DIAGNOSTIC REPORT

Digitisation of Financial Products for **Cross-Border Traders**

Covering informal cross border trader activities between South Africa and Mozambique, Eswatini, and Zimbabwe

FMT
FINMARK TRUST

APRIL 2021

DISCLAIMER

This document was prepared by Genesis Analytics and should in no way be considered to represent the views and opinions of FinMark Trust and/or any donors, organisations, or persons.

Prepared by Genesis Analytics
https://www.genesis-analytics.com/

About FinMark Trust

FinMark Trust is an independent non-profit trust whose purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration'. We pursue our core objective of making financial markets work for the poor through two principle programmes. The first is through the creation and analysis of financial services consumer data to provide in depth insights on both served and unserved consumers across the developing world. The second is through systematic financial sector inclusion and deepening programs to overcome regulatory, supplier and other market level barriers hampering the effective provision of services. Together, these programmes unlock financial inclusion and sector development through a symbiotic relationship between rigorous data collection and research activities. Our work can be found in South Africa, throughout the SADC region and the global arena.

For more information:

Visit our website at www.finmark.org.za
Email info@finmark.org.za
Call us on +27 11 315 9197

ACKNOWLEDGEMENTS

This report was authored jointly by FinMark Trust and Genesis Analytics.

We would like to thank all the individuals who participated in this project in their personal and institutional capacity, without which the project would not have been successful. These stakeholders included government institutions, donor agencies, financial service providers, private sector players and industry associations. Most notably, we would like to extend our gratitude to colleagues from the Association of Mukeristas, Coalition of Informal Economy Associations of Swazliand (CIEAS), Zimbabwe Cross Border Traders Association (ZCBTA), eSwatini Revenue Authority (SRA), Southern African Customs Union (SACU) Secretariat, South African Revenue Services (SARS), Zimbabwe Revenue Authority (ZIMRA), SADC Banking Association, Banking Association South Africa (BASA), FNB, World Remit, Mukuru, United Nations International Organization for Migration (UN IOM), TradeMark East Africa, as well as Financial Sector Deepening Moçambique (FSDMoc)

Lastly, we would like to thank the respective Ministries of Finance in Eswatini and Mozambique, and Zimbabwe for continued partnership.

TABLE OF CONTENTS

LIST OF FIGURES

ACRONYMS AND ABBREVIATIONS

Acronym	In full
CBT	Cross-border trade (r)
CMA	Common Market Area
COMESA	Common Market for Eastern and Southern Africa
CRB	Credit reference bureau
EAC	East African Community
FCDO	Foreign Commonwealth and Development Office
FMT	FinMark Trust
FSP	Financial service provider
GDP	Gross Domestic Product
ICBT	Informal cross-border trade (r)
IMF	International Monetary Fund
LFCLS	Labour Force and Child Labour Survey
SA	South Africa
SACU	Southern African Customs Union
SADC	South African Development Community
SAMP	Southern African Migration Programme
SASSA	South African Social Security Agency
SME	Small and Medium Enterprises
SMEDCO	Small and Medium Enterprises Development Corporation
SMME	Small, Micro and Medium sized enterprises
SSA	Sub-Saharan Africa
StatsSA	Statistics South Africa
SZL	Swazi Lilangeni
USD	United States Dollars
USSD	Unstructured Supplementary Service Data
WBG	World Bank Group
WEO	World Economic Outlook
WITS	World Integrated Trade Solutions
ZIMSTAT	Zimbabwe National Statistics Agency

EXECUTIVE SUMMARY

Introduction and Objectives

Cross-border trade (CBT) (i.e. both formal and informal trade) remains a critical component for economic growth globally and particularly in Africa. Informal cross-border trader (ICBT) has been a key feature of African economic and social landscapes and supports the livelihood of numerous households. Two prior studies, namely Migration, CBT and Development in Africa; Exploring the Role on Non-State Actors in the SADC Region by Nshimbe and Moyo, and ICBT in Africa: Implications and Policy Recommendations by Afrika and Ajumbo (2012), estimated that ICBT amounts/ contributes to 30%-40% of the value of total intra-regional trade in the Southern African Development Community (SADC) region, though would further vary by country.[1] In 2019 this would range from USD 20.2 billion to USD 27 billion.[2] Furthermore, ICBT is believed to increase the variety of goods available to consumers and is a key source of employment for millions in the low income bracket especially women.

In light of this, FMT in consultation with in-country partners, is exploring opportunities to increase the participation of informal traders in the private sector by improving safety in the delivery of the traded goods, reducing the cost of cross border trade transaction through low cost digital payment mechanism and situating cross border trade for MSMEs within SADC regional development objectives. This is expected to grow trade and various value chains in individual countries, which could potentially increase income of individual cross border traders, contributing to an increase regional gross domestic product (GDP) output. This too is expected to support regional policies and integration efforts (such a SADC and Southern African Custom Union -SACU) that are meant to galvanise and increase trade/ growth within the region.

With a regional mandate to make financial markets work better for the poor, FinMark Trust (FMT) commissioned this scoping exercise to understand the state and dynamics of ICBT between South Africa and three neighbouring countries i.e., eSwatini, Mozambique and Zimbabwe. The research sought to estimate the size of informal ("undeclared") cross border trade, assess the logistical, technological, access to financial services and regulatory challenges to developing an ecosystem that ensures consistent income for cross border traders especially women and the youth. The research further sought to size the overall market to understand its scale and impact to the economies. These findings will be used to guide engagements with country and regional stakeholders in FMTs mandate to make financial markets work for the poor while pursing the outcome of a financial inclusion enabled growth in the SADC region in a consultative and collaborative manner.

Both primary and secondary research methods were utilised for this study. Primary data was collected through a survey questionnaire administered to 203 low value formal and informal CBTs and key informant interviews (KIIs) with 15 stakeholders. The survey was conducted in person at border posts to capture insights from traders that were in the process or had just crossed the border; as well as telephonically[3] to capture insights of those that were away from the border. The three borders of interest for this study were Beitbridge/ Messina (between South Africa and Zimbabwe); Oshoek/ Ngwenya (between South Africa and eSwatini); and Lebombo/ Ressano (between South Africa and Mozambique). The survey data and stakeholder insights were further augmented with available desktop research. The stakeholders interviewed included financial regulators, cross border trade associations, revenue authorities and custom unions, financial services providers including Authorised Dealers and Authorised Dealers with Limited Authority, and development organisations.

This executive summary provides a summary of the analysis, findings and recommendations.

Sizing of CBT Flows

No prior studies were found that attempted to profile[4] or size the overall CBTs market in the SADC region. The project team therefore developed these based on stakeholder interviews and any insights from prior research.[5] Four broad profiles of CBTs were developed. These classifications were based on assumed frequency of trade in a year and the nature of that trade, described below:

1. **Day traders/ hawkers:** These are individuals that cross the border **at least weekly to buy goods in bulk or smaller quantities** for resale in their home countries. For the administered survey, it was assumed these were individuals trading across the border weekly.
2. **Bakkie brigade:** These are individuals that own **pick-up trucks/ "bakkies" and carry goods in bulk across** South Africa and their home country. For the survey, it was assumed these individuals crossed the border every two weeks to three months.
3. **Diaspora traders:** Individuals **living within South Africa who send goods back to their home country for trade**. For the survey it was assumed that these individuals crossed the border once a year.
4. **Import and export companies:** These are importing and exporting businesses that are **formally registered with their countries' respective revenue authorities**. Assuming these were larger businesses with established logistics structures, it was assumed that these did not form part of the survey.

The authors note that in reality there is likely to be overlaps across the profiles as traders are not mutually exclusive in characteristics and their circumstances are likely to keep changing over time. Nevertheless, this research provides a **basis for profiling which can be built upon going forward** through more targeted surveys per country.

Anecdotal insights from interviews identified **some archetypal goods traded by day traders/ hawkers** (e.g. women trading in agricultural products and leather products and men trading in manufactured goods, beauty care products and clothing in Zimbabwe; or women selling clothes, handcrafts, cosmetics and clothing in eSwatini). Survey and secondary research did not identically match these findings on the archetypal goods, but more broadly found that **women tended to trade in agricultural produce, consumables and household and personal goods**, while men more often **traded in electronics, manufactured and larger goods**. Even with this broad generalisation, traders identified **trading in multiple types of goods that were likely dependent on the perceived demand/ seasonality in the respective markets – which speaks to their entrepreneurial character**. Furthermore, the available secondary research repeatedly pointed towards women making the majority of informal traders. In Mozambique 71% of traders were women, and in Zimbabwe 54% were women in 2014.[6] More representative surveys conducted periodically per country and at specific border posts or in major cities/ towns would further uncover these insights and trends over time.

It was **found that there was no mutually exclusive definition of formal and informal traders**. The definition of formality rather took a sliding scale format based on three criteria:

1. **Registered business with the registrar of companies:** This refers to business registration in their home countries. The same challenges faced by Small, Micro and Medium sized enterprises (SMMEs) to register their businesses would apply to CBTs here.
2. **Licensed/ Registered as an importer or exporter with the revenue authority:** This registration or licensing with the revenue authority is specific to businesses that are trading across borders. This licensing/ registration has additional requirements, in addition to being registered with the registrar of companies, such as having a registered agent located

in South Africa (SA) that assumes full liability for acts of a foreign principal and financial records/ solvency.[7]

In an attempt to support low value formal and ICBT, revenue authorities had developed license categories that had less stringent requirements and lower tax charges than normal import or export licenses. These are based on the maximum value of goods traded across the border at a given time. The licensing categories are administered at the point of entry back into the home country. The different categories are:

a. eSwatini Revenue Authority (SRA) the classification of "**Personal Imports**" applied for goods valued below ZAR 15,000;
b. South African Revenue Authority (SARS) the classification **Code 70707070** applied to individuals trading goods of up to a value of ZAR 150,000 in a year (this can be split in three trips within the year);
c. Zimbabwe Revenue Authority (ZIMRA) through the use of **Form 49** for goods valued below ZWL 10,000 (i.e. ZAR 440).[8, 9]

   The beneficiaries of these special licensing categories are likely to be both households bringing goods home for their personal use, as well as SMMEs engaged in trade. It is likely difficult to differentiate between the two. The maximum value limits for households are likely to be sufficient to meet their needs. However, SMMEs have **called for higher limits to allow for more trade**.

3. **Declaring all goods and their full value to customs officials:** Even with businesses formally registered, CBTs would not always declare the full value of the goods they were trading across borders. Undeclared goods would form part of the informally traded goods.

   Considering this the focus of which CBTs to capture in terms of the objective to have more traded goods declared (using incentives that improve access to financial services especially digital payments, regulatory innovation including those related to customs and excise, technological innovation and public policy support), **low value formal and informal cross border traders encapsulates the "target group"** for the rest of the report.

The vast majority of traders were involved in both importing and exporting activities. No profiling based on respondents demographics such as gender or age was possible due to the limited sample size of the survey. Prior research provided some data points here. Examples include in Mozambique 41.5% of CBTs were aged 30 to 39 years, 38% being married while 26% were co-habiting and only 21% had completed secondary/ high school diplomas.[10] In Zimbabwe the mean age of traders was 33 years, 66.5% were married and 65% of traders had attained secondary/ high school diploma.[11] The sizing focused on CBT from eSwatini, Mozambique and Zimbabwe. It was assumed that SA being a predominantly net exporter into the region was primarily dominated by more established and formal businesses.

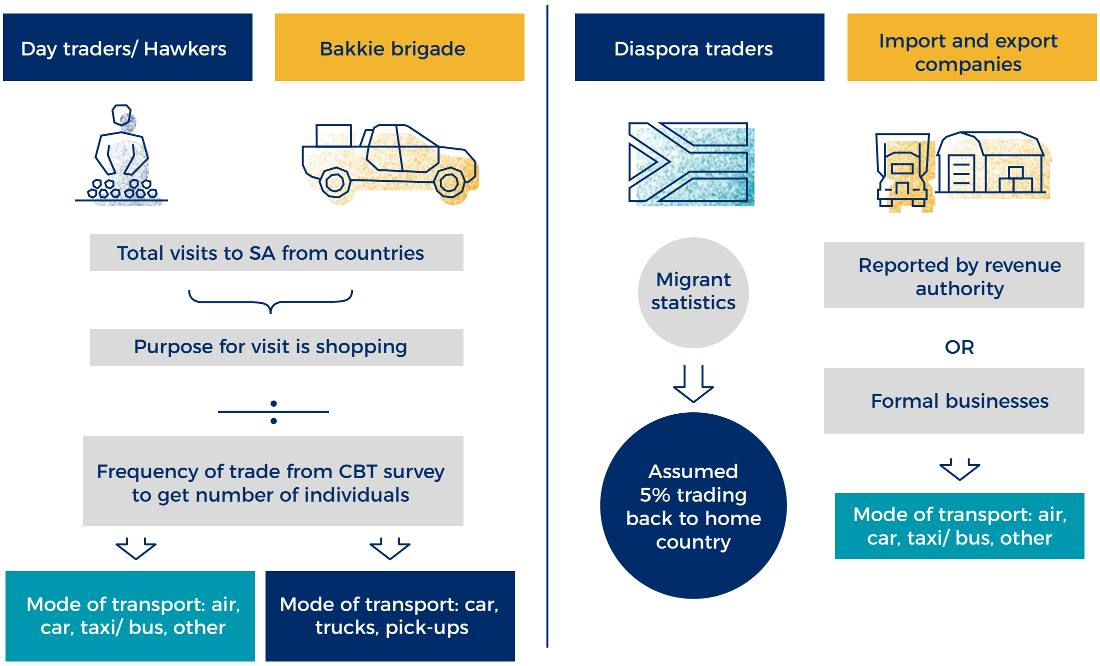
The majority of traders reported purchasing goods from **supermarkets and wholesalers,** and sell them **mainly to end consumers/ private individuals in** their home countries. Traders reported sourcing and selling their goods from multiple countries within the SADC region and not just between SA and their home country – implying that cross border trade is multilateral (between multiple SADC countries) and not just between two countries (e.g. SA and eSwatini) in the SADC region.

FMT FINMARK TRUST

Sizing the Number of Traders

A variety of sources were used to size the number of CBTs per country based on the identified profiles above. A diagrammatical summary of the sizing methodology is provided below:

Figure 1: Summary of the sizing methodology employed



Note: SA stands for South Africa

Day traders/ hawkers[12] and bakkie brigade[13] traders were **sized using tourist statistics from South Africa from the Department of Tourism**. It was assumed that their travel across borders would be captured in migration statistics from the three key partners crossing into South Africa. These were further narrowed down by the travellers who self-identified as travelling for the purpose of shopping. In 2019, this was reportedly 22.9% of total visitors that registered as travelling to shop.[14]

The data from the Department of Tourism records the number of visits from each of the partner countries, but not the number of individuals crossing the border. To this end, there was a need to estimate the number of times a typical CBT would cross the border in a year in order to develop an estimate of the total number of individuals this would entail.

Responses from the CBT survey from each of the three countries (i.e. eSwatini, Mozambique and Zimbabwe) were used to arrive at the estimate of the frequency of traders crossing the border. **The distribution of the sample was then used to weight the frequency of trade to arrive at** the number of individual CBTs per segment.

The use of formal migration statistics implies that those that use informal cross border routes would be excluded from the analysis. Similarly, the sizing focused on individuals that self-identified as crossing the border to shop. This likely excluded individuals who crossed the border to trade, but had self-identified at the migration points as travelling for personal or for business purposes (i.e. did not distinctly self-identify as travelling for shopping). As a result, the estimates are potentially understating the overall size of the market.

Diaspora traders were sized using immigration statistics from the **FMT Southern African Development Community (SADC) Remittance Values and Volumes report**. As part of the research in the report, focus group discussion (FGDs) in eSwatini, Democratic Republic of Congo (DRC) and Mozambique identified that ~10%, ~38% and ~10% (respectively) of good remittances by migrants was used in a business or farm or to sell. The authors acknowledge that the use of FGD findings in sizing is bound to be inaccurate, but was nevertheless used as no other data points were available. These values of eSwatini and Mozambique were used for the sizing of the proportion of migrants sending goods back to their home countries for business purposes (different from sending goods back to family and friends). As Zimbabwe was not included, an average of all three countries was used.

For registered import and export traders, two methodologies were employed. The first applied to eSwatini statistics where the **eSwatini Revenue Authority (SRA) provided statistics on formally registered importers and exporters**.

For the other two countries, the sizing begun with **censuses of formal enterprises**. As these data points were outdated,[15] there was a need to extrapolate them using composites growth rates of real gross domestic product (GDP) and changes in real labour force participation to get 2019 estimates. Following this, statistics from the World Bank Group (WBG) Enterprise Survey on the number of businesses involved in import and export business were used to estimate the proportion of formal businesses that were registered as import and exporting businesses.

Revenue authority statistics for number of businesses registered as export and import businesses would be the most accurate data points for this sizing. This data is believed to exist, however the authors were unable to gain access to it. The census of enterprises used were outdated,[16] and the WBG Enterprise Surveys were based on relatively small sample sizes[17] and thus could differ from the actual registered numbers.

The Table below highlights the estimated number of CBTs operating between the three countries and South Africa.

Table 1: Summary of sizing of the number of CBTs

Country	eSwatini	Mozambique	Zimbabwe
Cross-border hawkers	5,678	8,992	15,237
Diaspora traders	9,094	98,308	168,077
Bakkie Brigade	1,514	1,883	4,100
Import and Export companies	9,712	6,241	8,776
Total	**25,998**	**115,424**	**196,190**

Source: SRA Data, 2020 | INE, Mozambique Business Census 2015 | ZIMRA data, 2020 | FMT SADC Remittance Values and Volumes, 2019 | Genesis Analytics, Team Analysis, 2020 | SA Department of Tourism, State of Tourism report 2019 | Zimbabwe Tourism Authority, Tourism trends and statistics report, 2019

A sizing of the number of CBTs based on the level of formality **across the three criteria of formality proved difficult to arrive at for this assignment**. This was due to the small sample size of the administered survey that meant there was insufficient numbers per country and per CBT profile to establish reasonable "formality" trends. Large and more periodic surveys would be useful to assess if each profile showed a propensity to meet specific formality criteria than others.

Sizing the Value of Low Value Formal and Informal CBT

The complexities of formality described above identified that in order **to increase the level of participation in the private sector** that will ultimately lead to increased regional GDP output there will be a need to consider a **broader definition of CBTs** that is not binary on informal vs formal. Instead, the focus for CBTs should be **low value formal and informal CBT**. At the informal level this accommodates the need to nudge traders into the formal economy; while on the formal level reflects the need to support these traders that have the potential to grow/ scale their operations. To this end the sizing of the value of trade focuses on low value formal and informal CBT.

