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Mozambique's Integration into Regional Value Chains and the Role of Women Small-Scale Cross- Border Traders



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1. INTRODUCTION

Deeper trade and economic integration, along with technological progress, have driven the international fragmentation of production and heightened the importance of trade in intermediate inputs. Such trade in intermediates is central to the functionality of national and international production and supply chains. Participating in these value chains¹ comes with several benefits, including the advancement of technology and enhanced productivity and competitiveness for participating firms, along with increased employment opportunities, incomes, and growth at the national level (Lwesya, 2022).

While effective participation in these international value chains is critical for inclusive economic development, its benefits at the firm level do not tend to accrue to micro, small and medium-sized enterprises (MSMEs), as they seldom have the productive capacity and resources to integrate into either national or international value chains (World Bank, 2020). Yet, the potential for the integration of such enterprises into these value chains

holds out the prospect of achieving significant gains in both their productivity and growth, as well as for the welfare of the small-scale entrepreneurs and workers involved in them. Within the broader category of MSMEs,² this study looks more specifically at the role of small-scale cross-border traders and examines the extent to which small-scale cross-border trade in Mozambique can be integrated into and benefit from these value chains.

The next section analyses the integration of the Mozambican economy more broadly into international value chains, and then specifically into regional value chains, with a particular focus on production linkages with South Africa, Malawi and Zambia. Section 3 looks at the issue of women small-scale cross-border traders and their potential integration into regional value chains, while section 4 addresses the key barriers to effective integration of these women traders into the potential value chains identified. Finally, section 5 presents conclusions and policy recommendations.

¹ Value chains are broadly understood as a series of productive activities that create and build value at each stage of the production process. International value chains are understood as the organization of production, trade and investments where the different stages of the production process are located across different countries (De Backer and Miroudot, 2013).

² MSMEs are classified in this category according to their size, as measured by the number of employees: microenterprises have fewer than 10 employees, small enterprises have 10 to 49 employees, and medium-sized enterprises have 50 to 249 employees (OECD, 2017). Virtually all small-scale cross-border traders in Mozambique fall under the broad category of MSMEs, with the vast majority falling under the microenterprise subcategory, i.e. less than 10 employees.

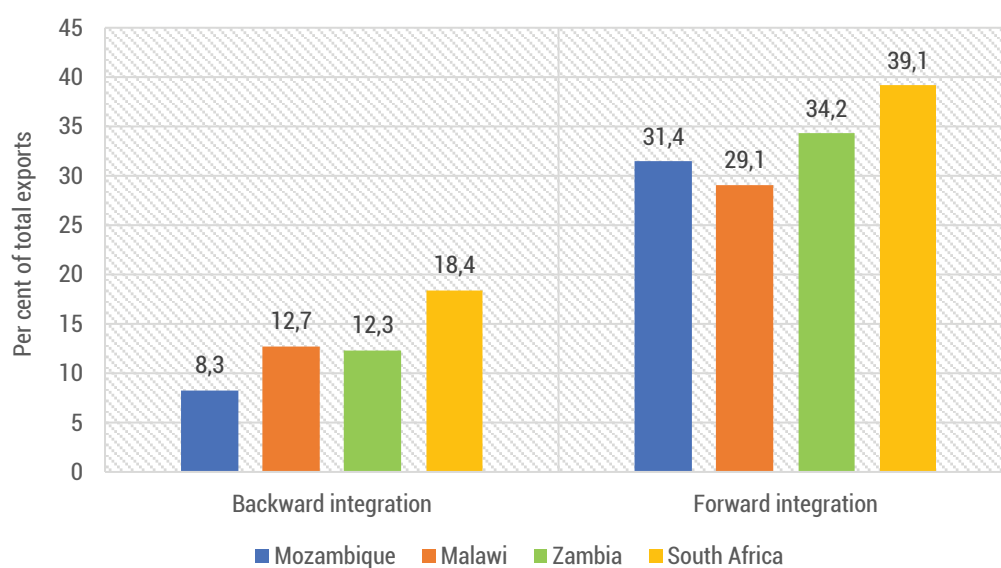
2. MOZAMBIQUE'S INTEGRATION INTO INTERNATIONAL AND REGIONAL VALUE CHAINS

With globalization of production, viable participation in international trade depends as much on the capacity to import competitive inputs as on the capacity to export diversified and high-quality products (Miroudot *et al.*, 2009).

The concept of backward integration into international value chains represents the extent to which a country is using inputs imported from the international market in the production of its exports. Forward integration, on the other hand, corresponds to the extent to which a country's exports are used as inputs in the exports of goods and services of other countries. Notably,

high levels of backward integration into international value chains are seen to have an outsized impact on a country's internalization of technology, productivity gains, and the overall competitiveness of its exports (Miroudot *et al.*, 2009). Hence, it greatly influences a country's position in the value chain. For instance, with minimal or no imported inputs incorporated in their exported goods, as well as minimal local value addition, most African countries are active at the lower levels of international value chains, i.e. supplying mainly unprocessed primary materials, where the accrued benefits are modest (UNCTAD, 2022).

