in the private sector.

**Strengthen the capacities of traders' associations:** this should target two things: i) the technical skills of traders through commercial training courses (accountancy, setting up and managing cooperatives, entrepreneurial strategies and credit management); ii) the capacity of these associations to defend the interests of traders. Although the occasional informal nature of trading activities does not make this objective easy to achieve, experiences in other countries have shown the importance and efficacy of such a move.<sup>159</sup> Women in particular should be encouraged to join or even establish their own associations.

### 8.3 Recommendations for regional economic institutions

**Take account of the specific challenges facing small cross-border trade:** it is essential for organisations working towards regional integration to take into account the specific challenges facing female traders and the importance for economic survival of informal cross-border trade in the development, revision, implementation and monitoring of regional agreements for economic integration, including the CEPGL *Protocol on the free movement of persons, goods and capital*.

**Set up Trade Information Offices (COMESA):** when these offices are set up in a way which respects and strengthens existing (state and non-state) structures and are adapted to the needs and capacities of traders, they provide traders with precise and reliable information about their rights and duties, especially in relation to the fiscal regimes in force. DRC membership of COMESA's Free Trade Area would pave the way for the implementation of the STR along the Congolese

<sup>158</sup> Different programmes targeting women informal cross-border traders are implemented by International Alert, UN Women, World Bank, Trademark, Search for Common Ground and COMESA.

<sup>159</sup> For more information, see the experiences of WIEGO (Women in Informal Employment: Globalising and Organising) and the examples provided at [www.wiego.org](http://www.wiego.org).

borders. These offices would also serve to inform traders, particularly women, about their rights under the various relevant treaties (not necessarily limited to COMESA treaties).

*Accompany and support implementation by member states of the Protocol for the liberalisation of trade in fresh produce from CEPGL member states* (list currently being revised by the CEPGL) and COMESA's STR. This should also include providing member states with support to increase the capacity of their customs authorities to implement relevant treaties, such as the EAC Rules of Origin.

*Open one-stop border counters* and open the borders 24 hours a day, as discussed by the immigration authorities from the three CEPGL member states at meetings held since 2010. The move to open the *Grande Barrière* border post between Goma and Gisenyi 24 hours a day, and the construction of side-by-side border posts as part of CEPGL efforts to renovate the cross-border road network (with support from the EU), constitute significant steps in the right direction.

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