In contrast to the sizing of the number of CBTs that proved difficult to dissociate between the traders that were formal vs informal; sizing of the value of trade that was formal (i.e. declared to customs officials) vs informal (i.e. undeclared to customs officials) was possible using the survey responses.[18] Survey respondents were requested to describe the frequency with which they declare the full value of the goods they are trading across borders with customs officials. The responses ranged from they never declare the correct value (i.e. it was assumed that 100% of the value traded is undeclared); they sometimes declared the correct value (i.e. it was assumed that 75% of the value of goods traded is undeclared); they declare the correct value most times (i.e. it was assumed that 25% of the value of goods traded is undeclared); to they always declare the correct value (i.e. it was assumed that 0% of the value of goods they traded is undeclared).

To size the value of low value formal and informal CBT the analysis focused on **day traders/ hawkers, diaspora traders and bakkie brigade segments**. The authors made use of the **number of traders per segment and multiplied that by the average value of goods traded per each trip[19] and the weighted average number of trips per year per each segment[20]**. The latter two data points were estimated from CBT survey responses.

Using the sample distribution of the declaration of goods at custom officers, the authors then estimated the value of goods that were declared (i.e. formal) against those that were undeclared (i.e. informal).

eSwatini was estimated to have **ZAR 25.6 billion low value formal and ICBT flows in 2019 with SA**. Undeclared trade (i.e. ICBT) was estimated to account for 41% of this trade (i.e. ZAR 10.4 billion). To examine the estimated additive value of informal (undeclared) CBT to national trade statistics the authors compared these estimates to the sum of total import and export trade with SA.[21] The **estimated ICBT flows equate to 27.6% of formal (import and export) trade with SA**.

Mozambique was estimated to have **ZAR 26.4 billion in low value formal and ICBT flows with SA in 2019**. Of this informal/ undeclared CBT accounted for the highest relative **proportion at 54% (i.e. ZAR 14.2 billion) across the three countries**. Comparing this to overall import and export trade statistics with SA implies that this **informal trade accounts for 33.4% of total import and export trade**.

Zimbabwe was estimated to have the **overall highest amount of low value formal and informal CBT trade in 2019 at ZAR 53.2 billion**. Of this **31% (i.e. ZAR 16.3 billion) was estimated to be undeclared and therefore informal**. Compared to national statistics, this accounted for **29.2% of overall imports and exports with SA**.

Comparisons with the reporting of non-commercial/ personal trade values from the revenue authorities and the estimated sizing show that usage of the **simplified licensing likely remains very low**. This could also be attributed to the maximum values allowed being too low, which then results in ICBT avoiding declaring goods.

Table 2: Estimate of low value formal and informal CBT flows in 2019

Country	eSwatini	Mozambique	Zimbabwe	Total
Informal/ Undeclared CBT, ZAR billion	10.4	13.3	15.8	39.5
Formal/ Declared CBT, ZAR billion	15.2	11.4	35.9	62.5
Total CBT, ZAR billion	**25.6**	**24.7**	**51.7**	**102.0**

Source: SRA Data, 2020 | INE, Mozambique Business Census 2015 | ZIMRA data, 2020 | FMT SADC Remittance Values and Volumes, 2019 | Genesis Analytics, Team Analysis, 2020 | SA Department of Tourism, State of Tourism report 2019 | Zimbabwe Tourism Authority, Tourism trends and statistics report, 2019

Table 3: Estimated ICBT against import and export figures with South Africa

Country	eSwatini	Mozambique	Zimbabwe	Total
Informal/ Undeclared CBT, ZAR billion	10.4	13.3	15.8	39.5
Total formal (import and export) trade with SA, ZAR billion	37.6	42.5	55.6	135.6
Proportion of informal/ undeclared CBT trade to formal (import and export) trade with SA	**27.6%**	**31.3%**	**28.4%**	**30.1%**

Source: SRA Data, 2020 | INE, Mozambique Business Census 2015 | ZIMRA data, 2020 | FMT SADC Remittance Values and Volumes, 2019 | Genesis Analytics, Team Analysis, 2020 | SA Department of Tourism, State of Tourism report 2019 | Zimbabwe Tourism Authority, Tourism trends and statistics report, 2019

Systemic Challenges Faced by CBTs

These challenges were common among most countries. They are categorised as either: i) non-financial challenges that impact the traders' ability to conduct their operations; and ii) financial challenges related to their access and usage of financial services. Challenges specific to each country are highlight thereafter.

Non-Financial Challenges

Non-financial challenges relate to regulatory and demand side challenges that impede traders' ability to conduct their operations efficiently. These include:

1. Across the region there is **no official definition** of ICBT (i.e. among SRA, SARS, AT, ZIMRA, SACU and SADC), and as a result there are no unified support strategies for the industry. In cases where revenue authorities allowed for special licensing considerations to promote the formalisation of ICBTs, the **maximum values allowed differed per country**. This would ultimately add to the complexity of traders that cross multiple borders. Furthermore, these maximums were **believed to be too low** and therefore only applicable for very small scale (or person household importation) trade.
2. Trade facilitation (i.e. the procedures and controls that govern the movement of goods across national borders) is generally a **lengthy, complicated and costly process** for small scale and informal traders. This also often translated to long queues and waiting times at borders which could ruin agricultural goods or inhibit traders ability to claim back their value-added tax (VAT) returns. Traders also often **lack the required documentation to register with authorities** and do **not see the benefits** to formalisation. Women traders were generally more likely to be unregistered than male traders.
3. SADC had **yet to roll out simplified trade regimes (STRs) and one stop border posts (s)**[22] that serve to simply and increase the efficiency of the trade facilitation process. This has lagged other regional blocs such as the East African Community (EAC) and Common

Market for Eastern and Southern Africa (COMESA). As at November 2020, the Lebombo had yet to be implemented.

4. A number of **customs processes remain paper based**. Digitisation of information and processes has not been fully completed. Even in countries where efforts to digitise are being pursued, **few traders had reported utilising any digital platforms**. Sharing of information across neighbouring states has not been standardised or digitised yet.
5. Traders cited **facing harassment at border posts by police and customs official**. This was often in the form of goods being seized, sexual harassment and traders being asked for bribes. Women were generally more susceptible

Financial Challenges

Financial challenges relate to challenges that impact the ability of traders to raise financing, make cross border payments and store value for short-term, long-term or unexpected goals.

1. Lack of designated low-cost digital payment services for CBTs outside of the banking ecosystem. CBTs with bank accounts can make digital payments but this tends to be more expensive outside of the SADC CMA as the payment infrastructure that currently facilitates this is for high value transactions.
2. CBTs access to foreign currency is also a challenge. The key concerns here were the fluctuations between the home currency and foreign exchange that made goods more expensive and eroded incomes. Respondents faced the most challenges accessing USD followed by the ZAR.
3. CBTs are required to make **payment in full before receiving the goods**. Conversely, consumers take **too long to pay for the goods after delivery**. This suggests traders are forced to shoulder the working capital burden from their own finances, making the cost of operations higher.
4. Traders identified **having low uptake of credit from formal providers**. Some of the reasons for not pursuing credit was the financing products were expensive, difficult to use or not suited to their needs. In addition, traders lacked collateral and, in some instances, the prerequisite eligibility documentation.
5. Both suppliers of goods, and customers who buy from traders **insist on the use of cash**. This is despite majority of the traders being banked especially within the CMA where bank transfers are relatively low cost. This prevents the ability to develop financial histories of traders and exposes traders to the risk of theft. Providing digital payment services that mimic cash in speed and cost of transfer be a solution to this.
6. **Formal financial service providers (FSPs) perceive the ICBT segment as high risk with limited business cases to serve.** This is driven by ICBTs lack of formal registration, limited access to collateral, the nature of informal trade and overall lack of visibility of their financial transactions. As a result there is limited innovation of trade finance products to meet low value formal and ICBT needs.
7. **There is no national reporting of the uptake of trade finance products by FSP regulators.** This means there are no clear data points on how trade finance extension, particularly to SMMEs, is changing over time. Tracking this data could potentially reveal MSMEs that are accessing financing for cross border trade in order to develop appropriate interventions.
8. There is currently **no Export Credit Agency (ECA) operating within eSwatini and Mozambique**. ECAs are entities that provide/ facilitate export credit insurance and/ or outward investment insurance which ultimately reduces the cost of financing for businesses. Even where ECAs are present, they often focus on insuring credit of large export companies, excluding SMMEs.
9. There has been **limited participation and usage in the SADC-RTGS (formerly known as SIRESS) system**. Where it is used, this regional real-time gross settlement (RTGS) system is used for large value payments by large corporates. This means the system has

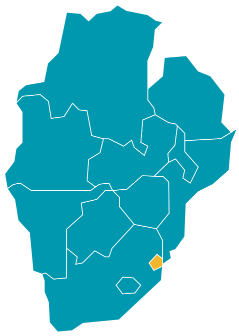
not materially changed the cost of interbank payments or remittance nor has it served the needs MSMEs engaged in cross border trade in low value goods.

10. SADC planned to implement an instant payment system known as Transaction Cleared on Immediate Basis (TCIB) – a payment scheme for cross-border low-value transactions. **TCIB implementation/ launch has faced delays** despite its set up beginning in 2018. This was attributed to a lack of agreement on balance of payments (BoP) principles between regulators. This has limited the options available to for cross-border payments.
11. Formal insurance is typically designed for the formal economy. Formal providers **do not understand the informal sector** and are unable to adjust **valuation and risk assessment** processes.

Challenges Specific to Individual Countries

These challenges are specific to individual countries and are arranged as either non-financial or financial challenges.

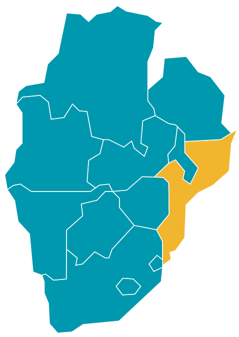
eSwatini



Challenges specific to eSwatini are as follows:

1. Financial challenges:
   i. The eSwatini payments system currently does not have any low cost digital payment service that meets the needs of MSMEs engaged in cross border trade
   ii. The **legal framework for secured transactions and movable assets registries are yet to be established.** As a result, movable asset backed lending has yet to take off.
   iii. Remittance providers identified **challenges involved in gaining regulatory approvals to operate** within eSwatini. These caused significant delays when providers were seeking to offer services in eSwatini. Currently, they remittances providers do not provide services for low value cross border trade. However, with the appropriate licence, payment services catered to cross border trade can be piloted and launched.
   iv. The Financial Services Regulatory Authority (FSRA) **does not allow cross border insurance in eSwatini,** and this limits the cover that insurance firms provide. This limits the use case for both formal and informal CBTs.

Mozambique



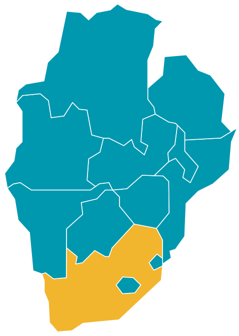
Challenges specific to Mozambique are as follows:

1. Non-financial challenges:
   i. **ICBTs (locally known as Mukeristas) are not being included in government development plans**. Stakeholders suggested that they are treated as being disruptive to local economic activities.
   ii. Traders identified **poor transport infrastructure** at border posts as being a key inhibitor to their operations.
   iii. CBTs purchased goods **from small shops and retailers that often do not issue VAT receipts**. They could therefore not claim this back at customs offices.
2. Financial challenges
   i. **Adults in Mozambique have relatively high levels of financial exclusion compared to other regional and continental peers.** This means efforts to digitise CBT finance would first require continuing efforts to reduce overall exclusion.

ii. The Mozambican regulatory framework **recognises banks as the main providers of payment services** meaning that only banks are permitted to perform cross border remittance services.

iii. The Insurance Regulatory Authority **does not allow cross border insurance** in Mozambique, and this limits the cover that insurance firms provide.

South Africa



Challenges specific to South Africa are as follows:

1. Non-financial challenges:

    i. **Internal immigration concerns in SA may restrict the duration CBTs are permitted within the country**, thereby limiting potential trade. eSwatini traders, for example, opined the 30 days allowed was not sufficient to sell their produce, particularly when they travel to Lesotho.

2. Financial challenges:

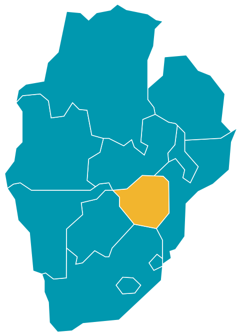
    i. **Current authorised dealer with limited authority (ADLA) regulations limit use cases for business-to-business (B2B) transactions.** ADLA transactions are currently limited to person-to-person (P2P) transactions with a maximum transaction limit of ZAR 25,000 per person.

    ii. The current list of **BoP options that must be filled when making cross border payments is cumbersome** for both consumers and FSPs. There is room to reduce the requirements while still maintaining adequate risk mitigation measures.

    iii. The SA payments system currently does not have any low-cost digital payment service that meets the needs of MSMEs engaged in cross border trade.

    iv. CBTs access to foreign currency is also a challenge. The key concerns here is the fluctuations between the home currency and foreign exchange that made goods more expensive and eroded incomes. Respondents faced the most challenges accessing USD.

Zimbabwe



Challenges specific to Zimbabwe are as follows:

1. Non-financial Challenges

    i. Traders identified a **lack of sufficient number of customs officers at border posts** which often led to delays. As a result many traders were unable to claim their VAT refunds, particularly for those using public transport that cannot wait indefinitely.

    ii. **Unpredictable policy changes were a key frustration for traders.** This creates a difficult environment to operate in. Examples of such policy changes include the currency changes and the end to the bilateral trade agreement with SA.

    iii. **ICBTs are unable to access foreign exchange through the auction system** when they compete with larger and connected businesses. As such ICBTs tend to seek foreign exchange in the black market.

    iv. The persistent currency shortages and restrictions also limit **FSPs ability to extend international trade finance products**. This likely limits the willingness of corresponding banks to work with Zimbabwean banks.

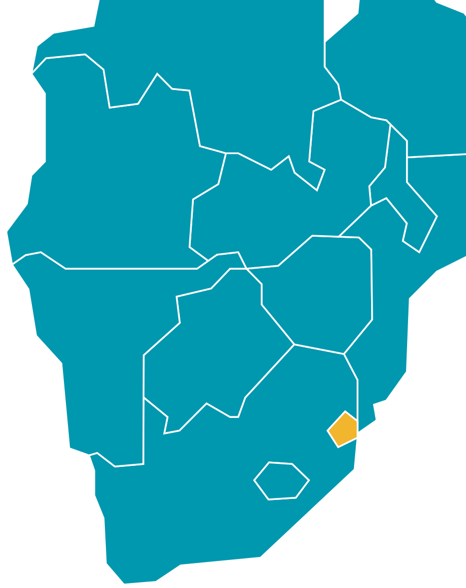
    v. **The infrastructure at borders is reportedly poor.** CBT opined that border posts lack sufficient places to sleep or hygiene facilities.

2. Financial challenges

   i. **High interchange pricing and regulatory compliance costs** for remittance providers are passed on to consumers making the remittance platform too costly for some segments. ADLAs identified that they are required to send physical United States of America Dollars (USD) cash into Zimbabwe to affect the remittance payments. This needs to be resolved in anticipation of the regulatory approval to serve MSMEs engaged in cross border trade requiring payments services (digital and non-digital like using agents).

   ii. The Zimbabwean payments system currently does not have any low-cost digital payment service that meets the needs of MSMEs engaged in cross border trade.

   iii. CBTs access to foreign currency is also a challenge. The key concerns here is the fluctuations between the home currency and foreign exchange that made goods more expensive and eroded incomes. Respondents faced the most challenges accessing USD and converting the Zimbabwean Bond into South African Rands.



COUNTRY FINDINGS AT A GLANCE

ESWATINI

Economic context

eSwatini is classified as a lower middle-income nation by the IMF, with an estimated GDP of USD billion 4.4 in 2019, and a GDP per capita of USD 3,837. In eSwatini, manufacturing makes up the largest contribution to GDP (33.5%), followed by wholesale and retail trade (14.4%) and agriculture (8.9%). The country is landlocked, sharing borders with SA and Mozambique. eSwatini's economy largely relies on regional trade, especially with its neighbour and principal trade partner SA. SA accounts for about 67% of its imports and about 80% of exports.

SMME landscape

There were 68,000 SMMEs in 2017, of which 25% were registered. The vast majority of SMMEs in eSwatini are micro and small enterprises, accounting for 93% of SMMEs. According to the WBG's SMME enterprise surveys, 10.5% of eSwatini SMMEs directly export more than 10% of their sales. 28.5% of SMMEs use material inputs and/or supplies of foreign origin, which is surprising and lower than the region average of 61.1%.

International trade

The country is a member of several international and regional trade agreements, namely the World Trade Organization (WTO), the General Agreement on Tariffs and Trade (GATT), The Common Market for Eastern and Southern Africa (COMESA), the South African Custom Union (SACU) and the Southern African Development Community (SADC). The government is pursuing strategies that aim to increase formalisation and enhance the trade facilitation process. Some of which include the SRA's engagement in the simplification of trade-related procedures and the Preferred Trader Program (PTP) driven by SACU.

Formal trade procedures in eSwatini are generally lengthy and document intensive. In particular, the formalized export process consists of complex document requirements. This may discourage informal traders from formalisation. However, for those travelling with goods valued below ZAR 15,000, fewer requirements are needed, but yet could be cumbersome.

Formal trade procedures in eSwatini are generally lengthy and document intensive. In particular, the formalized export process consists of complex document requirements.

There are a number of trade facilitation programmes in eSwatini that involve digitisation, these include the following: eCustoms platform; Trade Information Portal (ETIP); Automated System for Customs Data World (ASYCUDA) software; and SACU is poised to launch a customs modernisation programme. However, few if any informal or small scale cross border traders were utilising these platforms.

Regulatory challenges relating to trade include:

- Lack unified definition of informal or small scale CBT and support strategies
- Non-registered traders are required to pay fees/ duties in cash
- The requirements for the Preferred Trader Program (PTP) are too stringent for ICBTs to meet
- A number of customs processes remain paper based
- Transaction limits for non-registered traders are low

Demand side

The main demand side challenges faced by cross border traders in eSwatini relate to both formal and informal traders facing difficult operating environments on both sides.

Table 3: Summary of operational challenges

Key operational challenges faced by CBTs
• The process of registration with an authority as an importer or exporter is considered lengthy, complicated and costly • Traders do not fully understand the benefits of formalisation or trade agreements and trade facilitation processes • Customs fees are considered expensive • Long queues and delays at border posts may damage the agricultural produce the hawkers sell • There is poor cell phone network at border posts • Face harassment at border posts by police and customs officials, particularly for women • SRA challenging prices of goods even with a formal receipt • Consumers negotiate down prices • COVID-19 has inhibited their ability to access suppliers and customers • Lack of affordable accommodation while in SA

The financial challenges highlight that though this segment is banked, they have limited uptake/ usage of formal financial services.