Figure 1. Integration of Mozambique, Malawi, Zambia and South Africa in the international value chain, 2018 (per cent)



Source: UNCTAD calculations based on data from the UNCTAD-Eora Global Value Chain Database.

Mozambique is less integrated in international value chains relative to its neighbouring countries. Only 8 per cent of inputs to Mozambique's exports come from abroad, while about 18 per cent of intermediary inputs are imported in South Africa, 13 per cent in Malawi and 12 per cent in Zambia (figure 1). Data therefore suggest that the export sectors of South Africa, Malawi and Zambia are more integrated in international value chains than the export sector in Mozambique (UNCTAD, 2022). In this regard, it is important to note that the low levels of backward integration and comparatively

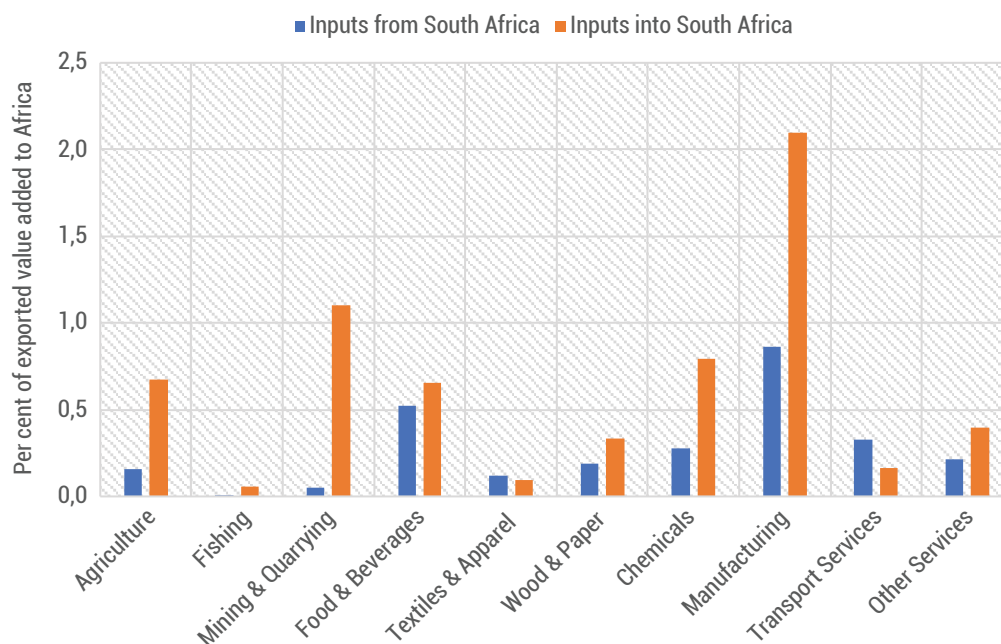
higher levels of forward integration are indicative of these four countries' involvement in the lower segments of international value chains, where the returns are more limited (UNCTAD, 2022).

When the actual value of the international value chain trade is considered, data show that except for South Africa, the value of inputs from Mozambique, Malawi and Zambia in the value-added exports of other countries is very small (Foster-McGregor *et al.*, 2015). This result speaks to the smaller size of these economies, as well as their weaker productive capacities relative

to South Africa, to effectively produce competitive, higher-value-added inputs that are demanded by international markets and are required to integrate

economies in the higher segments of international value chains.

Figure 2. Mozambique's value-chain linkages with South Africa in regional African trade, 2017 (per cent)