Table 4: Summary of financial challenges

Key financial challenges faced by CBTs
• Suppliers require upfront payment in full implying there is limited access to supplier credit. This is likely related to lack of formal documentation • Payment of suppliers and receipts by customers are largely in cash there by limiting developing a financial history • Customers make payment in foreign currencies which are prone to fluctuations there by impacting incomes • Limited access to collateral

Some operational challenges include:

Long queues and delays at border posts may damage the agricultural produce the hawkers sell

There is poor cell phone network at border posts

Some financial challenges include:

Suppliers require upfront payment in full implying there is limited access to supplier credit. This is likely related to lack of formal documentation.

Supply side

Formal financial service providers have a limited appetite and understanding of small scale or informal CBTs. As a result, challenges relate low innovation around trade finance products and perceptions of the low value trader segment to be high risk.

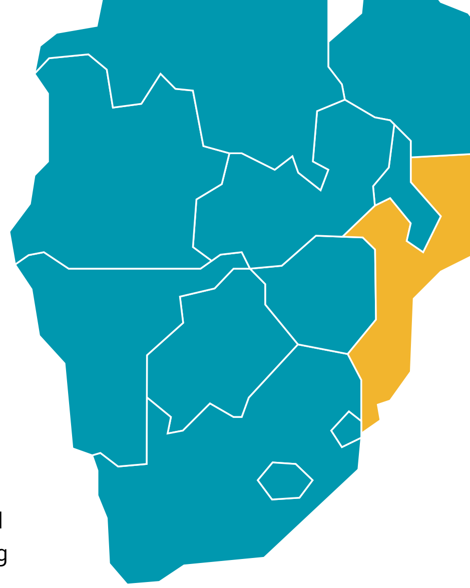
Some supply side constraints include:

There is limited innovation of trade finance products to meet ICBT needs

Slow regulatory approvals sited by fintechs

Table 5: Summary of supply side constraints

Key supply side constraints
• Perceive ICBT section to be high risk with limited business case, with limited incentives to explore the segments • There is limited innovation of trade finance products to meet ICBT needs • Slow regulatory approvals sited by fintechs • Non-bank providers are not currently participating in sending remittances outside of the country • The FSRA does not allow cross border insurance in eSwatini



MOZAMBIQUE

Economic context

Mozambique is a low-income country with a GDP of USD 14.9 billion and a per capita of USD 492 in 2019. The main sectors of the economy include agriculture, livestock and forestry, transportation, storage and ICT, trade and repairs and manufacturing. Cross border trade would fall into the trade and repair sector which is the third largest sector in the economy, contributing 9.3% to GDP.

SMME landscape

Based on the last business census in 2015, Mozambique has 43,026 formal enterprises, of which 93% were considered small. According to the World Bank SMME enterprise surveys, 12.2% of Mozambican SMMEs directly export more than 10% of their sales. This is low but marginally higher than the SSA average of 8%. 38.7% of firms use material inputs and/or supplies of foreign origin, which is lower than the region average of 61.1%.

As of 2015, Mozambique has

43,026

formal enterprises,

of which

93%

were considered small.

International trade

Mozambique is a member of SADC. In 2017, Mozambique ratified the WTO Trade Facilitation Agreement, which could reduce the cost of trade by an average of 14.3 %. In 2018, Mozambique signed the AfCFTA agreement, however they have not yet ratified this agreement through their legislative system. In relation to informal cross border trade, the National Financial Inclusion Strategy (2016-2022) identifies the need to develop micro-insurance products that are targeted to low income populations, and explicitly identifies informal importers (mukeristas) as a key segment. No other mention of ICBT is found in Government strategies.

The Mozambique trade process is seemingly less intensive compared to other countries in this study and this can be attributed to the Single Electronic Window (SEW). A USAID 2017 study on the impact of the SEW in Mozambique indicated that the use of this system was for both imports and exports, however, importers were subject to user fees and experienced some difficulties relating to the release of their consignments. The SEW makes it easier to trade provided that officials are well trained and minimal occurrence of corruption and that the system is functioning efficiently.

Apart from the SEW, there are only two other digitised trade tools and systems including the external trade portal and the e-declaration.

Regulatory challenges relating to trade include:

- Lack unified definition of ICBTs and support strategies
- ICBT (locally known as Mukeristas) are not being included in government development plans
- SADC is yet to roll out simplified trade regimes (STRs) and one stop border posts (s)

Demand side

The main demand side challenges faced by cross border traders in Mozambique relate to both formal and informal traders facing difficult operating environments on both sides.

Table 6: Summary of operational challenges

Key operational challenges faced by CBTs
• ICBTs do not have all the required documentation to register with authorities
• Traders see limited benefit of formalisation
• Purchase goods from small shops and retailers that may have no VAT receipt
• Insecurity at border posts
• Long queues and delays at border posts
• There is poor cell phone network at border posts
• Face harassment at border posts by police and customs officials, particularly for women
• Quality of goods sold by suppliers is poor
• Consumers negotiate down prices
• COVID-19 has inhibited their ability to access suppliers and customers

The financial challenges highlight that though this segment is banked, they have limited uptake/ usage of formal financial services.

Table 7: Summary of financial challenges

Key financial challenges faced by CBTs
• Suppliers require upfront payment in full implying there is limited access to supplier credit.
• Customers take long to make payment once goods are delivered
• Payment of suppliers and receipts by customers are largely in cash there by limiting developing a financial history
• Customers make payment in foreign currencies which are prone to fluctuations there by impacting incomes
• Limited access to collateral

Supply side

Formal financial service providers have a limited appetite and understanding of small scale or informal CBTs. As a result, challenges relate low innovation around trade finance products and perceptions of the low value trader segment to be high risk.

Table 8: Summary of supply side constraints

Key supply side constraints
• Perceive ICBT section to be high risk with limited business case, with limited incentives to explore the segments
• There is limited innovation of trade finance products to meet ICBT needs
• Tight financial regulatory landscape, limits banks alone to offering remittance services. This limits competition and likely results in higher costs for end-consumers
• The Insurance Regulatory Authority does not allow cross border insurance

Some operational challenges include:

Traders see limited benefit of formalisation.

Purchase goods from small shops and retailers that may have no VAT receipt.

Insecurity at border posts.

Some financial challenges include:

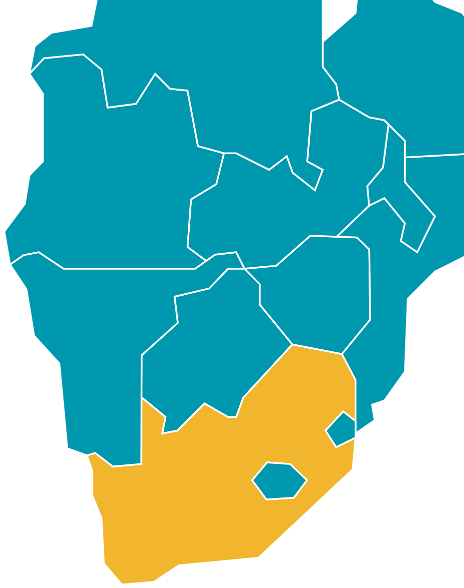
Suppliers require upfront payment in full implying there is limited access to supplier credit.

Customers take long to make payment once goods are delivered.

Some supply side constraints include:

There is limited innovation of trade finance products to meet ICBT needs.

The Insurance Regulatory Authority does not allow cross border insurance.



SOUTH AFRICA

Economic context

SA is classified as an upper middle income country, with an estimated GDP of USD 351 billion and a per capita GDP of USD 6,001 in 2019. In terms of GDP contribution, the top sectors are finance and real estate; general government services; trade, catering and accommodation; and manufacturing. As the largest economy in SADC, and by extension SACU, SA is the largest trading partner with all three trading partners considered in this report (i.e. eSwatini, Mozambique and Zimbabwe). In 2019, international trade was valued at 59% of GDP. Merchandise trade was valued at 56%.

SMME landscape

According to the Small Enterprise Development Agency (SEDA) Quarterly Update 2019 Report, there were a total of 2.5 million SMMEs. The SMME sector employs over 8.3 million employees as at 2019. According to the World Bank SMME enterprise surveys, 8.7% of South Africans SMMEs directly export more than 10% of their sales. This is similar to the region average of 8%, implying SMMEs are on par as exporters compared to their counterparts. 37.8% of SMMEs use material inputs and/or supplies of foreign origin.

As of 2019 there were a total of

2.5 million

SMMEs.

The SMME sector employs over

8.3 million

employees.

International trade

SA is a member of SADC and SACU unions. In addition SA is also a signatory to the Tripartite Free Trade Area (TFTA), WTO, GATT and has ratified the African Continental Free Trade Area (AfCFTA). The National Development Plan (2030) indirectly aims to grow exports from SA. This is to be achieved by investing in economic infrastructure to expand export capacity and by boosting private investment. In 2016, the Department of Trade and Industry launched the Integrated National Export Strategy (INES). This was aimed at improving global competitiveness of South African exporters.

South Africa has a complex import procedure based on the number of product codes strictly relating to importations. However, the export process is less intensive and has no associated tax levied on the goods. This may serve as an incentive for low value cross border traders to participate in selling goods from South Africa to other countries.

There are limited developments in the digitisation of SA trade however the following e-government services that impact formal cross-border traders have been implemented: smart card identification; customs systems modernisation programme; and digitisation of the new registration, licensing and accreditation processes.

Regulatory challenges relating to trade include:

- Lack of a unified definition of ICBTs and support strategies
- Internal immigration concerns may restrict the duration CBTs are permitted within SA, thereby limiting potential trade

Supply side

Below are key supply side constraints in the SA financial context. These mainly highlight the limited understanding of the low value trader segment.

Table 9: Summary of supply side constraints

Key supply side constraints
• Perceive ICBT section to be high risk with limited business case, with limited incentives to explore the segments • No national reporting of the uptake of trade finance • Current ADLA regulations limit use cases for business to business transactions • Balance of payment reporting is cumbersome • Slow implementation of TCIB • Limited understanding of the ICBT segment

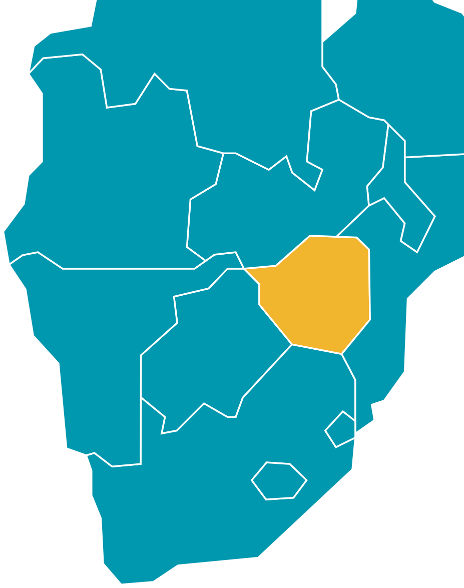
Some supply side constraints include:

No national reporting of the uptake of trade finance.

Current ADLA regulations limit use cases for business to business transactions.

Balance of payment reporting is cumbersome.

FINMARK TRUST



ZIMBABWE

Economic context

Zimbabwe is classified as a low-income developing country by the IMF, with a GDP of USD 24 billion in 2019. The largest contributor to economic growth is the distribution, hotel and restaurant sector, accounting for 20.5% of GDP in 2017. This is followed by manufacturing, transport & storage, education and agricultural sector, all contributing about 39.2% to GDP.

SMME landscape

The most recent survey on the number of SMMEs was carried out in 2012. It estimated there were 2.8 million SMME owners that owned 3.5 million businesses. SMMEs in Zimbabwe are largely concentrated in the agricultural sector, followed by the wholesale and retail sector. According to the WBG SMME enterprise surveys, only 5.6% of Zimbabweans SMMEs directly export more than 10% of their sales. 70.5% of firms use material inputs and/or supplies of foreign origin, which is higher than the region average of 61.1%, implying that Zimbabweans SMMEs rely more on foreign imports for intermediary goods than their peers.

International trade

Zimbabwe is a member of COMESA and SADC free trade protocols. The country has been a member of COMESA since 1995 and signed the SADC Free Trade Area in 2008. Zimbabwe also ratified AfCFTA in February 2020. The country is also a signatory to the Tripartite Free Trade Area (TFTA) between the COMESA-EAC-SADC regions and belongs to the 22-nation Preferral Trade Area of countries in Eastern and Southern Africa.

The formal trade process in Zimbabwe is lengthy and has a heavy documentation requirement especially in terms of imports. This may contribute to the prevalence of informal traders crossing the borders to purchase commodities themselves so that they can sell in their country of origin.

The formal trade process in Zimbabwe is lengthy and has a heavy documentation requirement especially in terms of imports.

In terms of trade digitisation, there are limited developments in the digitisation of Zimbabwean trade however different government trade agencies have implemented the following e-government services that impact formal cross-border traders have been implemented: ZIMRA's electronic cargo tracking system; ZIMRA's computerized customs clearance systems; ZIMRA online information platform; and ZimTrade.

Regulatory challenges relating to trade include:

- SADC is yet to roll out STRs and s
- Limited customs digitisation
- Lengthy time taken to clear customs
- Unpredictable policy changes
- Efforts to digitise the exchange of customs information with SA have trailed other countries
- Transaction limits for ICBTs are low
- ICBTs are unable to access foreign exchange through the auction system
- The infrastructure at borders is poor

Demand side

The main demand side challenges faced by cross border traders in Zimbabwe relate to both formal and informal traders facing difficult operating environments on both sides and difficulties in accessing foreign exchange.

Table 10: Summary of operational challenges

Key operational challenges faced by CBTs
• The process of registration with an authority as an importer or exporter is considered lengthy, complicated and costly • Long queues and delays at border posts. This could result in not being able to collect VAT returns • They do not see a benefit to registering with an authority • Face harassment at border posts by police and customs officials. • COVID-19 has inhibited their ability to access suppliers and customers • Some suppliers may not provide you with a VAT receipt • Face stiff competition from bigger retailers • Consumers negotiate down prices • Access to foreign exchange is a challenge as traders cannot get as much currency as they need

The financial challenges highlight that though this segment is banked, they have limited uptake/ usage of formal financial services.

Table 11: Summary of financial challenges

Key financial challenges faced by CBTs
• Suppliers require upfront payment in full implying there is limited access to supplier credit. • Lack legal documents to obtain financial services from commercial banks and large insurers • Lack collateral to put down for credit • Payment of suppliers and receipts by customers are largely in cash there by limiting developing a financial history • Limited uptake of insurance because of the related cost

Some operational challenges include:

Long queues and delays at border posts. This could result in not being able to collect VAT returns.

They do not see a benefit to registering with an authority.

Face harassment at border posts by police and customs officials.

Some financial challenges include:

Lack legal documents to obtain financial services from commercial banks and large insurers.

Lack collateral to put down for credit.

Supply side

Formal financial service providers have a limited appetite and understanding of small scale or informal CBTs. As a result, challenges relate low innovation around trade finance products and perceptions of the low value trader segment to be high risk.

Table 12: Summary of supply side constraints

Key supply side constraints
• Currency instability • Perceive ICBT section to be high risk with limited business case, with limited incentives to explore the segments • Lack of credit insurance • High operating costs - high interchange pricing and regulatory compliance costs are passed on to consumers making the remittance platform too costly for some segments • Delayed launch of TCIB • The Insurance Regulatory Authority does not allow cross border insurance

Recommendations

Based on the challenges identified above, a number of recommendations were provided as potential areas for development partners to support low value formal and informal cross border trade. Below highlights the key recommendations, with the extensive list of recommendations per country provided in the main text. The recommendations are categorised as follows:

1. **Theme**: Whether this is a regulatory, demand-side or (financial) supply-side intervention.
2. **Recommendation**: Details the recommended intervention and the justification for the need.
3. **Partners to work with**: This identifies relevant stakeholders that would need to be engaged or partnered with in the execution of the identified intervention.
4. **Time frame**: Provides an expected time frame to execute on the interventions. Short term refers to one to two years; medium term is between three and five years; and long term refers to beyond five years.
5. **Request**: Gives an indication of whether the recommendation was requested directly by stakeholders or whether the recommendations are logically deduced considering the challenges faced by traders.
6. **Priority**: A prioritisation of high, medium and low is provided to rank the key recommendations. This qualitative ranking takes into consideration the expected impact of the intervention, the challenge it addresses and any potential dependencies that arise from the intervention.