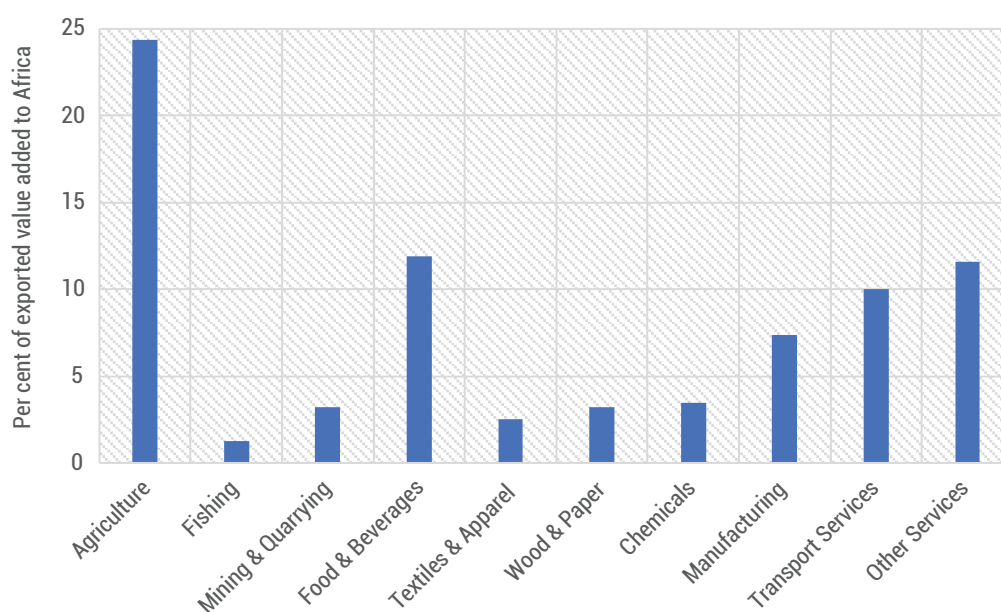
Source: UNCTAD calculations based on data from the UNCTAD-Eora Global Value Chain Database.

Note: Data expressed as a proportion of total value-added exports to all African countries.

Turning to regional value chains, at the bilateral level the UNCTAD-Eora Global Value Chain Database points to the absence of value chains between Mozambique and Zambia, and between Mozambique and Malawi. Mozambique's use of inputs from these two countries in its production is almost zero across all sectors. Similarly, the use by Malawi and Zambia of inputs from Mozambique is not significant. However, trends are different in terms of Mozambique's trade flows with South Africa. Despite the low levels of Mozambique's backward and forward linkages across all sectors in its trade in intermediates with South Africa, figure 2 highlights potential value chains, particularly in the manufacturing, agriculture and food and beverages sectors. Though still low, the two-way pattern of input use between the two countries suggests the existence of value chains that have the potential to be developed.

However, to effectively leverage these value chains, Mozambique needs to enhance its productivity and improve the quality of its products by effectively developing its national value chains. It is notable that the food and agro-industrial sectors, as well as a number of subsectors in manufacturing (e.g. rubber and plastics, and metallurgy) have been identified in Mozambique's Industrial Policy and Strategy 2016–2025 as priority sectors within the framework of the country's industrial development objectives.³ Similarly, the Southern Africa Development Community (SADC) Industrialization Strategy and Roadmap 2015–2063 identifies development of the agro-processing sector and of intra-African agricultural value chains as clear-cut priorities for accelerated industrialization (SADC, 2015).

³ See the Mozambican Ministry of Industry and Commerce website at www.mic.gov.mz/por/Media/Files/Politica-e-Estrategia-Industrial (in Portuguese) (accessed 23 March 2023).

Figure 3. Mozambique's sectoral use of local inputs in regional African trade, 2017 (per cent)

Source: UNCTAD calculations based on data from the UNCTAD-Eora Global Value Chain Database.

Note: Data correspond to local input content as a proportion of Mozambique's total exported value-added to all African countries.

The local input content of Mozambique's agricultural exports accounts for about 24 per cent of the country's total exported value-added to Africa (figure 3). This reflects the predominance of the agriculture sector in the country's domestic production linkages, suggesting the sector's potential for profitable integration into the value chains with South Africa. However, this will require viable linkages with the manufacturing sector to enhance the quality and level of processing of the traded products.

Notably, apart from the food and beverages sector, whose local input intake accounts for about 11 per cent of Mozambique's total exported value-added to Africa, that of the rest of the sectors each represents less than 10 per cent (figure 3). Compounded with the aggregate low levels of foreign input use (figure 1), the low share of domestic input content of the manufacturing sector in the total exported value-added to Africa (7 per cent) highlights Mozambique's weak industrial development and productive capacity. These

limitations are undermining its potential to enhance the quality of its products from the primary sectors to effectively compete on the international market and benefit more from international value chains.

As such, to effectively leverage the potential agricultural value chains with South Africa, it will be imperative that Mozambique maximize its comparative advantage to revamp the sector's productivity and rationalize its industries to strengthen existing linkages and develop new viable linkages between the agriculture and manufacturing sectors.

For example, with a coastline of about 2,800 kilometres, several major rivers (including the Limpopo, Zambezi and Rovuma), and access to two of Africa's key freshwater bodies (Lake Cahora Bassa and Lake Malawi),⁴ Mozambique has renewable water resources of up to 217.1 billion cubic meters.⁵ However, only 3 per cent of its potential land for irrigation is currently being used and only 10 per cent of its arable land is under

⁴ Food and Agriculture Organization of the United Nations, Mozambique at a glance, available at www.fao.org/mozambique/fao-in-mozambique/mozambique-at-a-glance/en/ (accessed 23 March 2023).