Table 4: List of key recommendations for development partners to support low value formal and ICBT

#	Theme	#	Recommendations	Corridors	Partners to work with	Time frame	Request	Priority
1	**Regulatory**	1.1	Develop a **common definition of low value formal and ICBT between SACU, SADC and respective revenue authorities**. This should further include developing a specialised registration/ licensing category for the segment so as to streamline trade across the region. Considering high mobile phone uptake and usage among CBTs, efforts should explore to leverage smartphones in the specialised registration/ licensing (e.g. to store the license). This will allow for better coordinated support to the industry. This will further reduce the complexity faced by traders as they cross multiple boarders. The United Nations (UN) International Organisation for Migration (IOM) is involved in supporting traders in other SADC countries, though from a migration perspective, and therefore would be a useful partner.	• SACU • SADC	• SACU Secretariat • SADC Secretariat • SRA • AT • SARS • ZIMRA • UN IOM • Formal and Informal CBT associations in each country	Short term	Logically deducted	High
		1.2	Support **respective revenue authorities to launch periodic surveys** of low value formal and ICBT at border posts and within major cities. This will serve to track trends in the scale and nature of CBT, and to identify areas required for further support. This will address the out-dated and scarce views of the trade segment, and should serve the same purpose as the FinScope/ FinAccess surveys. eSwatini is currently planning for such a survey. Famine Early Warming Systems Network (FEWS NET) and World Food Programme (WFP) currently conduct periodic observations of ICBT flows for food security purposes in the region. Partnerships with these organisations may unlock efficiencies by consolidating efforts	• eSwatini • Mozambique • South Africa • Zimbabwe	• SACU Secretariat • SADC Secretariat • SRA • AT • SARS • ZIMRA • FEWS NET • WFP • WBG	Short term	Logically deducted	High

#	Theme	#	Recommendations	Corridors	Partners to work with	Time frame	Request	Priority
2	Demand-side	2.1	Supporting ICBT associations to **increase their service provision (i.e. enhancing capacity building and finance facilitation capabilities) and digitisation of their operations**. This would aim to leverage the reach of these associations among the target segments, the need for upskilling of traders, the opportunity to use training and the interpersonal connections among members as a screening tool for other services (e.g. financing or preferential customs treatment), and the opportunity to promote aggregation/ cooperation among traders (i.e. as was seen to be effective during COVID-19 when traders were required to consolidate consignments so as to reduce the number of traders crossing the border). Where possible, efforts should be made to leverage the high smartphone uptake of CBTs to offer key services through the devices. Examples from EAC show smartphones being used for training, disseminating trade related information, conducting surveys and offering credit. This may involve aiding the associations to digitise their record keeping, the application process or promoting partnerships with FSPs to use ICBTs membership as a pre-screening tool for the credit underwriting process	• eSwatini • Mozambique • Zimbabwe	• Coalition of Informal Economy Associations of Swaziland (CIEAES) • Association of Mukeristas • Zimbabwe Cross Border Traders Association (ZCBTA) • UN IOM	Medium term	Requested by ICBT associations	Medium
3	Supply-side	3.1	Working with the South African Reserve Bank (SARB) to explore relaxing the BoP reporting requirements to ease operations of remittance providers to serve cross border traders with payment services and improve the customer experience. This may entail reviewing current BoP reporting to identify the most frequently used codes, and working with industry players to identify buckets to categorise codes in. International best practice would further assist in ensuring no useful information is left out.	• South Africa	• SARB • Bank • Non-bank FSPs • Banking Association South Africa (BASA)	Short term	Requested by ADLAs	Medium

#	Theme	#	Recommendations	Corridors	Partners to work with	Time frame	Request	Priority
	Supply-side	3.2	Supporting the SARB to expand ADLA regulations to allow for more products and services. Examples of extensions include increasing the maximum value of transactions per person and allowing for B2B payments. ADLAs efforts to expand their cash-in-cash-out (CICO) networks in rural areas and their leveraging of mobile telephony make them well placed to support the digitisation of traders' payments. This may entail working with SARB to prove current security protocols are sufficient, the potential business case for digitising cash payments, and the opportunities for raising government revenues through this.	• South Africa	• SARB • ADLAs (e.g. Mukuru and WorldRemit)	Medium term	Requested by ADLAs	High
		3.3	Developing new products and services in conjunction with Mukuru and WorldRemit. Both had expressed interest in exploring additional offerings such as credit provision to therefore increase the use cases for traders. This may entail conducting business model studies, and piloting transactional based credit models and micro-insurance products. Development partners could further support in the selection and on-boarding of potential partners (e.g. insurance firms and businesses) and to help enrolling of existing and new customers on to new products.	• South Africa • Zimbabwe	• Mukuru • World Remit	Medium term	Requested by ADLAs	High
		3.4	Partnering with local and regional Export Credit Agencies (ECA) to explore developing guarantees for short-term and SME CBT financing. In some countries such as SA and Zimbabwe, the ECAs require specific support such as tailoring services to include SME or providing guarantees for credit extended in hard currencies. For eSwatini and Mozambique, efforts would be required to have regional ECAs consider extending serve provision to these two countries.	• South Africa • Zimbabwe	• Export Credit Insurance Corporation (ECIC) • Africa Trade Insurance (ATI) • Export Credit Guarantee Corporation (ECGC)	Medium term	Requested by some ECAs	High

Notes from Executive Summary

1 Nshimbe, C. and Moyo, I, Migration, CBT and Development in Africa: Exploring the role of non-state actors in the SADC region, 2017 (sited from Tralac website) | Afrika, J. K. & Ajumbo, G, ICBT in Africa: Implications and policy recommendations. 2012

2 SADC, SADC Selected Economic and Social Indicators 2019, 2020

3 Contact lists for CBTs were provided by CBT associations (i.e. - Association of Mukeristas, Coalition of Informal Economy Associations of Swazliand – CIEAS, and Zimbabwe Cross Border Traders Association -ZCBTA)

4 Mozambique was the only exception. A 2016 Southern African Migration Programme (SAMP) survey categorized ICBTs into the following categories: i) Category A made up of traders who travel to and from Johannesburg as part of their business to sell goods in Maputo; ii) Category B Mozambican traders who travel to and from Johannesburg to supply other informal traders in Maputo; and iii) Category C: Traders who do not cross the border but by goods from other cross border traders for sale

5 These prior studies include: Coalition of Informal Economy Associations of Swaziland (CIEAS), Review of the state of the informal sector in Swaziland, 2016 | World Vision International, Estimates of unrecorded CBT between Mozambique and her neighbours, 1999 | SAMP, Calibrating CBT in Southern Africa, 2014 | Famine Early Warning Systems Network (FEWS NET) and World Food Programme (WFP), ICBT in Southern Africa, 2018 | International Food Policy Research Institute (IFPRI), ICBT in Africa, How Much? Why? And What Impact?, 2018 | SAMP, Informal Entrepreneurship and CBT between Zimbabwe and SA, 2017 | International Labour Organisation (ILO), Women in the Informal Economy in Zimbabwe, 2017 | Viljoen J. & Wentzel M., ICBT: Views of Zimbabwean and Mozambican Traders in selected Areas, 2000

6 SAMP, Calibrating ICBT in Southern Africa, 2015

7 SARS Website

8 This was originally for goods valued up to USD 1,000 (i.e. ZAR 16,000) but was changed to ZWL 10,000 following the reversion to the Zimbabwe Dollar

9 Attempts to interview The Tax Authority of Mozambique (AT) were unsuccessful. Other stakeholder interviews and desktop research did not identify a specific licensing category for low value formal and informal CBT

10 SAMP, Informal Entrepreneurship and CBT between Mozambique and SA, 2014

11 SAMP, Informal Entrepreneurship and CBT between Zimbabwe and SA, 2014

12 Note: In Mozambique these were referred to as mukeristas

13 Note: In Zimbabwe these are referred to as malaichas

14 SA Department of Tourism, State of Tourism report, 2018/2019

15 Mozambique enterprise census was conducted in 2015 and in Zimbabwe was in 2012

16 Mozambique enterprise census was conducted in 2015 and in Zimbabwe was in 2012

17 For Mozambique the WBG Enterprise survey was conducted in 2019 with 601 firms surveyed. For Zimbabwe, the WBG Enterprise Survey was conducted between 2016 to 2017, with 600 firms surveyed.

18 Note: The authors used the definition of formality based on whether goods went declared or undeclared at customs as these data points were available.

19 Respondents were asked to estimate the average value of goods they trade across the border on each trip made

20 Respondents were asked to provide their frequency of trade in an average year. From this the team was able to estimate the number of trips made per year.

21 Note: Sizing estimates were compared to the summation of imports and exports with South Africa because there was no reasonable way to dissociate the low value and ICBT estimates into imports or exports alone

22 An is a shared space located at a border crossing between two adjoining countries, or in its proximity, where the border agencies of the two States with inspection responsibilities on goods, persons and vehicles (e.g. customs, immigration, police, health authorities, veterinary authorities, etc.) carry out their functions in a combined and coordinated manner.

1. INTRODUCTION

Before dawn every morning, on the Mozambican side of the Lebombo border post between South Africa (SA) and Mozambique, a group of several hundred traders gather to cross the border to purchase goods in SA.

1.1 Introduction and objectives

Cross-border trade (CBT) (i.e. both formal and informal trade) remains a critical component for economic growth globally and particularly in Africa. Informal cross-border trader (ICBT) has been a key feature of African economic and social landscapes and supports the livelihood of numerous households. Two prior studies estimated that ICBT amounts/ contributes to 30%-40% of total intra-regional trade in the Southern African Development Community (SADC) region, though would further vary by country.[22a] Furthermore, ICBT is believed to increase the variety of goods available to consumers than would otherwise be offered by formal shops and be a key source of employment for millions of people.

In light of this, the Foreign Commonwealth and Development Office (FCDO), through the Financial Sector Deepening Trust (FSD) Network, is exploring opportunities to crowd in informal traders into the formal economy by exploring ways to increase their level of participation in the private sector. This is expected to grow trade and various value chains in individual countries, which would ultimately increase regional gross domestic product (GDP) output. This too is expected to support regional policies and integration efforts (such a SADC and Southern African Custom Union -SACU) that are meant to galvanise and increase trade/ growth within the region.

With a regional mandate to make financial markets work better for the poor, FinMark Trust (FMT) conducted this scoping exercise to understand the state and dynamics of ICBT between South Africa and three neighbouring countries i.e. eSwatini, Mozambique and Zimbabwe. The research sought to identify key barriers to formalisation of trade and inhibitors to access and usage of formal financial services, particularly for women and youth. The research further sought to size the overall market to understand its scale and impact to the economies. These findings will be used to guide development partners programming focus into the medium term.

1.2 Methodology

Both primary and secondary research methods were utilised for this study. Primary data was collected through a survey questionnaire administered to 203 low value formal and informal CBTs and key informant interviews (KIIs) with 15 stakeholders. The survey was conducted in person at border posts to capture insights from traders that were in the process or had just crossed the border; as well as telephonically[22b] to capture insights of those that were away from the border. The three borders of interest for this study were Beitbridge/ Messina (between South Africa and Zimbabwe); Oshoek/ Ngwenya (between South Africa and eSwatini); and Lebombo/ Ressano (between South Africa and Mozambique).

The survey data and stakeholder insights were further augmented with available desktop research.

2. SIZING OF CBT FLOWS

This Chapter captures the sizing of low value and informal cross border trade (CBT) across the three partner countries and South Africa. To this end the Chapter highlights key prior research on low value and informal CBT that has been conducted. Next, a categorisation and sizing of the number of CBT traders is provided before estimating the size of their flows in 2019 are made.

2.1 Prior Research on Informal Cross Border Trade (ICBTs)

This section summarises the key past research on ICBT across each of the countries.

2.1.1 eSwatini

The Coalition of Informal Economy Associations of Swaziland (CIEAS) conducted a study of the overall informal sector in eSwatini in 2016. The aim of this study was to develop tailored strategies that would work towards increasing the economic contribution of the sector. The study employed a mixture of desktop research and stakeholder interviews.[23]

In relation to cross border trade, the report provided a profile of these traders called "Cross-border hawkers". These were defined as men and women who imported non-perishable goods in bulk and added a mark-up price. They allowed repayment of their goods over a period of three months. A key challenge identified for these traders were the customs tax being too high and reducing the profitability of their operations.

2.1.2 Mozambique

World Vision International published a report on ICBT in Mozambique in 1999 titled "**Estimates of unrecorded cross-border trade between Mozambique and her neighbours**". The research was commissioned at a time when Mozambique was facing tough economic conditions, with trade facing both tariff and non-tariff barriers. The objective of the survey was therefore to generate qualitative and quantitative information about ICBT and to evaluate its impact on national food security.

To carry out the research, the team assessed ICBT over a period of 12 months (December 1995 to November 1996) through observations of unrecorded goods crossing the ten most active sites along Mozambique's borders. Relevant to South Africa was the Ressano Garcia border post. This was supplemented by a baseline survey for ICBTs and the market functions they perform.

Profiles of traders were generated across all neighbouring countries and not specific to South Africa. 66% of traders were found to be men, with 76% residents of border towns. 53% of traders were registered. 59% of traders identified as retailers, 23% as hawkers and 10% as wholesalers.

It was estimated that informal/ unrecorded trade was 10% of total formal trade in 1996.[24] This was lower than other neighbouring countries (such as eSwatini - Mozambique of 89%, Zambia-Mozambique at 67% and Zambia-Mozambique at 65%) reportedly due to the substantial formal trade already occurring between Mozambique and South Africa and tough visa requirements to enter Mozambique.

In 2014, the Southern African Migration Programme (SAMP) conducted a survey of markets in Maputo with 397 respondents reached. The survey was titled "**Calibrating CBT in Southern Africa**". The report served to enhance the evidence base on the links between migration and informal entrepreneurs and to examine the implications for municipal, national and regional policy.[25]

Three broad categories of traders were identified. The first was those Mozambicans who travel between Johannesburg and Maputo and selling goods directly to end consumers (called cross border traders); the second those that travel between the countries and sell to other informal traders (cross border trade intermediaries); and those that do not travel but purchase goods from other informal traders (non-cross border traders). Men accounted for 56.5% of all traders. And total average monthly sales were ZAR 21,838.

SAMP did not aim to size the market of informal cross border trade.

2.1.3 South Africa

The **World Food Programme (WFP) and Famine Early Warning Systems Network (FEWS NET) carries out periodic surveys of the volumes of food products being traded informally** in Southern African. The main aim of this research is to support food security programmes. This research is carried out through observations at key border posts in South Africa, Zimbabwe, Mozambique, Malawi, Tanzania, Zambia and DRC Congo.[26]

As described above SAMP conducted a study of ICBT in 2014. In relation to South Africa, they monitored trade with eSwatini (at Oshoek and Lavumisa border posts), Mozambique (at Lebombo border post), Zimbabwe (at Beit Bridge border post) as well as Botswana. The report provided profiles of those sampled, the type of goods traded and a view of the financial transactions they are involved in.

A paper published in the International Food Policy Research Institute (IFPRI) reviewed several studies across the continent on the state of ICBT. The report was titled **Informal CBT in Africa, How Much? Why? And What Impact?**[27] The report cited a paper in 2009 that had empirically examined the mirror trade between Mozambique and South Africa to assess the proportion of ICBT trade. The report found that higher tax rates result in higher rates of evasion, but did not attempt to size the market.

2.1.4 Zimbabwe

As described above SAMP study involved interviewing ICBTs and monitoring trade at Beit Bridge. A total of 8,299 traders were observed. Though providing insights into the profile of traders and the nature of trade and highlighting the key financial and non-financial challenges the reports did not aim to size the overall market.[28] Following this, SAMP conducted a survey of 514 Harare-based ICBTs trading with South Africa.[29] Though updating some of the findings listed above, the report did not size the overall market (i.e. number of individuals and value of goods traded).

The **WFP and FEWS NET periodic surveys of the volumes of food products being traded informally** include Zimbabwe in the analysis. The main aim of this research is to support food security programmes.[30]

Three broad categories of traders were identified:

1. Those Mozambicans who travel between Johannesburg and Maputo and selling goods directly to end consumers (called cross border traders);

2. Those that travel between the countries and sell to other informal traders (cross border trade intermediaries); and

3. Those that do not travel but purchase goods from other informal traders (non-cross border traders).

2.2 General profiles of CBTs

Overall trader profiles developed are as follows:

1. Day traders/ hawkers;

2. Bakkie brigade;

3. Diaspora traders; and

4. Import and export companies.

As detailed above, no prior studies were found that attempted to profile or size the overall cross border traders (CBTs) market. As such the project team developed general profiles based on stakeholder interviews and any available insights from prior research. To this end four broad categories were developed. The classifications were based on assumed frequency of trade in a year and the nature of that trade, described below.

The authors note that in reality there is likely to be overlaps across the profiles as trader are not mutually exclusive in the characteristics and their circumstances are likely to keep changing over time. Nevertheless, this research provides a basis for profiling which can be built upon going forward through more targeted surveys per country. The overall profiles developed are as follows:

1. **Day traders/ hawkers:** These are individuals that cross the border frequently to buy goods in bulk or smaller quantities for resale in their home countries. For the administered survey, it was assumed these were individuals trading across the border weekly.
2. **Bakkie brigade:** These are individuals that own pick-up trucks/ "bakkies" and carry goods in bulk across South Africa and their home country. For the survey, it was assumed these individuals crossed the border every two weeks to three months.
3. **Diaspora traders:** Individuals living within South Africa who send goods back to their home country for trade. For the survey it was assumed that these individuals crossed the border once a year.
4. **Import and export companies:** These are importing and exporting businesses that are formally registered with their countries' respective revenue authorities. Assuming these were larger businesses with established logistics structures, it was assumed that these did not form part of the survey.

Findings from the survey identified that it was difficult to profile traders based on the types of goods they trade. Traders reported trading in multiple types of goods that were likely dependant on the perceived demand in the respective markets. In addition, the vast majority of traders were involved in both importing and exporting activities. Lastly, no profiling based on respondents demographics such as gender or age was possible due to the limited sample size. The sizing focused on CBT from eSwatini, Mozambique and Zimbabwe. It was assumed that South Africa being a predominantly net exporter into the region was primarily dominated by more established and formal businesses.

The **definition of which traders are formal and informal was found not to be mutually exclusive or binary**. The definition of formality rather took a sliding scale format based on three criteria:

1. **Registered business with the registrar of companies:** This refers to business registration in their home countries. The same challenges faced by Small, Micro and Medium sized enterprises (SMMEs) to register their businesses would apply to CBTs here.
2. **Licensed/ Registered as an importer or exporter with the revenue authority:** This registration or licensing with the revenue authority is specific to businesses that are trading across borders. In an attempt to support small value CBT, revenue authorities had developed license categories that had less stringent requirements and lower tax charges than normal import or export licenses. These are based on the maximum value of goods traded across the border at a given time. The different categories are:
   a) eSwatini Revenue Authority (SRA) the classification of "**Personal Imports**" applied for goods valued below ZAR 15,000;
   b) South African Revenue Authority (SARS) the classification **Code 70707070** applied to individuals trading goods of up to a value of ZAR 150,000 in a year (this can be split across three trips within the year);

FMT FINMARK TRUST

c) Zimbabwe Revenue Authority (ZIMRA) through the use of **Form 49** for goods valued below ZWL 10,000 (i.e. ZAR 440).[31]

This means that traders who are not registered as formal businesses in their countries could still trade formally using these reduced licenses or customs codes.[32]

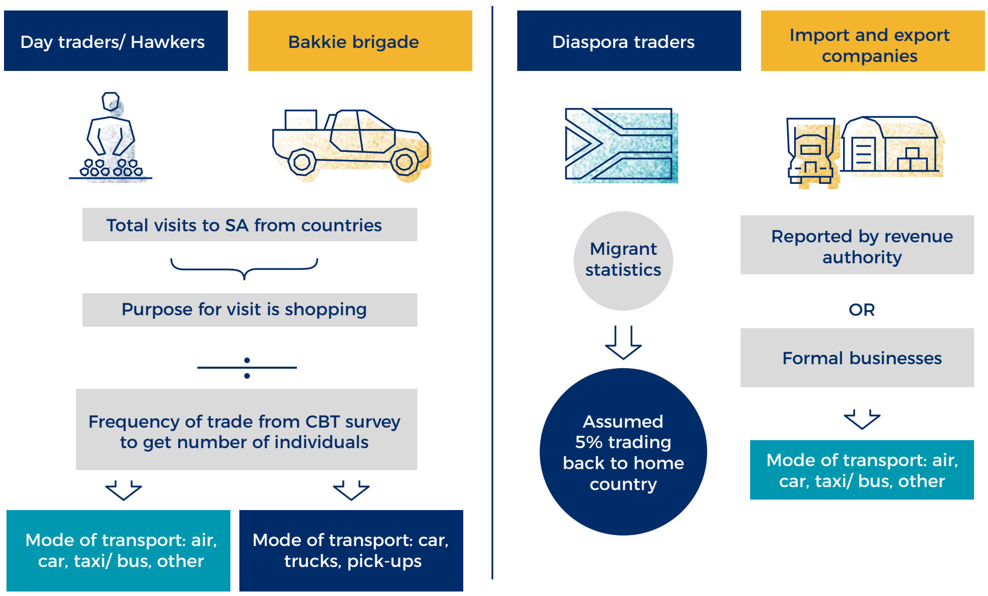
3. **Declaring all goods and their full value to customs officials:** Even with businesses formally registered, CBTs would not always declare the full value of the goods they were trading across borders. This was in an attempt to minimise the amount of tax they pay. Undeclared goods would form part of the informally traded goods.