⁵ Index Mundi, Mozambique vs. South Africa, available at www.indexmundi.com/factbook/compare/mozambique.south-africa (accessed 23 March 2023).

cultivation.⁶ As such, enhanced mechanization and internalization of climate-smart farming technologies could enhance the productivity of smallholder farmers and facilitate viable linkages with relevant vibrant industries. This will be key to strengthening and developing viable national value chains for profitable integration into regional value chains with South Africa.

In this process of integration, a key factor to bear in mind is the potential role of small-scale cross-border trade. While these trading activities may be small in scale for each individual trader, when aggregated they represent a significant proportion of Mozambique's trade with its neighbouring countries. Although estimates vary considerably, the value of such small-scale trade is

assessed to range between 30 and 72 per cent of the value of total regional trade for African countries (UNECA, 2021; Zarrilli and Linoci, 2020). Moreover, the vast bulk of the small-scale cross-border trade that is conducted throughout Africa is carried out by women traders. In fact, recent estimates of the proportion of total small-scale cross-border trade that is carried out by women in Africa stand at between 70 and 80 per cent (Zarrilli and Linoci, 2020). Given the size and characteristics of these trading activities, the integration of small-scale cross-border trade into regional value chains clearly holds the potential to drive progress towards inclusive economic development.

⁶ Food and Agriculture Organization of the United Nations, Mozambique fact sheet, available at www.fao.org/fileadmin/templates/tc/tce/pdf/Mozambique_factsheet.pdf (accessed 23 March 2023).

3. THE ROLE OF WOMEN SMALL-SCALE CROSS-BORDER TRADERS IN MOZAMBIQUE AND THE POSSIBILITIES OF INTEGRATION INTO REGIONAL VALUE CHAINS

The importance of small-scale cross-border trade in Mozambique for food security, direct and indirect employment creation, inclusive growth and poverty alleviation cannot be overstated. Such trade plays a significant role in ensuring a continuous flow of affordable products between Mozambique and its neighbouring countries. Through their bidirectional supply of agricultural and food products, cross-border traders are a valuable asset in the region's food security. They significantly contribute to reducing the food deficit in contexts where local production, food aid and formal markets prove insufficient to meet total demand. Mozambique's small-scale cross-border trade is dominated by agricultural items such as maize grain and flour, beans, fruits (particularly citrus, such as oranges and lemons), eggs, potatoes, onions and other vegetables. The most traded non-agricultural products include textiles, clothing and footwear, cooking spices and, at some borders, bicycle and motor vehicle parts, building materials and kitchenware (Raimundo and Chikanda, 2016). The direction of this trade in terms of value-added products mainly hinges on the productive capacity of the trading partners, as reflected in the diversity and complexity of their exported products.

As indicated in the previous section on regional value-chain linkages, South Africa is one of Mozambique's key trading partners in the region. This relationship is even more pronounced in relation to small-scale cross-border trade. Survey data show that Mozambique is a net importer of value-added agricultural and non-agricultural products from South Africa (TMEA, 2022). This reflects South Africa's productivity and comparative advantage over Mozambique due to South Africa's more advanced industrial development and technology adoption. Despite the close trading ties between the two countries, data on trade in value-added recorded in statistics highlights the minimal exchange of inputs between the two countries in the context of value chains (less than 2 per cent both in backward and forward linkages), including in sectors such as agriculture that have potential for viable value chains between them (figure 2). For instance, despite Mozambique being one of the African countries with the highest acreage of arable land and being a maize producer, maize flour tops Mozambique's informal

imports from South Africa. Conversely, South Africa is not a key small-scale cross-border trade destination for Mozambique's maize.

Moreover, most of the agricultural products imported by small-scale cross-border traders from South Africa, such as vegetables, fruits and milk, are equally produced in Mozambique. This suggests that the competitiveness of South Africa is derived mainly from reduced production costs from greater efficiency, which in turn is due to better internalization of technology and industrial development. Additionally, the transportation costs associated with bringing goods from South Africa to Maputo and other cities in southern Mozambique compared to transporting goods to Maputo from other parts of the country is considerably lower. This is not only due to the shorter distances involved, but also better logistical and transportation infrastructure. These advantages are of sufficient magnitude that in many cases they more than offset the additional time and costs involved in moving goods across the border. As such, the competitiveness of South African products is also due to that country's better infrastructure and distribution networks.

Women small-scale cross-border traders have few opportunities to be directly integrated into South African value chains owing to their limited financial and productive capacity. Targeting the Mozambican market, however, suggests otherwise. In this regard, it is important to note that the goods that small-scale cross-border traders import from South Africa are also a key component in the restaurant value chain in Mozambique. Restaurants buy those products either directly from those traders or through retailers that generally purchase such products from small-scale cross-border traders (Macamo, 1999). This suggests that the potential of women small-scale cross-border traders in enhancing trade and inclusive growth can be readily leveraged in the hotel and restaurant value chain, which is also a key component of the tourism sector. Hotels and restaurants are indeed key buyers of agricultural products, both in their raw and processed forms. However, they need a reliable and consistent source for these goods as well as accompanying services such as transport and distribution.

Clustering and networking will be essential components of the integration of women small-scale cross-border traders into value chains within Mozambique. On the one hand, by clustering themselves into groups (e.g. through cooperatives) based on their key products and targeted markets, women small-scale cross-border traders will enhance their ability to effectively meet market demand. On the other hand, partnerships between these clusters of women traders and specific entities in the value chains will provide a two-fold benefit, securing a market and enhancing access to market information, especially if the partnerships allow the women to access the networks in the value chain. This approach has the potential to increase women's incomes and provide a path for business growth through enhanced access to high-paying, stable markets. Such an approach would not require high levels of technical skill or financial capacity. Nevertheless, it is important to highlight that relevant government policy that encourages hotels and restaurants to source their products from local retailers will be crucial to ensure the viability and sustainability of these partnerships. Similarly, access to specific training programmes on procuring goods for hotels and restaurants will be another important component.

Turning to the possible opportunities for women small-scale cross-border traders in Mozambique with other neighbouring countries – namely Malawi and Zambia – the characteristics of cross-border trade flows with these countries are quite distinct from those observed with South Africa. While small-scale cross-border trade between Mozambique and South Africa is dominated by imports from South Africa, Mozambique's cross-border trade with Malawi includes significant Mozambican exports of largely unprocessed agricultural products such as maize grain, beans, meat and vegetables. Of

note in this regard is the subsistence component that dominates the agricultural sectors both in Mozambique and Malawi. Therefore, similar products in their raw form are also imported from Malawi. While this trade brings food security on both sides, particularly during the lean seasons, the benefits both to the traders and the economies involved are minimal compared to a scenario where trade would involve products that have undergone some processing. Similar trends are observed in the small-scale cross-border trade between Mozambique and Zambia. Although there are currently no viable value-chain linkages between Mozambique and either Malawi or Zambia, better returns for women small-scale cross-border traders could be obtained through value addition and increased diversity of the traded products, particularly on the Mozambican side. For this to happen, women small-scale cross-border traders would need to gain a good understanding of the existing value chains in the agricultural sector, including their linkages with other sectors within the economy.

Figure 2 highlights strong production linkages within Mozambique in the agricultural sector, suggesting a potential for the viable integration of women at different levels of the value chain, under the assumption that they have access to competitive inputs/intermediate products (in terms of cost) from Malawi, Zambia and other neighbouring countries. However, to sustain their position and relevance in the value chain, women need to have some level of processing skills and also augment their stock by either clustering stock among themselves or purchasing from local producers. In this regard, training activities tailored to the specific components of the agricultural value chain and targeted markets are likely to be crucial for women small-scale cross-border traders.

4. BARRIERS TO WOMEN'S PARTICIPATION IN CROSS-BORDER TRADE AND VALUE CHAINS IN MOZAMBIQUE

As highlighted in this study, the increased centrality of value chains in international trade has shifted the basis of international trade from static comparative advantage, which implicitly assumes the immobility of production factors (Cypher and Dietz, 1998), to the importance of trade in intermediates, where parts and components from one level of the production chain feed into the next level, as the final product is a function of the various production stages in different countries and regions. This essentially means that the viability of participation in value chains is equally a function of cost, quality and delivery, which to a great extent are seen to be influenced by technological progress and innovation in addition to other key competitive inputs. In this regard, most women-owned MSMEs, including those involved in cross-border trade, are either completely left out of the key value chains both at the national and regional levels or participate in a manner that is not particularly beneficial, since they are generally active at the lowest levels of the value chains. This is mainly because women-owned MSMEs do not have either the technical or the financial capacity to effectively compete and be viably integrated into the value chains. Moreover, the pervasive informality in Africa's small-scale cross-border trade, particularly for women, adds further complexity to the objective of value-chain participation. These challenges are compounded by structural barriers faced by women small-scale cross-border traders, including poor border facilities, cumbersome bureaucracies and lengthy customs clearance processes, limited market information, lack of knowledge and understanding of customs procedures and regional trade protocols, corruption and, in some instances, discriminatory gender norms (UNCTAD, 2019).

This section looks in more detail at issues of informality and access to finance, while the concluding section examines the specific challenges faced by women small-scale cross-border traders in their trans-border trade.