Figure 1: Three-prong definition of formalisation of cross border trade

2.3 Sizing number of CBTs

A variety of sources were used to size the number of CBTs per country based on the identified profiles above. This is summarised in the Figure below and explained further in the text and Tables that follow.

Figure 2: Conceptual diagram of sizing approach



Source: FMT, SADC Remittances values and volumes | SA Department of Tourism, State of Tourism report, 2018/2019 | WBG, Enterprise Surveys | Genesis Analytics, team analysis | CBT Survey, 2020

2.3.1 Sizing of Day Traders/ Hawkers and Bakkie Brigade

Day traders/ Hawkers[33] and bakkie brigade[34] traders were **sized using tourist statistics from South Africa from the Department of Tourism's State of Tourism Reports**. It was assumed that their travel across borders would be captured in migration statistics from the three key partners crossing into South Africa. To differentiate between travels crossing into South Africa for personal, holiday or business purposes, the sizing focused on travellers who self-identified that their purpose for travelling was to shop. In 2019, this was reportedly 22.9% of total visitors.[35]

The data from the Department of Tourism records the number of visits from each of the partner countries, but not the number of individuals crossing the border. I.e. one individual may cross into South Africa five times in one year, in which case the Department of Tourism data would record this as five visits in the year. To this end, there was a need to estimate the number of times a typical CBT would cross the border in a year in order to develop an estimate of the total number of individuals this would entail.

Responses from the CBT survey from each of the three countries (i.e. eSwatini, Mozambique and Zimbabwe) were used to arrive at the estimate of the frequency of traders crossing the border. **A weighted average of the frequency of trade for the whole sample for each country was developed and divided by the total number of CBT visits** to calculate the number of CBT.

Table 13: Sizing of overall individuals travelling to South Africa for Shopping in 2019

Country	Total visits to SA	Purpose of visit is shopping	# of visits for shopping purposes	Weighted average frequency of trade per year	Number of individuals traveling for shopping
eSwatini	917,631	22.9%	210,137	29.2	7,192
Mozambique	1,333,195	22.9%	305,302	28.1	10,875
Zimbabwe	2,258,794	22.9%	517,264	26.8	19,337

Source: SA Department of Tourism, State of Tourism report, 2018/2019 | Genesis Analytics, team analysis | CBT Survey, 2020

The total number of individuals travelling for shopping were estimated to be 7,192 from eSwatini, 10,875 from Mozambique and 19,337 from Zimbabwe. To differentiate between day traders/ hawkers and bakkie brigade, an analysis of the mode of transport was used, in line with the overall profiles. Where available (i.e. eSwatini and Zimbabwe) these statistics were calculated from the individual countries' tourism statistics. In Mozambique these statistics were not reported, and therefore an average split of the mode of transport from the other two countries was used instead.

Table 14: Estimated mode of transport statistics in 2019

Country	Air	Car	Truck	Taxi/ Bus	Other
eSwatini	0.5%	79.2%	5.2%	5.2%	9.9%
Mozambique	9.3%	52.3%	6.8%	24.0%	7.6%
Zimbabwe	18.1%	25.4%	8.5%	42.8%	5.2%

Source: eSwatini Tourism Research, Annual report, 2019 | Zimbabwe National Statistics Agency (ZimStat), Zimbabwe – visitor exit survey, 2015/16 | Genesis Analytics, team analysis | CBT Survey, 2020

The bakkie brigade profile assumed individuals drove own pick-ups. As such it was assumed that 100% of those travelling in a truck and 20% of those travelling by cars made up this profile. For Zimbabwe where there were more reports of "malaichas" transporting goods on behalf of other traders, it was assumed that the percentage of individuals using their cars for this type of trade was higher at 50% compared to the other countries' 20%.

The balance of traders i.e. 100% of those travelling by air, taxi/bus and other, and 80% of those travelling by car (for Zimbabwe 50%) made up the day traders/ hawkers profile.

Table 15: Estimated sizing of day traders/ hawkers and bakkie brigade in 2019

Country	Day traders/ Hawkers	Bakkie brigade
eSwatini	5,678	1,514
Mozambique	8,992	1,883
Zimbabwe	15,237	4,100

Source: SA Department of Tourism, State of Tourism report, 2018/2019 | Genesis Analytics, team analysis | CBT Survey, 2020

The use of formal migration statistics implies that those that use informal cross border routes would be excluded from the analysis. Similarly, the sizing focused on individuals that self-identified as crossing the border to shop. This likely excluded CBTs that claimed they were either crossing the border for personal reasons or who classified their trade as business. As a result the estimates are potentially understate the overall size of the market.

2.3.2 Sizing of Diaspora Traders

Diaspora traders were sized using immigration statistics from the **FMT Southern African Development Community (SADC) Remittance Values and Volumes report**. It was assumed that 5% of these migrates were sending goods back to their home countries for business purposes. This is different from goods sent back to family members and friends.

Table 16: Estimated sizing of diaspora traders

Country	Migrants living in SA	Assumed proportion involved in CBT	Diaspora traders
eSwatini	90,943	5%	4,547
Mozambique	983,078	5%	49,154
Zimbabwe	1,680,770	5%	84,039

Source: FMT, SADC Remittances values and volumes | Genesis Analytics, team analysis | CBT Survey, 2020

The estimation that 5% of migrants sent goods back to their home countries for resale was arbitrarily arrived at. There is no prior research or available insights to determine whether the figure is different or varies across the different countries.

2.3.3 Sizing of Import and Export Companies

The sizing of import and export companies differed per country.

For eSwatini statistics were provided by the **eSwatini Revenue Authority (SRA) on formally registered importers and exporters**. They were reported as 9,712 in 2019.[36]

Statistics from the other countries' revenue authorities were not received by the writing of this report. So an alternative method was employed. For Mozambique the sizing was based on the **Instituto Nacional de Estatistica (INE) census of formal businesses** carried out in 2015. To grow the business numbers to 2019, it was assumed that business number grew in line with real GDP growth over the period. Then a **World Bank Group (WBG) Enterprise Survey** that estimated the proportion of businesses involved in export or import businesses was used to estimate the number of register import and export businesses. The survey identified that 12.2% of the sample of firms were exporting at least 10% of sales. It was estimated that 6,241 businesses were formally registered as importers and exporters**.**

In Zimbabwe, the sizing of formal import and export countries was based on the **SMMEs statistics reported in FinScope 2012**. To grow business numbers to 2019 a composite of real GDP growth and the reduction on active labour force participation between 2014 and 2019. A net reduction in formal and informal businesses was estimated due to the tough economic conditions in Zimbabwe over the period. Next, the WBG Enterprise Survey was similarly used to estimate the number of businesses involved in importing and exporting. The Survey estimated that only 5.6% of formal businesses were exporting or importing at least 10% of their sales. Through this it was estimated that Zimbabwe had 8,776 formally registered import and export companies.

Table 17: Estimated number of formally registered import and export companies in 2019

Country	Import and export companies
eSwatini	9,712
Mozambique	6,241
Zimbabwe	8,776

Source: SRA Data, 2020 | NE, Mozambique Business Census 2015 | FMT, FinScope Zimbabwe, 2012 | Genesis Analytics, team analysis | CBT Survey, 2020

Revenue authority statistics for number of businesses registered as export and import businesses would be the most accurate data points for this sizing. This data is believed to exist, however the authors were unable to gain access to it.

The total number of estimated CBTs per country is provided below:

Table 18: Summary of sizing of the number of CBTs

Country	eSwatini	Mozambique	Zimbabwe
Cross-border hawkers	5,678	8,992	15,237
Diaspora traders	4,547	49,154	84,039
Bakkie Brigade	1,514	1,883	4,100
Import and Export companies	9,712	6,241	8,776
Total	21,451	66,270	112,152

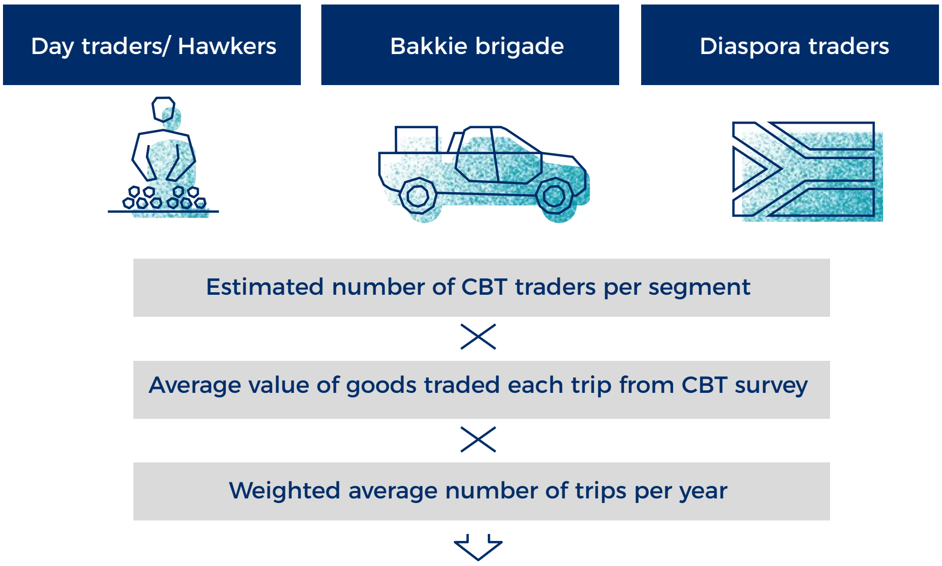
Source: SRA Data, 2020 | INE, Mozambique Business Census 2015 | ZIMRA data, 2020 | FMT SADC Remittance Values and Volumes, 2019 | Genesis Analytics, Team Analysis, 2020 | SA Department of Tourism, State of Tourism report 2019 | Zimbabwe Tourism Authority, Tourism trends and statistics report, 2019

2.4 Sizing of the value of CBTs

To size the value of low value and informal CBT the analysis focused on **day traders/ hawkers, diaspora traders and bakkie brigade segments**. The authors made use of the **number of traders per segment and multiplied that by the average value of goods traded per each trip**[37] **and the weighted average number of trips per year per each segment**.[38] The latter two data points were estimated from CBT survey responses.

It should be noted that due to the small sample size of the CBT survey the insights that are drawn are likely to be skewed and not representative of the broader market. As a result inferences at a gender or age level could not be reasonably made and were thus excluded from the analysis. Next the majority of respondents identified that they were involved in both import and export activities. This made it difficult to dissociate estimated values of goods trader per each trip between imports and exports. It was therefore difficult to provide estimates of the import and export proportion of the CBT flows. Nevertheless, with limited prior sizing conducted this adds to published literature as a useful first sizing attempt to be enhanced on in subsequent more tailored research.

Figure 3: Conceptual framework for sizing the value of low value and informal CBT trade flows



Frequency of trade	Number of visits per years
Once a year	1
Once every six months	2
Once every three months	4
Once a month	12
Once every two weels	26
Once a week	52

As described above in Section 2.2 the definition of informal and informal is not binary. The sizing, nevertheless, attempts to size the proportion of trade that goes undeclared to customs officials as the estimate of what trade is "informal". To this end the authors make use of insights from the CBT surveys administered. Respondents were asked to identify how frequently they declare the correct value of goods at customs. They selected whether this was always, most times, sometimes or never. Based on these responses the authors estimated the value of trade that was formally declared as described in the Table below.

Table 19: Estimation of proportion of trade formally declared

Declaration of correct value of goods	Implication on the proportion of goods traded that are formally declared
Never	0%
Sometimes	25%
Most times	75%
Always	100%

Source: CBT Survey, 2020 | Genesis Analytics, Team Analysis, 2020

Weighted average proportions of the implied formal declaration were then **multiplied against the overall estimates of the value of CBT to provide a split between informal and formal trade**. It is assumed that formally declared trade values would already be captured in national import and export statistics per country. As such the formal sizing demonstrates the overall contribution of these traders involved in low value and informal trade. On the other hand, the informal CBT values are assumed not to be captured by national statistics.

The Table below reports overall formal trade between the three countries and South Africa in 2019 (further analysis of international trade of the individual countries is provided in the appendix under each country). These figures are drawn from each individuals National Accounts. They are used to compare and ground the overall sizing of the low value and informal cross border trade.

Table 20: Reported formal cross border trade values with South Africa

Trade with South Africa, 2019	eSwatini	Mozambique	Zimbabwe
Imports from SA, ZAR billion	18.9	29.9	26.0
Exports to SA, ZAR billion	18.7	12.5	29.6
Total (import and export) trade with SA, ZAR billion	37.6	42.5	55.6

Source: TradeMap Statistics, 2020 | Note: Exchange rate from Oanda.com used as at 31 December of the respective year

Based on the sizing described above, eSwatini was estimated to have ZAR 25.6 billion low value and informal CBT flows in 2019 with South Africa. Undeclared trade (i.e. ICBT) was estimated to account for 41% of this trade (i.e. ZAR 10.4 billion). To examine the estimated additive value of informal (undeclared) CBT to national trade statistics the authors compared these estimates to the sum of total import and export trade with South Africa (Note: Sizing estimates were compared to the summation of imports and exports with South Africa because there was no reasonable way to dissociate the low value and ICBT estimates into imports or exports alone). The estimated ICBT flows equate to 27.6% of formal (import and export) trade with South Africa.

Formally declared trade from the three types of traders was **estimated at ZAR 15.2 billion**. SRA reports on "Personal Imports" were assumed to form part of the overall low value and informal CBT figures, and in particular form part of this formally declared amount. In 2019 "Personal Imports" were reported as ZAR 438 million i.e. 3% of the estimated values.[39]

Mozambique was estimated to have **ZAR 24.7 billion in low value and informal CBT flows with South Africa in 2019**. Of this informal/ undeclared CBT accounted for the highest relative **proportion at 54% (i.e. ZAR 13.3 billion) across the three countries**. Comparing this to overall import and export trade statistics with South Africa implies that this **informal trade accounts for 31.3% of total import and export trade**.

Data received from the South African Revenue Services (SARS) on non-commercial customs codes (referred to as Code 70707070) was analysed to assess its contributions to the low value and informal CBT estimates. In 2019 Exports to SA were **reportedly ZAR 101,951 and imports from SA at ZAR 703,304.**[40] With the declared component of low value and informal CBT estimated at ZAR 11.4 billion, this non-commercial trade amounts to less than a 1%.

Zimbabwe was estimated to have the **overall highest amount of low value and informal CBT trade in 2019 at ZAR 51.7 billion**. Of this **31% (i.e. ZAR 15.8 billion) was estimated to be undeclared and therefore informal**. Compared to national statistics, this accounted for **28.4% of overall imports and exports to South Africa**.

A similar analysis on SARS non-commercial customs codes (referred to as Code 70707070) was carried out. **In 2019 Exports to SA were ZAR 363,579, while imports from SA were ZAR 145 million**. Compared to the ZAR 35.9 billion estimated in declared trade means this accounts for 0.4%.[41] Data from ZIMRA around "Form 49" trade was not received by the writing of this report and therefore could not be compared.

Table 21: Estimate of low value and informal CBT flows in 2019

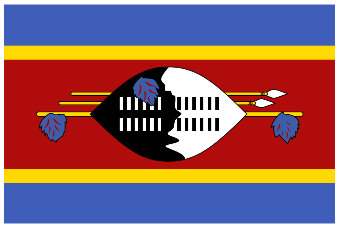
Country	eSwatini	Mozambique	Zimbabwe	Total
Informal/ Undeclared CBT, ZAR billion	10.4	13.3	15.8	39.5
Formal/ Declared CBT, ZAR billion	15.2	11.4	35.9	62.5
Total CBT, ZAR billion	25.6	24.7	51.7	102.0
Proportion of ICBT trade to formal (import and export) trade with SA	27.6%	31.3%	28.4%	

Source: SRA Data, 2020 | INE, Mozambique Business Census 2015 | ZIMRA data, 2020 | FMT SADC Remittance Values and Volumes, 2019 | Genesis Analytics, Team Analysis, 2020 | TradeMap Statistics, 2020 | SA Department of Tourism, State of Tourism report 2019 | Zimbabwe Tourism Authority, Tourism trends and statistics report, 2019

Notes from section 1 and 2

1 Nshimbe, C. and Moyo, I, Migration, CBT and Development in Africa: Exploring the role of non-state actors in the SADC region, 2017 (sited from Tralac website) | Afrika, J. K. & Ajumbo, G, ICBT in Africa: Implications and policy recommendations. 2012
2 SADC, SADC Selected Economic and Social Indicators 2019, 2020
3 Contact lists for CBTs were provided by CBT associations (i.e. - Association of Mukeristas, Coalition of Informal Economy Associations of Swazliand – CIEAS, and Zimbabwe Cross Border Traders Association -ZCBTA)
4 Mozambique was the only exception. A 2016 Southern African Migration Programme (SAMP) survey categorized ICBTs into the following categories: i) Category A made up of traders who travel to and from Johannesburg as part of their business to sell goods in Maputo; ii) Category B Mozambican traders who travel to and from Johannesburg to supply other informal traders in Maputo; and iii) Category C: Traders who do not cross the border but by goods from other cross border traders for sale
5 These prior studies include: Coalition of Informal Economy Associations of Swaziland (CIEAS), Review of the state of the informal sector in Swaziland, 2016 | World Vision International, Estimates of unrecorded CBT between Mozambique and her neighbours, 1999 | SAMP, Calibrating CBT in Southern Africa, 2014 | Famine Early Warning Systems Network (FEWS NET) and World Food Programme (WFP), ICBT in Southern Africa, 2018 | International Food Policy Research Institute (IFPRI), ICBT in Africa, How Much? Why? And What Impact?, 2018 | SAMP, Informal Entrepreneurship and CBT between Zimbabwe and SA, 2017 | International Labour Organisation (ILO), Women in the Informal Economy in Zimbabwe, 2017 | Viljoen J. & Wentzel M., ICBT: Views of Zimbabwean and Mozambican Traders in selected Areas, 2000
6 SAMP, Calibrating ICBT in Southern Africa, 2015
7 SARS Website
8 This was originally for goods valued up to USD 1,000 (i.e. ZAR 16,000) but was changed to ZWL 10,000 following the reversion to the Zimbabwe Dollar
9 Attempts to interview The Tax Authority of Mozambique (AT) were unsuccessful. Other stakeholder interviews and desktop research did not identify a specific licensing category for low value formal and informal CBT
10 SAMP, Informal Entrepreneurship and CBT between Mozambique and SA, 2014
11 SAMP, Informal Entrepreneurship and CBT between Zimbabwe and SA, 2014
12 Note: In Mozambique these were referred to as mukeristas
13 Note: In Zimbabwe these are referred to as malaichas
14 SA Department of Tourism, State of Tourism report, 2018/2019
15 Mozambique enterprise census was conducted in 2015 and in Zimbabwe was in 2012
16 Mozambique enterprise census was conducted in 2015 and in Zimbabwe was in 2012
17 For Mozambique the WBG Enterprise survey was conducted in 2019 with 601 firms surveyed. For Zimbabwe, the WBG Enterprise Survey was conducted between 2016 to 2017, with 600 firms surveyed.
18 Note: The authors used the definition of formality based on whether goods went declared or undeclared at customs as these data points were available.
19 Respondents were asked to estimate the average value of goods they trade across the border on each trip made
20 Respondents were asked to provide their frequency of trade in an average year. From this the team was able to estimate the number of trips made per year.
21 Note: Sizing estimates were compared to the summation of imports and exports with South Africa because there was no reasonable way to dissociate the low value and ICBT estimates into imports or exports alone
22 An OSBP is a shared space located at a border crossing between two adjoining countries, or in its proximity, where the border agencies of the two States with inspection responsibilities on goods, persons and vehicles (e.g. customs, immigration, police, health authorities, veterinary authorities, etc.) carry out their functions in a combined and coordinated manner.
22a Nshimbe, C. and Moyo, I, Migration, CBT and Development in Africa: Exploring the role of non-state actors in the SADC region, 2017 (sited from Tralac website) | Afrika, J. K. & Ajumbo, G, ICBT in Africa: Implications and policy recommendations. 2012
22b Contact lists for CBTs were provided by CBT associations (i.e. - Association of Mukeristas, Coalition of Informal Economy Associations of Swazliand – CIEAS, and Zimbabwe Cross Border Traders Association -ZCBTA)
23 CIEAS, Review of the state of the informal sector in Swaziland, 2016
24 World Vision International - Mozambique, Estimates of unrecorded CBT between Mozambique and her neighbours, 1999
25 SAMP, Calibrating CBT in Southern Africa, 2014
26 ILO, Women in the Informal Economy in Zimbabwe, 2017
27 FEWS NET and WFP, Informal CBT in Southern Africa, 2018. Available here
28 IFPRI, Informal CBT in Africa: How Much? Why? And What Impact?, 2018. Available here
29 SAMP, Calibrating ICBT in Southern Africa, 2015
30 SAMP, Informal Entrepreneurship and CBT between Zimbabwe and South Africa, 2017
31 FEWS NET and WFP, Informal CBT in Southern Africa, 2018. Available here
32 This was originally for goods valued up to USD 1,000 (i.e. ZAR 16,000) but was changed to ZWL 10,000 following the reversion to the Zimbabwe Dollar
33 Attempts to interview The Tax Authority of Mozambique (AT) were unsuccessful. Other stakeholder interviews and desktop research did not identify a specific licensing category for low value formal and informal
34 Stakeholder interviews, 2020
35 Note: In Mozambique these were referred to as mukeristas
36 Note: In Zimbabwe these are referred to as malaichas
37 SA Department of Tourism, State of Tourism report, 2018/2019
38 SRA data, 2020
39 Note: The authors used the definition of formality based on whether goods went declared or undeclared at customs as these data points were available.
40 Respondents were asked to estimate the average value of goods they trade across the border on each trip made
41 Respondents were asked to provide their frequency of trade in an average year. From this the team was able to estimate the number of trips made per year.
42 SRA Data, 2020 | Note: Overall volume of Personal Imports grew by 106% CAGR since 2016 to ZAR 438 million in 2019. This equates to marginally over 2% of formal imports from SA. Virtually all trade was recorded through road transport, with air accounting for less than ZAR 2 million. 96% of the flows were classified as personal effects (as expected from the overall classification) and 4% as household furniture and other effects.
43 SARS Data, 2020 | Notes: Exports to SA reduced by 24% between 2016 and 2019 from ZAR 239,014 to ZAR 101,951. This amounts to less than 1% of formal trade. Imports from SA reduced by a CAGR of 61% from ZAR 11.4 million in 2016 to ZAR 702,304 in 2019
44 SARS Data, 2020 | Exports to SA reduced by 10% between 2016 and 2019 from ZAR 501,043 to ZAR 363,579. This amounts to less than 1% of formal trade. Imports from SA grew by a CAGR of 135% from 2016 to 2019 to amount to ZAR 145 million. This equates to 1% of formal imports from SA.

3. ESWATINI



3.1 Country Context

This section provides a contextual overview and macro-economic outlook for eSwatini. It further highlights the socio-demographic and SMMEs trends.

3.1.1 Macroeconomic Context

Table 22: Key macroeconomic indicators for eSwatini

Indicators	2016	2017	2018	2019	2020*	2021*
Nominal GDP, USD Billion	3.8	4.4	4.7	4.4		
GDP growth, %	1.3%	2%	2.4%	1%	-0.9%	1.8%
GDP per capita, USD	3,447	3,953	4,146	3,837		
Inflation, %	7.9%	6.2%	4.8%	2.6%	3.6%	4.5%
Exchange rate SZL/ USD	14.7	13.3	13.2	14.5		
Current account balance, % of GDP	7.8%	7%	2%	6.2%*	3.5%	4%
Population, Millions	1.1	1.1	1.1	1.2		

Source: IMF World Economic Outlook (WEO) Database, 2020 | World Bank Group (WBG) World Development Indicators (WDI) Database, 2020

Note: *Estimates

The Kingdom of eSwatini is classified as a lower middle-income nation by the IMF, with an estimated Gross Domestic Product (GDP) of USD billion 4.4[42] in 2019, and a GDP per capita of USD 3,837.[43] The country is landlocked, sharing borders with SA and Mozambique.

According to the WBG, exports of goods and services were valued at 84% of GDP in 2018.[44] eSwatini's economy largely relies on regional trade, especially with its neighbour and principal trade partner SA. SA accounts for about 67% of its imports and about 80% of exports.

There are no exchange rate issues that affect cross border trade as eSwatini forms part of the Common Monetary Area (CMA) Agreement. As part of this agreement, eSwatini's Swazi Lilalengi (SZL) is pegged one-to-one to the South African Rand (ZAR), with both currencies accepted as legal tender within eSwatini.

Weak regional growth, declining SACU revenues (which account for 12% of GDP) and droughts have affected growth in recent years, with growth averaging less than 2% over the last four years. Expansionary budget policies and low SACU revenue have widened the fiscal deficit which reached 7.3% of GDP in 2019.

The recent national lockdown, disruptions in supply chains and lower trade activities as a result of the COVID-19 pandemic will see the economy contract in 2020 and potentially in 2021.[45] To support economic activities, the government imposed a three month VAT tax extension and established a SZL 90 million (i.e. USD 5 million) relief fund for SMEs, paid through monthly tax refund. The Central Bank of eSwatini (CBE) also lowered the discount rate from 6.5% to 4%, to reduce the cost of debt.[46]

Table 23: Real GDP contribution by sector

Sector	2019
Manufacturing	33.5%
Wholesale and retail trade; repair of motor vehicles and motorcycles	14.4%
Agriculture and forestry	8.9%
Education	7.3%
Public administration and defence; compulsory social security	6.6%
Financial and insurance activities	6.8%
Other	16.6%
eSwatini Ministry of Economic Planning & Development | Genesis Analytics Team, 2020 | Notes: shading blue = top four sectors	

In eSwatini, manufacturing makes up the largest contribution to GDP (33.5%), followed by wholesale and retail trade (14.4%) and agriculture (8.9%). However output growth from these key sectors has been dwindling in recent years.

In eSwatini, manufacturing makes up the largest contribution to GDP (33.5%), followed by wholesale and retail trade (14.4%) and agriculture (8.9%). However output growth from these key sectors has been dwindling in recent years. The manufacturing sector has become more focused on the SA market given changing tariff regimes affecting the textile industry.

Table 24: Ease of doing business indicators related to trading across border eSwatini

Trading across borders indicators	eSwatini	SSA	OECD high income
Time	**Hours**	**Hours**	**Hours**
Export: Border compliance	2	97.1	12.7
Export: Documentary compliance	2	71.9	2.3
Import: Border compliance	3	126.2	8.5
Import: Documentary compliance	4	96.1	3.4
Cost	**USD**	**USD**	**USD**
Export: Border compliance	134	603.1	136.8
Export: Documentary compliance	76	172.5	33.4
Import: Border compliance	134	690.6	98.1
Import: Documentary compliance	76	287.2	23.5
Source: WBG, Ease of Doing Business, 2020			
Note: Red shading reflects above SSA averages			

eSwatini is ranked 121st out of 190 in the World Bank Group's (WBG's) 2020 Ease of Doing Business ranking, and is 14th out of 48 in the SSA region. In relation to the indicators that affect traders, eSwatini ranks:

- **155th for starting a business**: This low ranking reflects the length of time taken to open a business (21.5 days) and the number of procedures (12).
- **94th for getting credit**: This ranking reflects the depth of credit information and relatively high percentage of credit bureau coverage particularly compared to the SSA average.
- **35th for trading across borders**: This high ranking the fact that eSwatini is part of SACU and thus no material checks are conducted. As such, eSwatini records significantly lower time and costs associated with border compliance.

3.1.2 Socio-demographic Context

eSwatini has a population of 1.2 million. Adults of working age (aged 15 - 64 years old) constitute 58.2% of the population. Females make up 50.1% of the population.[47]

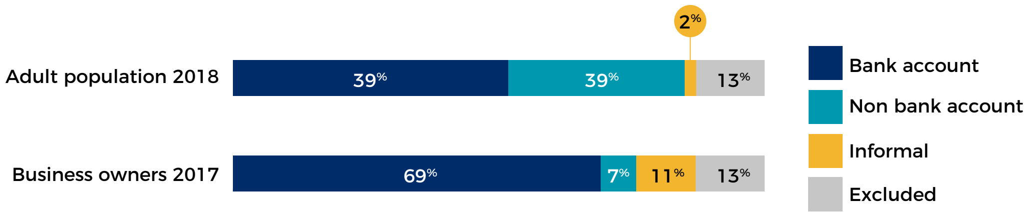
As per the 2017 census, the most populous region is Manzini with 32.6% of the total population, closely followed by the Hhohho region with 29.3% of the population, which hosts the capital Mbabane.[48] Both regions are bordered with SA.

Despite being ranked as a low-middle-income country, poverty levels are high, with an estimate of 39.7% of the population living under the international poverty line in 2017.

Despite being ranked as a low-middle-income country, poverty levels are high, with an estimate of 39.7% of the population living under the international poverty line in 2017.

In 2018, just over 30% of adults had no formal education or only primary education, while 55% had attained secondary education.[49]

Figure 4: Financial inclusion of the adult population (+18 years old) and business owner



Sources: FMT, FinScope eSwatini, 2018 / FMT, FinScope eSwatini, 2017

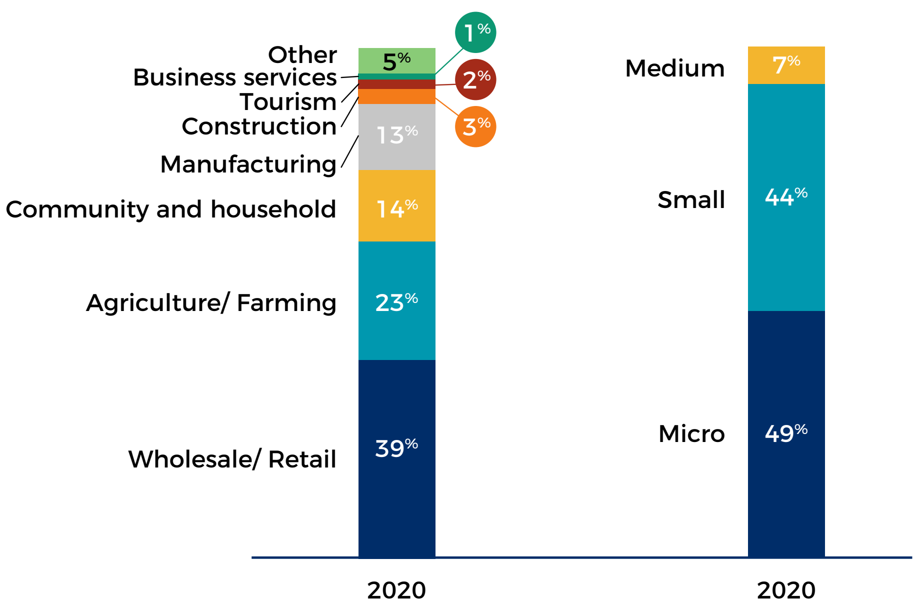
In 2018, 87% of adults (+18 years old) were financially included, and 85% were formally served. Of this, 52% were banked and 33% used non-bank formal products only. All with formal access likely have mobile money accounts. 88% of the population owned a mobile phone.[50]

In 2017, eSwatini had the highest financial access strand among SMME compared to countries in the Southern Africa region. 87% of business owners were financially included. Of this, 69% were banked and 7% used other non-bank products.[51]

The ILO estimates that only 37% of female adults and 45% of male adults were employed in 2019.

3.1.3 SMME Context

Figure 5: Distribution of SMMEs by size and sector



Source: FMT, FinScope SMME eSwatini survey, 2017

There were 68,000 SMMEs in 2017, of which 25% were registered. The vast majority of SMMEs in eSwatini are micro and small enterprises, accounting for 93% of SMMEs.[52]

There were 68,000 SMMEs in 2017, of which 25% were registered. The vast majority of SMMEs in eSwatini are micro and small enterprises, accounting for 93% of SMMEs.[37]

Business' sizes are classified based on the number of employees. The micro business category refers to businesses with 0 to 3 employees, including independent entrepreneurs. The small business category refers to businesses with 4 to 10 employees. The Medium business category refers to businesses with 11 to 50 employees.

According to the WBG's SMME enterprise surveys, 10.5% of eSwatini SMMEs directly export more than 10% of their sales. 28.5% of SMMEs use material inputs and/or supplies of foreign origin, which is surprising and lower than the region average of 61.1%.[53]

3.2 International Trade

This section evaluates the international trade policies with which eSwatini is a signatory of and identifies key regulatory challenges.

3.2.1 International Trade Policies and Agreements

The country is a member of several international and regional trade agreements, namely the **World Trade Organization (WTO)**, the **General Agreement on Tariffs and Trade (GATT)**, The **Common Market for Eastern and Southern Africa (COMESA)**, the **South African Custom Union (SACU)** and the **Southern African Development Community (SADC)**. As a member of the SACU and the SADC, eSwatini benefits from free trade agreements on most goods[54] (see description of different customs unions in the Appendix 6.2). Being part of these agreements are crucial since the country's economy is heavily dependent on international trade.

In addition, eSwatini has ratified the **African Continental Free Trade Area (AfCFTA) Agreement** and the **SADC-EAC-COMESA Tripartite Free Trade Area (TFTA)**. Though these are yet to come into force, they seek to reduce and streamline tariffs to promote trade across the continent.

The government is pursuing strategies that aim to increase formalisation and enhance the trade facilitation process. The eSwatini Revenue Authority (SRA), under its mandate of customs administration, is seeking to attain a top 30 ranking in the WBG Doing Business "Trading across borders" category.[55] In the process, more digital tools are made available through different government agencies, enabling efficient and centralized data collection.

The SRA is engaged in the simplification of trade-related procedures. The programmes conducted by the SRA seem to be fruitful, as its 2018/2019 annual report indicates that the average time needed to clear goods at border posts decreased from 91 minutes in 2017 to 51 minutes in 2018.

One of the facilitation programmes is the **Preferred Trader Program (PTP)**[56] - driven by SACU. The PTP aims at improving voluntary compliance of international traders by simplifying the processes and facilitating trade at the borders. In exchange for compliance, the PTP offers the following benefits: expedited clearance of entries, flexible inspection arrangements, and a trader relationship manager with the SRA. Whereas the ambition is to have all CBTs signed up to the PTP, the programme requirements are stringent and are likely only to be met by large businesses. As at 8th October 2020, only 136 traders had signed up.[57] The SRA also created the Compliance Improvement Plan (CIP), which assists traders and helps them meet the PTP eligibility requirements.

The SRA has **no official definition** of informal cross border trade. The SRA, however, allows non-registered traders to cross the border with goods worth a maximum of ZAR 1,000 (USD 61[58]). These non-registered traders are further required to pay in cash for their duties. This contrasts registered traders whose suppliers in SA are required to register the traders' purchases at the point of sale with SARS, and thereby make any payment electronically. The SRA is seeking to adopt a Uganda type approach of conducting periodic surveys of ICBTs to develop a view on the prevalence of it.

FINMARK TRUST

Best Practice case study on trade permits: Zambian Immigration Permits

The Cross Border Permit relies on traders' membership in **local (i.e. within Zambia) and neighbouring country ICBT associations** as a key requirement to gain access to this specialised permits. A proof of membership and a letter from the Association supporting the business venture are required. Permit holders are issued with a 90 day permit that can be renewed after expiry for a further 90 day period within a six month period. Trader permits cannot exceed a six month period within a given 12 month period.

This reliance on ICBT associations legitimises the associations activities to increase formalisation within the sector, and will likely increase memberships of the association. In addition to opportunities around digitising documentation or permits, this increased role of ICBT associations should allow for increased partnerships such as by disseminating key information or financial services to members.

Source: Zambia Department of Immigration, Immigration Permit Types. Available here

The **Revised Small, Micro and Medium Enterprises Framework, 2018**, aims at stimulating the SMME sector to increase participation to GDP. The framework seeks to support the informal sector's growth (though not specific to cross border trade), and enhance cross-border cooperation and regional business partnerships by developing regional business clusters and eliminating trade barriers.[59]

The government of eSwatini reportedly developed a **national roadmap for the implementation of the COMESA Simplified Trade Regime and the Trade and Transportation Facilitation Instruments for the Small Scale Cross Border Traders (SSCT)**, both of which aim at facilitating (SSCT) flows.[60]

3.2.1.1 Trade Procedures

Figure 6: Export process and requirements to enter/exit eSwatini border

Source: SRA website, 2021 | EIPA, eSwatini Export Readiness Training Manual, 2019

The figure above shows the general process of exportation from eSwatini, requiring ten steps. The process consists of the gathering of commercial/supplier invoices to obtain the required export documents to allow for the goods to be exported. In addition, the supplier invoices also prove ownership of goods and enables payment. Following this step, the exporter is required to obtain an export permit and any special certificates (e.g. sanitary certificates) depending on the type of consignments being traded.

Consignment insurance certificate as proof of insurance taken up for loss or damage to the goods is needed. A certificate of origin is further required.

The foreign exchange transaction form (F178) is necessary for financial reporting purposes to account for foreign currency received from the country's exports[61].

For traders that are in need of warehousing, an export facilities document is required. In addition a packing list details the various items that are to be traded. This is to ensure that any missing items or damaged goods can be easily identified and customs officials know where to locate specific goods[62].