4.1 INFORMALITY

Informality remains a key characteristic of an overwhelming proportion of small-scale cross-border trade in Africa, accounting for up to 72 per cent of total trade between neighbouring countries (UNECA, 2021). Although informal small-scale cross-border

trade in Africa cuts across gender and age, women are estimated to constitute the largest proportion of the cross-border traders who operate informally in east and southern Africa (Zarrilli and Linoci, 2020). Despite the benefits that informal small-scale cross-border trade can provide, ranging from sustaining the livelihoods of traders and border communities to food security and inclusive economic growth at the national level, informality comes with several challenges and obstacles that affect the operations, profitability, growth and sustainability of these businesses. Primarily, most of these challenges and obstacles are a consequence of the very nature of the informal businesses, which are largely for subsistence and hence lack a growth and sustainability plan. Most informal businesses suffer from low productivity and incomes, suggesting that they also have limited capacity to save and invest (Gondwe and Mpagalire, 2021). For instance, only about 19 per cent of the informal cross-border traders in Maputo re-invest their profits into their businesses (Raimundo and Chikanda, 2016).

Second, to remain afloat, many small-scale cross-border traders who operate informally use informal trade routes to avoid taxes, levies and other trade requirements that are applicable in the formal sector. Anecdotal evidence shows that the informal trade routes expose these traders to fines, corruption, theft and confiscation of their merchandise, which indicates an overall increase in costs and risks as compared to formal trade routes. For women small-scale cross-border traders who use informal trade routes, these problems are further compounded by their increased vulnerability to verbal and physical harassment and abuse (UNCTAD, 2021). Although small-scale cross-border traders who do pass through formal border posts also face difficulties – particularly their unfamiliarity with, and the unpredictability of, procedural requirements and tax duties to which they must adhere when crossing the border – such challenges are surmountable if corresponding measures are put in place, as will be shown in the concluding section of this study.

Finally, informality in Africa is highly associated with low levels of educational attainment (Raimundo and Chikanda 2016), as well as with limited business skills. These constraints significantly limit the ability

of cross-border traders to adapt to and make use of rapidly advancing technologies, as well as their capacity to scale up or diversify their businesses. This directly impacts the productivity and growth of these businesses. For instance, the TradeMark East Africa survey highlights that most women traders in Maputo, most of whom are trading informally, have less than a high school education (TMEA, 2022). Notably, most of these traders have not changed their product mix over time and are not seen to add value to the locally produced products that they sell either within Mozambique or across the border in South Africa. Similarly, the goods that they buy in South Africa are sold in the Mozambican market (mostly in Maputo) without any value addition. Despite the heightened use of e-commerce in the aftermath of the COVID-19 pandemic, most informal traders in Mozambique, as in most least-developed countries in Africa, are yet to leverage e-commerce opportunities. For most informal small-scale cross-border traders, this is largely due to low literacy levels, a lack of digital skills, and still limited understanding of the potential benefits of switching to online trade.

The challenges and obstacles that characterize the features and operations of informal small-scale cross-border traders further complicate the prospects of integrating them in value chains. Efforts to formalize the activities of these traders are a key first step to enhance their viability as participants in the different productive stages of value chains. The final section of this report will present recommendations to achieve greater formalization of the operations of those small-scale cross-border traders who currently operate informally.

4.2 ACCESS TO FINANCE

Easy and affordable access to financing remains elusive for most MSMEs in Africa because the financial sector does not have viable frameworks to cater to their needs, both in terms of product range and affordability. For Mozambique in particular, it is estimated that about

75 per cent of small and medium-sized enterprises (SMEs)⁷ do not have access to financial services (AfDB, 2018). The lack of tangible assets to serve as collateral, the high cost of the loans, and the overall perceived lack of creditworthiness of MSMEs are often cited as key factors for their financial exclusion (UNCTAD, 2022). While the financing needs of MSMEs in the formal sector are sometimes met through tailor-made financing initiatives by both government and financial institutions, informal sector businesses rarely benefit from such programmes. For instance, the Mozambican government's enterprise competitiveness and private sector development project did not extend financial support to unregistered businesses, which include the vast majority of women small-scale cross-border traders (Raimundo and Chikanda, 2016). However, it is worth noting that there are some financial initiatives in Mozambique that have targeted small-scale cross-border traders who operate informally. A good example is the loans provided to informal traders by MozaBanco, though these loans are only available to members of the informal economy association ASSOTSI who have a tax return certificate (Raimundo and Chikanda, 2016). This by definition excludes informal small-scale cross-border traders whose motivation for informality is avoidance of high taxes in the formal sector.