Depending on which country traders are exporting to, shipment/transporting types and the size of trade commodities there may be more or less document requirements/ steps in in the export process (e.g. bill of lading, marine/cargo insurance certificate). **This may serve as a disincentive for informal traders as they may not fully understand the process or have access to information or the documents required**.

Figure 7: Import process and requirements to enter/exit eSwatini border

Source: SRA website, 2021 | EIPA, eSwatini Export Readiness Training Manual, 2019

Import licenses authorises the importation of goods and is a requirement by customs at the port of entry for the purposes of import clearance. For goods transported via a vehicle on the road or railway, a custom road manifest document must be completed and submitted at the border. This document details the type of goods carried across the border and freight details[63].

All traders entering or leaving eSwatini with cash or negotiable bearer instruments valued more than SZL 15,000 are required to declare this amount to police or customs officials at the point of entry or exit. Customs declaration documents are required for traders importing goods valued more than SZL 15,000, however, for those traveling with goods below SZL 15,000 fewer requirements are needed.[64]

The government of eSwatini is developing trade and transportation facilitation instruments for the ICBT community.[65] The exact details of the instrument are not publicly known but will be important to monitor as the instrument will be the only instrument in the market which offers trade facilitation products targeted at the ICBTs. The instrument is a result of the COMESA Cross Border Trade (CBT) Initiative which aims at increasing small- scale cross-border trade flows in the COMESA/Tripartite region.

3.2.1.2 Digitisation in Trade

As part of the Trade Facilitation Programs, which requires the publication and availability of information related to trade rules and procedures,[66] eSwatini launched a series of digital tools in 2020.

- The SRA hosted the **eCustoms platform**, an online portal (accessible here) which provides updated tariff codes and duty estimators for non SACU trade. The SRA also makes all forms available for download on its website.
- The **Trade Information Portal (ETIP)** (accessible here) which provides information on legal documents, licensing and permit requirements, procedures and forms and trade agreements.
- For customs management, SRA utilises the **Automated System for Customs Data World (ASYCUDA)** software. It has been used to cover most SACU trade procedures since 2016 in 13 commercial borders and six non-commercial borders. The software handles manifests and customs declarations, accounting procedures, transit and suspense procedures.[67]

- **SACU is poised to launch a customs modernisation programme in December 2020**. By automating the sharing of information across member states, the initiative aims to improve administrative efficiencies and increase risk management, compliance and enforcement efforts.[68]

Though this suggests a high level of information available digitally, surveys identified that few if any informal or small scale cross border traders were utilising these platforms.

eSwatini declared the COVID-19 outbreak a National Disaster and announced a partial lockdown on 27th March 2020 until 7th May 2020.

3.2.2 Regulatory Challenges

1. **Lack unified definition of informal or small scale CBT and support strategies:** There is no agreed upon definition of informal cross border traders with SRA, SACU or SADC. This means there is no joint approach seeking to support informal or small scale CBT within SACU and SADC.
2. **Non-registered traders are required to pay fees/ duties in cash**, unlike other registered traders who pay electronically. This likely opens up the opportunity of harassment and limits the ability to gain data points on the traders.
3. **The requirements for the Preferred Trader Program (PTP) are too stringent for ICBTs to meet**: thereby failing to motivate ICBTs to formalise.
4. Though efforts are underway, **a number of customs processes remain paper based**, such as customs declarations, and applications for customs refunds.
5. **Transaction limits for non-registered traders are low**: a maximum of USD 61 limits this type of trade to very small scale and survivalist trade.

3.2.3 eSwatini Government's Response to COVID-19

Border closures, slowing-economic activities in neighbouring countries and additional controls at the borders[69] directly affected cross-border trade, and impacted even more low value trade whose livelihoods often depends on daily trade activities.[70]

eSwatini declared the COVID-19 outbreak a National Disaster and announced a partial lockdown on 27th March 2020 until 7th May 2020. During the lockdown, non-essential travel between towns, cities and regions were banned except for food transportation and medical reasons, transportation would only operate for essential movement and only during restricted hours.

The Government of eSwatini and the SRA has been able to deploy the following measures to address the negative effects on trade:

- Implementation of the National Disaster Management Act, 2006 which provides for a **rebate of Customs duty on goods imported for the relief of distress of persons**
- Approval of an Infectious Disease Emergency Plan which is further supported by Operational Response strategies
- Fast tracking of the **clearance of medications**
- Enhanced collaboration with other stakeholders i.e. Health (communication to clients through one channel, joint inspections, etc.)
- Collaboration with neighbouring countries: sharing of information on national developments that impact the movement of goods across the border[71]
- **Subsidising COVID-19 tests for informal and small scale traders of SZL 650**. This means that the minimum fee charged to traders would be SZL 200 if they are included in the weekly list of traders that can travel. A regionally rotational list of 200 traders will be allowed to cross the border. The list is to be submitted to the Ministry of Commerce, Industry and Trade by cross border trade associations.[72]

Cross border trade for informal or low value trade, nevertheless, remains restricted. This is due to the high costs of COVID-19 tests at USD 50[73] and provide proof of accommodation address should they need to self-quarantine at the time of arrival in the country.

3.3 Demand Side Diagnostic

This section provides findings from the demand side research in eSwatini. It incorporates a review of prior research, sizes the number and value of trade and identifies the key financial and non-financial challenges experienced by traders.

3.3.1 CBTs Profiles

To capture Swazi traders crossing into SA, a survey was conducted at Oshoek border and supplemented with telephonic interviews of CIEAES members. A total of 64 traders were interviewed; 48 at Oshoek and 16 telephonically.

The analysis of respondents below is carried out against the overall sample size, gender splits, and the segmentation based on frequency of trade (i.e. cross border hawkers - crossing the border weekly; or bakkie brigade - crossing the border between every two weeks to three months). As the diaspora segment had only one observation, this was not included in the analysis below.

Table 25: Age distribution by trader segments

	Number	18 - 25 years	26 - 35 years	36 - 45 years	46 - 55 years	56 - 65 years
Total sample	72	6%	36%	41%	11%	6%
Day traders	25	6%	36%	42%	11%	6%
Diaspora traders	1	100%	0%	0%	0%	0%
Bakkie brigade	40	4%	37%	41%	11%	7%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

41% of the overall sample were traders aged between 36 and 45 years. Only 6% of the sample were below 25 year old (i.e. youth). Overall 70% of the Swazi traders had between one and four dependants. 61% of them were single.

Table 26: Gender and formality by trader segments

	Male	Female
Total	28%	72%
Youth	25%	75%
Bakkie brigade	22%	78%
Cross border hawkers	37%	63%

	Formal	Informal
Total	42%	58%
Female	30%	70%
Male	72%	28%
Youth	75%	25%
Bakkie brigade	47%	53%
Cross border hawkers	33%	67%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Formality is defined as a business being registered or licensed as an importer or exporter with an authority| Youth is defined as respondents under 25 years | Red blocks indicate highest percentage/trend

Of the total sample, 72% were female. Women were more informal (70%) compared to men (28%). The majority of respondents (61%) had completed secondary schooling, with 14% having completed university education. 44% of respondents had been involved in CBT for more than five years.

37% of the total sample that were formal, were registered with SARS while 30% were registered with SRA. Most of the formal traders indicated that they did not experience any difficulty in the registration process. The main reasons why informal traders were not registered were that process was expensive and time consuming. Informal traders suggested that they would register their businesses if this led to access to more markets, the government provided a form of incentive or the process was made quicker and easier.

47% of respondents stated they always declared the correct value of goods to customs officials. For formal businesses this was 63%, suggesting gaps with compliance exist.

Nine out of the total 64 traders were members of a cross border trade association. The main associations cited include CIEAES and Traders South Africa. The main services offered by associations gaining access to finance, assisting with registering with an authority and training on the proper procedures involved in trade facilitation.

Box 1: Coalition of Informal Economy Associations of Swaziland (CIEAES)

CIEAES was founded in 2006 by marginalised and informal community based organisations. It currently has over 54 member associations that represent multiple sectors such as vendors, informal traders, small scale farmers, waste pickers, loggers, transport industries and informal cross border traders.

The organisation's objectives are to **coordinate** insights from the informal economy in order to **jointly advocate, promote and track the implementation of policies conducive to the development of the informal sector**. In addition to this, the association carries out **capacity building exercises** for targeted member groups. Examples of such capacity building include: a workshop on how to promote meaningful participation of women ICBTs in November 2020 and the training of women on how to install dollar equipment in March 2019.

The association executes its mandate by partnering with other organisations. Once such partnership is with Lulote Business Management Extension Programme (BMEP)

The organisation had approximately **10,000 members**. Approximately 60% of these are women. To join, members are required to pay a signing fee of ZAR 200, and monthly ZAR 150 fee to remain active. The organisation has branches across all four regions.

Source: Women in Informal Employment: Globalizing and Organising (WIEGO), CIEAES. Available here | Stakeholder interviews, 2020 | CIEAES, Review of the state of the informal sector in Swaziland, 2016

The main countries traders sourced their goods from included eSwatini, SA and Mozambique.

Table 27: Type of product traded by trader segments

	Total	Female	Male	Bakkie brigade	Cross border hawkers
Agricultural produce	38%	43%	22%	25%	52%
Electronics	5%	4%	6%	3%	7%
Natural stones and metals	2%	0%	6%	3%	0%
Textiles (first and second hand clothing)	20%	26%	6%	36%	0%
Consumables	31%	30%	33%	31%	33%
Vehicles and electrical machinery and equipment	11%	0%	39%	8%	15%
Plastics	2%	0%	6%	0%	4%
Petroleum	2%	0%	6%	0%	4%
Other	8%	9%	6%	8%	7%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Swazi traders are trading a mix of agricultural produce and consumables, and textiles. Men were more likely to trade in vehicles and electrical machinery, while women traded agricultural produce. Cross border hawkers mostly trade agricultural produce (52%) and consumables (33%) likely necessitating frequent crossing of borders. Bakkie brigade are typically trading textiles (36%) and consumables.

Table 28: Average value of goods traded by trader segments

	Total	Female	Male	Bakkie brigade	Cross border hawkers
Below ZAR 1,000	3%	4%	0%	3%	4%
ZAR 1,000 to 10,000	14%	15%	11%	17%	7%
ZAR 20,000 to 100,000	72%	67%	83%	69%	78%
ZAR 200,000 to 1 million	11%	13%	6%	11%	11%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

The average value of goods traded in one cross border transaction ranged between ZAR 20,000 to 100,000. This is well above the "personal imports" customs category.

97% of the sample indicated that they use their income from CBT to meet their daily household expenditure. However, 48% of the overall sample stated that less than a third of their annual income was from CBT. In light of the pandemic, 94% of respondents experience a decrease in their income from CBT of which 55% of these traders experienced a decline of not more than 30%.

88% of the overall sample had no knowledge of trade policies or agreements of which eSwatini is a signatory to. Those who did know, mostly knew of SACU however it is unclear whether they understand the trade protocols or benefits associated with this agreement.

3.3.2 Supplier and Customer Dynamics

Table 29: Type of suppliers of goods by trader segments

	Total	Female	Male	Bakkie brigade	Cross border hawkers
Wholesalers	34%	20%	33%	36%	30%
Supermarkets	39%	29%	33%	42%	37%
Manufacturers or factories	19%	7%	39%	22%	15%
Small shops and retailers	20%	18%	11%	25%	15%
Direct from farmers	20%	20%	6%	8%	37%
Informal businesses	9%	4%	11%	11%	7%
Other	5%	4%	11%	3%	7%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Swazi traders primarily source their goods from large suppliers i.e. supermarkets at 39% and wholesalers at 34%. 39% of male CBTs source their goods from manufacturers or factories which aligns to the fact that males typically trade vehicles and electrical equipment as previously mentioned.

Table 30: How traders pay suppliers by trader segments

	Total	Female	Male	Bakkie brigade	Cross border hawkers
Bank transfer done at the branch	34%	24%	61%	36%	30%
Bank transfer done on mobile banking app or USSD platform	3%	0%	11%	6%	0%
Bank transfer done on internet banking platform	3%	0%	11%	3%	4%
Cash	80%	89%	56%	81%	81%
Cheque	2%	0%	6%	3%	0%
ADLA	2%	0%	6%	3%	0%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

The majority of traders paid their suppliers in cash. However, 61% of male CBTs made payments to their suppliers via bank transfers at the branch. This suggests limited uptake of digital platforms. Generally, ADLA usage was also low.

Table 31: Challenges related to suppliers by trader segments

	Total	Female	Male	Bakkie brigade	Cross border hawkers
Require payment in full before receiving goods	66%	61%	78%	60%	78%
Charge high prices making it hard to compete	31%	30%	33%	37%	26%
Don't have access to certain goods	5%	4%	6%	6%	4%
The quality of goods is poor	23%	28%	11%	20%	26%
They do not provide you with a VAT receipt	8%	7%	11%	9%	7%
Require payment in foreign currency	9%	2%	28%	11%	7%
Other	6%	4%	11%	9%	4%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

The main supplier related challenges included being required to make full payment upfront before receiving goods and their high prices. This suggests limited access to supplier credit. COVID-19 further inhibited 83% of traders' access to suppliers.

Table 32: Type of customers by trader segments

	Total	Female	Male	Bakkie brigade	Cross border hawkers
End consumers/ Private individuals	63%	78%	22%	61%	67%
Wholesalers	8%	4%	17%	11%	4%
Small shops and retailers	8%	2%	22%	3%	15%
Manufacturers or factories	3%	2%	6%	3%	0%
Other large businesses	3%	0%	11%	3%	4%
Informal businesses	9%	11%	6%	11%	7%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

63% of CBTs sell directly to end consumers/ private individuals. This largely involves either delivering the goods to the customer, or selling the goods on the street. Men also sold goods to small shops and retailers.

Table 33: How customers make payment by trader segments

	Total	Female	Male	Bakkie brigade	Cross border hawkers
Bank transfer	23%	11%	56%	19%	30%
POS transaction	5%	7%	0%	8%	0%
Cash	88%	96%	67%	83%	93%
Cheque	6%	0%	22%	8%	4%
Mobile Money	6%	7%	6%	8%	4%
Other Specify	5%	7%	0%	8%	0%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Similarly, almost all Swazi traders receive cash from their customers. However, male CBTs and cross border hawkers are also receiving payments through bank transfers.

Table 34: Challenges related to customers by trader segments

	Total	Female	Male	Bakkie brigade	Cross border hawkers
Take too long to pay after delivery	38%	37%	39%	42%	30%
Limited access to customers or markets	16%	15%	17%	17%	15%
Competition from bigger traders and shops	20%	13%	39%	17%	26%
Negotiate for very low prices	67%	78%	39%	64%	74%
Payment is in foreign currency	39%	39%	39%	25%	59%
Other	9%	7%	17%	17%	0%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Swazi traders are generally affected by customers wanting to negotiate very low prices and taking too long to pay after goods are received. The pandemic further inhibited 84% of respondents from being able access their clients.

Accessing foreign exchange was a challenge for 39% of respondents. Considering the SZL and ZAR are on par and easily exchangeable, this likely relates to those purchasing goods from other countries such as Mozambique. The currencies identified as being a challenge to gain access to are the SZL, ZAR and Mozambican Metical (MZM).

3.3.3 Access to Finance

Table 35: Account ownership by trader segments

	Total	Female	Male	Bakkie brigade	Cross border hawkers
Bank account	70%	61%	94%	78%	59%
Microfinance institution account	0%	0%	0%	0%	0%
Mobile money account	33%	41%	11%	47%	15%
SACCO account	2%	2%	0%	3%	0%
ADLAs accounts	13%	17%	6%	0%	33%
Other account	5%	7%	0%	3%	7%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Banking penetration stood at 70% of the CBTs surveyed. Mobile money account ownership was 33%. Women had lower banked rates and higher mobile money accounts than their male counterparts. Cross border hawkers were the only segment to have ADLA accounts.

Almost half of all traders indicated that they have not borrowed or owe any person/institution money. Of those that had borrowed, they indicated that their main reason for doing so was to purchase more goods. In addition, these traders indicated that they borrowed the money mostly from friends and family members.

Going forward, CBTs would still prefer to apply for loans when speaking face to face to a financial institution representative. Only 23% of CBTs had security they could use as collateral for a loan. This may suggest the limited uptake of loans from the target group. In addition, traders valued not requiring proof of employment when requesting for a loan and low interest rates.

Table 36: FSPs that are perceived to support CBT by trader segments

	Total	Female	Male	Bakkie brigade	Cross border hawkers
Banks	28%	22%	44%	28%	26%
MFI	2%	2%	0%	3%	0%
MMO	22%	24%	17%	31%	11%
SACCOs	5%	4%	6%	8%	0%
ADLAs	5%	7%	0%	6%	4%
Insurance firms	6%	7%	6%	0%	15%
None of the above	41%	41%	39%	36%	48%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

The survey results revealed that most Swazi traders feel that no FSP supports them. For men they perceived banks to be in support of their operations. The top two reasons why most CBTs felt that no FSP supported them was due to the financial products being too expensive and not useful for their needs.

Table 37: Uptake of devices by trader segments

	Total	Female	Male	Bakkie brigade	Cross border hawkers
Smartphone	78%	78%	78%	86%	67%
Feature phone	3%	0%	11%	3%	4%
None	19%	22%	11%	11%	30%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Most Swazi traders have access to a smartphone and generally access the internet via one of the devices. 66% of the overall sample indicated that they were not aware of digital platforms. However, those that were aware of digital platforms confirmed that they were aware of online/ internet banking.

3.3.4 Summary of Key Challenges

Below we summarise the key challenges faced by the different profiles of traders. These are split by those impacting their operating environment and those that impact their ability to access financial services.

Table 38: Challenges faced by sub-segments

Segment	Key challenges
Cross-border hawkers	**Operations** • The process of registration with an authority as an importer or exporter is considered lengthy, complicated and costly • Traders do not fully understand the benefits of formalisation • Customs fees are considered expensive • Long queues and delays at border posts may damage the agricultural produce the hawkers sell • There is poor cell phone network at border posts • Face harassment at border posts by police and customs officials. This is often in the form of goods being seized or being asked for bribes • Limited understanding of trade agreements and procedures at borders • Consumers negotiate down prices • COVID-19 has inhibited their ability to access suppliers and customers
	Financial services • Suppliers require upfront payment in full implying there is limited access to supplier credit. This is likely related to lack of formal documentation • Payment of suppliers and receipts by customers are largely in cash there by limiting developing a financial history • Limited access to collateral

Segment	Key challenges
Bakkie Brigade	**Operations** • The process of registration with an authority as an importer or exporter is considered lengthy, complicated and costly • Traders see limited benefit of formalisation • Customs fees are considered expensive and eat into CBTs profits • Long queues and delays at border posts • Poor cell-phone network • Consumers take too long to pay for the goods after delivery. In some cases, they do not make payment at all
	Financial services • Suppliers require upfront payment in full implying there is limited access to supplier credit. This is likely related to lack of formal documentation • Payment of suppliers and receipts by customers are largely in cash there by limiting developing a financial history • Fluctuating exchange rate impacts the cost of supplies and incomes. Currencies that face key challenges are MZM and ZAR • Interest rates can be high from formal providers

Source: CBT survey, 2020

3.4 Supply Side Diagnostic

An overview of the financial sector in eSwatini is provided in Appendix 6.3.3. In this section a review of the financing, remittance and insurance offerings for CBTs within eSwatini are provided.