Insufficient capital coupled with limited access to formal financing institutions often compels most small-scale cross-border traders to rely on their savings or raise capital from informal moneylenders. However, informal financing often comes with a hefty cost. First, since procedures have not been put in place to determine the creditworthiness of the borrower, the risk of over-borrowing and not being able to repay the loan is high, with a detrimental impact on the profitability and sustainability of the business. Second, by operating outside the law, borrowers are exposed to problematic loan recovery methods in the event of default.

Different methods and strategies to improve access to financing for small-scale cross-border traders are addressed in the recommendations presented in the following section.

⁷ While this data refers to SMEs as opposed to MSMEs, we can safely assume that the figure is as high or, most probably, even higher for MSMEs given the greater obstacles faced by micro-enterprises in gaining access to financial services.

5. CONCLUSIONS AND POLICY RECOMMENDATIONS

As highlighted in this study, the key feature of modern trade is the increased specialization in the production of a specific component of a product in the value chain. The insertion of a country's productive activities in these value chains holds out the prospect of integration of enhanced technologies and improvements in productivity, as well as increased employment generation and incomes. This study has identified existing and potential value chains between Mozambique and its neighbouring countries, particularly South Africa, and the possibilities of integration of small-scale cross-border traders into value chains.

These findings highlight two potential routes for the effective integration of women small-scale cross-border traders into the identified value chains. First, they can be directly integrated by specializing in the production of specific intermediate goods or services that can be either exported or sold domestically to feed into relevant value chains in producing other intermediates or final goods. This option mostly entails significant capital investments and upgrading of skills, particularly in the case of directly exporting goods, given the gap in the competitiveness of Mozambican products compared to those of its principal trading partner, South Africa (see section 2). However, there are possible areas for insertion of women small-scale cross-border traders that would not necessarily require large initial outlays. Such areas include the production of – and possibly some value addition to – agricultural goods for both local and foreign restaurants and hotels.

Second, through the supply of agricultural inputs and services obtained from their trading activities, women small-scale cross-border traders can be engaged through direct supply linkages with key firms in the agricultural and hotel and restaurant value chain within Mozambique. In this way, they can indirectly participate in regional value chains, albeit by initially participating at the lower segments of the chains, i.e. through the provision of basic inputs without significant value-addition.

It is worth noting that this option gives women small-scale cross-border traders an opportunity for gradual growth as they gain exposure to markets and the relevant technical and business skills through the

partner firms. This will be key in a subsequent phase of integration when these women traders can increasingly undertake value-addition and transformation of the basic goods they import before selling them. Importantly, this process can occur without intense demands on their financial capabilities in the initial stages. Success with this approach requires policies and strategies that effectively address women's productive capacity and encourage the formalization of their businesses. Specific areas for action include the following:

Building technical capacity

Considering that most women small-scale cross-border traders are involved in agricultural commodity trade, their integration into agriculture value chains might be more beneficial to strengthen the sector's productivity and growth and to improve the country's food security. However, it is worth noting that most women small-scale cross-border traders in Mozambique have low levels of education and limited technical capacity for agro-processing, which would be key for their profitable direct integration into agricultural value chains. In this regard, tailor-made training on agricultural value chains and on specific segments within those value chains will be essential. This should be accompanied by digital skills training to further enhance women's capacity for involvement at different levels of the value chains and also to improve their access to both local and foreign markets and information. Additionally, tailored training on customs clearance procedures and trade rules is important to facilitate the efficient transportation of goods across borders.

Whether through the direct participation of women small-scale cross-border traders via the production of intermediate inputs or through their indirect participation via the supply of inputs, strengthening collaboration between these women traders and other key players in the value chain will be critical for their effective integration into value chains. While synergies for clustering can be identified through existing small-scale cross-border trade networks, partnerships with key players in the value chain can be encouraged through relevant government policies. A good example is the South African government's strategic partnership

programme, which provides incentives to large private enterprises to procure from local SMEs.⁸

Improving access to finance

An essential step to consider is to adopt policies and programmes that inclusively provide small-scale cross-border traders (including those operating in the informal sector) with financial and non-financial products and services tailored to their specific financing needs. In this regard, reducing the risks associated with financing for small-scale businesses has proven to be key to improving access for such enterprises. A number of governments in Africa have established loan-guarantee programmes for small firms in order to address a perceived market failure in SME financing by targeting viable business propositions that lack an established track record or collateral (UNCTAD, 2022). For example, in 2020 the South African government launched a US\$13.7 billion loan guarantee project for SMEs as part of its COVID-19 response and stimulus package. Likewise, in 2022 the South African government introduced a US\$1.34 billion business bounce-back project aimed at supporting SMEs. The project includes a business-equity-linked loan guarantee and small business loan guarantees to facilitate access for qualifying non-bank small and medium-sized loan providers (UNCTAD, 2022).

Some countries have also adopted export credit insurance policies or established export-import facilities to help exporters, and particularly SMEs, access trade credit insurance services and therefore better access trade finance. In Ghana, for instance, after having established the Exim Guaranty Company in 1994 to provide credit guarantees and general financial risk management solutions for SMEs, the government merged the company with the Export Finance Company and the Export Trade, Agricultural and Industrial Development Fund to establish the Ghana Export-Import Bank in 2016.⁹ In Mauritius, the government has implemented various policy measures to support the growth of SMEs, primarily by facilitating their access to different financing options. Initiatives that have been introduced include the State Investment

Corporation, an investment arm of the government set up to provide funds for the realization of entrepreneurial ventures; and Maubank, a state-owned company that operates retail, SME and corporate banking businesses locally and internationally, and provides dedicated and specialized SME banking solutions (UNCTAD, 2022).

Encouraging formalization of businesses

Mozambique introduced a simplified tax regime (*Imposto Simplificado para Pequenos Contribuintes* - ISPC) in 2009 to provide a simplified and less burdensome framework through which informal entrepreneurs can register their businesses. However, uptake of the regime, particularly among small-scale cross-border traders, has been fairly low to date. Efforts to communicate the benefits of business registration directly to informal operators under this regime should be strengthened. At the same time, opportunities should be provided to solicit feedback from informal enterprises about ways in which the simplified tax regime can be more closely tailored to their needs.

It is important to stress that the existence of effective partnerships between small-scale cross-border traders and larger enterprises will require a good level of business stability and reliability for quality inputs. This might not be feasible with the current nature of most informal businesses, which are largely subsistence-based. In this regard, while relevant business skills training will be key to ensuring growth, encouraging formalization of these businesses will enhance their reliability for partnerships with large domestic firms and multinationals.

Facilitating trade at the border

Small-scale cross-border traders continue to face cumbersome and inconsistent application of rules and procedures at the border. Awareness-building among these traders is key to enhance their knowledge of their obligations and rights when bringing goods across the border. A number of associations with which small-scale traders who function as unregistered businesses can affiliate themselves currently operate

⁸ See the South African Department of Trade and Industry website at www.thedtic.gov.za/financial-and-non-financial-support/incentives/strategic-partnership-programme (accessed 23 March 2023).

⁹ See the Ghana Exim Bank website at www.eximbankghana.com/about-gexim (accessed 23 March 2023).

at certain border posts.¹⁰ As registered entities, these associations can provide administrative and regulatory support to facilitate the passage of goods across the border on behalf of the trader. Such associations are a valuable resource for traders, and the advantages of affiliation with them should be communicated more actively to small-scale cross-border traders. Moreover, these associations can play a crucial role in building knowledge and awareness among these traders regarding trade rules and procedures, as well as about the different tools and support mechanisms at their disposal to facilitate their trading activities.

Customs requirements should be consistent in providing small-scale cross-border traders a predictable, efficient and affordable procedural framework through which they can cross the border. A key area of action to facilitate cross-border trade is the development and implementation of a simplified trade regime (STR) to ease the border requirements and customs procedures for small-scale cross-border traders.¹¹ By simplifying customs procedures for these traders, such regimes promote compliance and formalization of trade. Discussions for the establishment of an STR framework in the SADC region are ongoing. Once operational, bilateral agreements would be required to implement the STR in Mozambique's trade with its neighbouring countries.

Other important areas of action include: a reduction in wait times at the border, particularly for those small-scale cross-border traders carrying perishable goods; clear communication of reference prices for relevant imported goods in order to provide a consistent and transparent procedure to calculate the corresponding duties and taxes small-scale traders need to pay; and the establishment of formal dispute resolution mechanisms for small-scale cross-border traders.

Finally, successful cross-border trade requires collaboration between Mozambique and its neighbouring countries on policies and strategies that encourage formalization and promote fair trade. While some measures – such as one-stop border posts and safe trade zones – are either already in place or are currently being developed through bilateral and regional trade and integration agreements, enforcement will be critical to ensuring that cross-border trade happens in a safe environment, while at the same time encouraging the formalization of businesses. Moreover, enforcement mechanisms should be complemented by collaboration on monitoring structures for tracking progress on the measures agreed upon.

¹⁰ Examples of associations that operate at the main border post between Mozambique and South Africa (Ressano-Garcia) include the Associação dos Micro Importadores de Moçambique (AMIM), Associação Mukhero, Associação de Importação e Comercialização de produtos Frescos e Agrícolas (FRESCATA), and Cooperativa Agrária dos Micro importadores de Moçambique (COOPAMIM).

¹¹ The STR is designed to ease customs procedures for small-scale cross-border traders who export or import consignments of goods that are included in an agreed list of products and have a value under a designated amount. The STR typically provides traders with simplified versions of customs documents to submit and reduced administrative fees.

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