3.4.1 Financing

Table 39: Share of bank credit extension by sector 2019

Sector	2018	2019
Distribution and Tourism	28%	23%
Other	15%	10%
Real estate	14%	14%
Agriculture & Forestry	12%	17%
Community, social and personal services	10%	9%
Transport and communication	9%	11%
Manufacturing	5%	6%
Construction	5%	8%
Mining and Quarrying	2%	2%

Source: CBE, Financial stability report 2019

Personal, distribution and tourism and agriculture sectors receive the largest share of all credit extended in the economy. CBT would fall into the distribution segment. There was no obvious way to dissociate the proportion going towards wholesale and retail trade. The Central Bank of eSwatini (CBE) does not report trade finance products either.

The 2020 African Development Bank (AfDB) report on Trade Finance identified that Southern Africa had the highest proportion of banks that were engaged in trade finance (i.e. 23%). These banks also reported the lowest default rates at 2%, for SMEs which was even lower at 1%. eSwatini banks made up only 0.1% of respondents to the survey, suggesting that these statistics do not reflect the country's context much.[74]

Table 40: Trade finance products eSwatini

Trade finance product	eSwatini Bank	FNB	Nedbank	Standard Bank
Letters of credit	x	✓	✓	✓
Receivable discounting	x	x	✓	✓
Documentary collections	x	✓	✓	✓
SME targeted trade finance	x	x	x	✓
Guarantees	x	x	x	✓

Source: Various Banks Websites, 2020

Of the four commercial banks in eSwatini, three of them offer trade finance or export/import support solutions. The types of products available range from letters of credit, guarantees, document credits and structured trade finance facilities. Standard Bank eSwatini offers the trade finance product at the SME/business banking level, to qualify for business banking services you will at a minimum need: ID of owners and signatories; proof of address not older than three months; company registration documents if a registered company.[75]

eSwatini Development Finance Corporation (FINCORP) financial reports show that they previously offered trade finance products, however their current product offering no longer includes this service.[76] FINCORP does offer working capital, order finance and lines of credit in their short-term financing products.

There is currently no Export Credit Agency (ECA) operating within eSwatini. ECAs are entities that provide/ facilitate export credit insurance and/ or outward investment insurance on behalf of the government it serves.

Box 2: The Role of National Export Credit Agencies (ECAs)

Export Credit Agency (ECA) is the generic term for an entity that provides/facilitates export credit insurance/finance and/or outward investment insurance on behalf of the government it serves. There is no preferred model or structure for an ECA: some are private companies, some are state owned enterprises, some are government departments, and some are full scale export-import banks. What they have in common is that they operate on behalf of their respective governments to fill a gap in export trade/investment facilitation and/or creation.

The role and business of ECAs evolved over time, but, in a way, today it remains the same as when it started one hundred years ago. As the Export Credit Guarantee Department (ECGD) of the United Kingdom (now UK Export Finance) was formed as the first ever ECA to credit insure British exports to Russia after World War I. ECGD was established as a trade creator. When the Berlin wall came down in 1989 and the Soviet Union dissolved in 1990, the era of political risk was thought to be a thing of the past. Consequently, in 1991, the UK privatized all of its short term export credit portfolio to NCM of the Netherlands (now Atradius) and decided that ECGD, going forward, shall only support medium- and long-term business (credit up to 10 years) for which there was still no appetite from the private sector.

When the 2008 financial crisis hit, the UK and many other governments had no mechanism to fill the market gap when private sector insurers withdrew from the export credit insurance business. Since then, the UK and other governments are back in the provision of short-term export credit insurance, let alone medium-long term business which have always been their domain. The re-entry of ECAs into a business which was once believed to be left to the private sector, is the very reason why, when the covid-19 pandemic hit, ECAs across the world were elected by their governments to implement rescue and reparation measures.

When worldwide peace was expected to prevail after 1990, ECAs were relegated to be insurers of last resort, to only venture into term finance terrain where the private sector's risk appetite was low. Today, all major exporting countries recognize that their ECAs are indispensable to facilitate short term export trade. Prior to 2008, ECAs supported 10% of all world trade. Thereafter it increased to 13% of all world trade in 2019, altogether USD 2.5 trillion.

There are currently 85 ECAs in the world who group themselves together in the International Union of Credit and Investment Insurers (Berne Union) where they meet biannually to exchange information on their experience with countries, projects, buyers, underwriting practices, policies, procedures and challenges. Many ECAs have adopted special instruments to assist SME exporters.

Africa currently has nine national ECAs (the most recent ones established were Sudan in 2005 and Ghana in 2016) whilst 18 African countries use Africa Trade Insurance (ATI) in Kenya as a kind of multilateral ECA. Some, such as Ghana and Nigeria are members of ATI but still have their own dedicated ECA. Rwanda is a member of ATI but not satisfied with ATI as the latter opened an office in Kigali in 2012 yet closed it in 2013. Currently, Rwanda is considering establishing its own ECA. In the wake of covid-19, ECAs have been chosen to be trade creators again (in other words not only to fill a market gap in the provision of export credit finance/ insurance), but to be spearheading trade creation again, a similar objective as to how it all began with the establishment of ECGD one hundred years ago. ECAs and their governments accept that the nature of the business may lead to losses from time to time. Currently the trade credit insurance market is reportedly bracing for a tsunami of potential claims (Brown, 2020). Therefore, the WTO only requires an ECA to break even in its business over the long term – which is considered to be 15 years or even longer.

In the SADC region there are only three ECAs: BECI in Botswana, ECGC in Zimbabwe and ECIC in South Africa. These are further analysed below.

Source: Berne Union, (November 4, 2019, Berne Union Yearbook. (Available here) | Brown, Sally (November 2020), Credit Insurance News Available here)

3.4.1.1 Provider constraints to financing

1. **Perceive ICBT section to be high risk with limited business case**: due to ICBTs lack of formal registration, limited access to collateral, the nature of informal trade and overall lack of visibility of their financial transactions, formal providers perceive ICBTs to be high risk with limited bankability.[77]
2. **The legal framework for secured transactions and movable assets registries are yet to be established:** as a result movable asset backed lending has yet to take off.
3. **There is limited innovation of trade finance products to meet ICBT needs:** As a result of the above, only one bank was offering tailored trade finance products to SMEs (and even this requires formal registration)
4. **There is no national reporting of uptake of trade finance:** The CBE does not report trade finance statistics like the East African counterparts. There is therefore no clear data point on how trade finance extension, particularly to SMMEs is changing.

3.4.2 Remittances

Table 41: Bilateral remittances between eSwatini and SA (2018, USD Millions)

Indicators	WBG estimates, 2018	FMT estimates, 2018
Inflows from South Africa, USD million	133	34
Outflows to South Africa, USD million	11	-

Sources: World Bank Bilateral Remittance Data 2020 | FMT, SADC volumes and values report, 2020

Remittances are used to refer to cross border payments. Overall, formal remittances as a percentage of GDP were estimated by WBG at 2.7% of GDP in 2018 and 2019.[78] The WBG using balance of payment manuals of personal transfers and compensation of employees estimates that inflows from SA amounted to USD 133 million in 2018, compared to outflows to SA of USD 11 million.

FMT estimated formal and informal migrant worker remittances flows between SA and SADC countries. With this methodology, it was estimated that inflows from SA accounted for USD 34 million (i.e. ZAR 494 million),[79] with 69% of this being from informal providers.

Table 42: Payment and remittance services in eSwatini

	FNB	Nedbank	Standard Bank	Mukuru
Type of institution	Bank	Bank	Bank	MTO
Sender's Account				
Bank Account	✓	✓	✓	X
Card	X	✓	X	X
Cash at an agent/ branch	✓	✓	✓	X
Recipients account				
Bank Account	✓	✓	✓	X
Virtual forex/ Provider wallet	X	X	X	X
Mobile money wallet	X	X	X	X
Card	X	X	X	X
Cash at an agent/ branch	✓	✓	✓	⍰
Document Required				
ID/Passport/Permit	✓	✓	✓	✓
Photo	✓	✓	✓	✓
Fees	11%	8.8%	8.76%	9.1%
Time Taken	3-5 days	3-5 days	2 days	<1 hour
Source: Mystery shopping, 2020				

As per the CBE, banks are the only institutions registered to send remittances to other countries. Other providers such as Mukuru and Shoprite Transfer Money receive remittances from other countries but do not send. A stakeholder interview opined that this is a result of the limited business case as well as difficulties in receiving licenses from the CBE.[80]

The banks charge between 8-12% of value sent on fees for remittances between SA. In terms of time taken for a receiver to receive funds, banks take between 2 -5 days whereas non-banks take less than an hour.[81]

3.4.2.1 SADC-RTGS

Table 43: Volume and value of eSwatini SADC-RTGS transactions

Indicators	2016	2017	2018	2019
Value, USD millions	10,440.3	7,509.7	6,509.1	8,456.4
Volume, Units	41,552	40,875	41,329	41,871

Source: SADC-RTGS Monthly reporting 2016-2020

Note: Exchange rates from Oanda.com and as at 31 December of respective years eSwatini is one of four countries (Namibia, Lesotho, South Africa and eSwatini) who were original members of the SADC-RTGS (formerly known as SIRESS) system when it was launched in July 2013. This regional cross border real-time gross settlement (RTGS) system is used for large value payments. As such, this system is more often used by large corporate transactions, rather than small scale traders. This is reflected in the average transaction value of USD 201,963 (i.e. ZAR 2.8 million) in 2019. The amount of money settled through the system was USD 8.5 billion (i.e. ZAR 118.9 billion) for 2019. This is up 26% from 2018, but still below 2016 levels. Despite being one of the smallest countries in SADC, it has the third largest settlements through the SADC system.

SADC planned to implement an instant payment system known as Transaction Cleared on Immediate Basis (TCIB) - a payment scheme for cross-border low-value transactions. ICBT has yet to be launched but is reportedly in the final stages of implementation.[82]

eSwatini is one of four countries (Namibia, Lesotho, South Africa and eSwatini) who were original members of the SADC-RTGS (formerly known as SIRESS) system when it was launched in July 2013. This regional cross border real-time gross settlement (RTGS) system is used for large value payments.

3.4.2.2 Providers constraints to remittance provision

1. **Slow regulatory approvals**: Remittance providers identified challenges involved in gaining regulatory approvals to operate within eSwatini. These caused significant delays when providers were seeking to offer services in eSwatini.
2. **Non-bank providers are not currently participating in sending remittances outside of the country:** This limits the available options for traders to pay for goods.

3.4.3 Insurance

Table 44: Insurance Policies in eSwatini

	United Hol.	ESRIC	Old Mutual	Lidwal	Standard	Phoenix
Commercial vehicle	X	✓	X	✓	X	X
Fire	X	✓	X	✓	✓	✓
Business Interruption	X	✓	X	X	X	✓
Goods in Transit	X	✓	X	✓	✓	✓
Theft	X	✓	X	✓	✓	✓
Money in Transit	X	✓	X	✓	✓	✓
Cross Border Insurance	X	X	X	X	X	X

Sources: Provider website, Genesis Analytics mystery shopping

Insurance services in eSwatini are targeted at individuals and formal businesses generally without a focus on cross border traders. However, there are a number of insurance companies offering CBT-related insurance policies such as fire, motor, goods-in-transit, theft and business interruption insurance. The mystery shopping identified that no non-life provider offered cover for any claim outside the eSwatini borders.[83]

3.4.3.1 Providers constraints to insurance provision

1. **Limiting regulatory Requirements**: The FSRA does not allow cross border insurance in eSwatini, and this limits the cover that insurance firms provide.[84] This limits the use case for both formal and informal CBTs.
2. **Overall low insurance uptake by SMMEs**: in 2017 uptake from formal insurance providers stood at 22% of SMMEs;[85] with least developed businesses as low as 8%. As a result considerable efforts are required to grow usage of insurance more generally

3.5 COVID-19 financial sector responses

In response to the COVID-19 crisis, the CBE enacted the following monetary responses; reducing the liquidity requirement for the banks from 25% to 20% giving the banks more liquidity and reducing the discount rate with 100 basis points that will reduce the cost of debt with 1%.[86] From a fiscal perspective, the government has encouraged banks to give individuals and companies that need short term financial support or relief and tax relief. These measures should increase the amount of credit available in the formal financial system and relieve those who are unable to make loan repayments.

3.6 Support providers

This section explores the key cross border trader support providers that operate within eSwatini and the type of support they provide. The type of support is classified around who the key recipients are i.e. traders, financial institutions (FIs) and regulators/ government agencies.

For eSwatini, these are i) African Development Bank (AfDB); ii) International Finance Corporation (IFC); iii) Afreximbank; and iv) SMME Unit within the Ministry of Commerce, Industry & Trade.

Table 45: Key CBT support providers in eSwatini

Institution	AfDB	IFC	Afreximbank	SMME Unit, eSwatini
Classification	Donor/ DFI	Donor/ DFI	Donor/ DFI	Gov agency
Overall focus	Africa wide	Africa wide & Global	Africa wide & Global	eSwatini
Type of support to traders				
Business development services (BDS)				
Market access				
Credit guarantee to traders				
Financing/ Grants				
Overall research				
Type of support to FIs				
Capacity building				
Credit lines to FIs for trade finance				
Risk guarantees to FIs				
Type of support to regulators/ government agencies				
Capacity building				
Advocacy				

Source: Mystery shopping, 2020 | Stakeholder interviews, 2020

Note: Green means support is provided.

The SMME unit offers BDS and market access training to traders, and advocacy to the government.

There three multinational DFIs namely AfDB, IFC and Afreximbank offer support primarily to FIs as part of their operations on the continent. The support focuses on offering capacity building, credit lines for trade finance and risk guarantees to primarily banks in the region. The IFC in addition carries out overall research on ICBT and capacity building for government institutions.

Notes from section 3

45 WBG WDI Database, 2020
46 Ibid.
47 GDP Database, 2018. Available here
48 IMF WEO Database, 2020
49 UNDP, A Rapid Socioeconomic Assessment of COVID-19 in eSwatini, 2020. Available here
50 WBG database, 2019
51 eSwatini government, The 2017 Population and Housing Census Volume 3, 2017. Available here
52 WBG, eSwatini, country overview, updated in 2019. Available here
53 FMT, FinScope Consumer Survey Highlights, eSwatini, 2018. Available here
54 FMT, FinScope Micro, Small and Medium Enterprise Survey, eSwatini, 2017. Available here
55 FMT, FinScope SMME Survey, eSwatini, 2017. Available here
56 WBG, Enterprise Surveys eSwatini, 2016. Available here
57 eSwatini: Intra-Africa trade and tariff profile, 2018. Available here
58 SRA Strategic Plan: 2018/19 to 2020/21, 2017. Available here
59 The Preferred Trader Program - External Guide & Procedures, SRA, 2019. Available here
60 Stakeholder engagements, 2020
61 Exchange rate from Oanda.com as at 1 November 2020
62 Government of eSwatini, Revised SMME Policy of eSwatini, 2018. Available here
63 COMESA, e-COMESA Newsletter n°638, 2019. Available here
64 EIPA, eSwatini Export Readiness Training Manual, 2019
65 Ibid.
66 SRA website, General import and export rules, 2021
67 SRA website, General import and export rules, 2021
68 COMESA website 2020 here
69 Protocol amending the Marrakesh agreement establishing the World Trade Organization, 2014. Available here
70 About ASYCUDA, 2020. Available here
71 Stakeholder interviews, 2020
72 The Covid-19 Crisis and Trade Facilitation, WTO, 2020. Available here
73 Covid-19 Affects Small-Scale Cross Border Trade Program, 2019. Available here
74 SRA, World Customs Organisation, 2020. Available here
75 Independent News, Govt sets up E650 subsidy on COVID-19 Hawkers. Available here
76 US embassy eSwatini website here
77 AfDB, Trade finance in Africa, 2020. Available here
78 Standard Bank eSwatini Website
79 FINCORP website 2020
80 CIEAS, Review of the state of the informal sector in Swaziland, 2016
81 WBG Data. Available here
82 The exchange rate used was from Oanda.com as at 31 December 2018
83 Stakeholder interviews, 2020
84 World Bank Remittance Prices. Available here
85 Stakeholder interviews, 2020
86 Genesis Analytics mystery shopping
87 Africa Reinsurance Corporation country dashboard. Available here
88 FMT, FinScope eSwatini SMME Survey, 2017. Available here
89 UNDP Socio-economic impact of COVID-19 2020 here

4. MOZAMBIQUE

4.1 Country Context

This section provides a contextual overview and macro-economic outlook for Mozambique. It further highlights the socio-demographic and SMMEs trends.

4.1.1 Macroeconomic Context

Table 46: Key macroeconomic indicators for Mozambique

Indicators	2015	2016	2017	2018	2019*	2020*	2021*
Nominal GDP, USD Billion	16	11.9	13.2	14.7	14.9	-	-
GDP growth, %	6.7%	3.8%	3.7%	3.4%	2.3%	-0.5%	2.1%
GDP per capita, USD	589.8	428.9	461.9	498.9	491.8	-	-
Inflation, %	3.5%	19.9%	15.1%	3.9%	2.8%	3.6%	5.7%
Exchange rate MZM/ USD	40	63.1	63.6	60.3	62.6	-	-
Current account balance, % of GDP	-37.4%	-35.6%	-19.1%	-29.6%	-20.3%	-60%	-68.9%
Population, Millions	27	28.8	29.5	30.3	31.2	32.0	32.8

Source: IMF WEO Database, 2020 | WBG WDI Database, 2020

Note: *Estimates

The IMF classifies Mozambique as a low-income country with a GDP of USD 14.9 billion and a per capita of USD 492 in 2019.[87] Prior to 2016 Mozambique had experienced a decade of very strong growth and there were expectations that the discovery of Africa's three largest liquid natural gas (LNG) deposits (i.e. the Mozambique LNG Project - Total, formerly Anadarko, worth USD 20 billion; Coral FLNG Project - ENI and ExxonMobil, worth USD 4.7 billion; and Rovuma LNG Project - ExxonMobil, ENI and CNPC, worth USD 30 billion) would propel growth for many years to come. Unfortunately growth has remained muted since 2016, following an economic debt crisis that was triggered by a USD 2 billion sovereign loan plagued with irregularities. In 2019, the country was hit by two cyclones Idai and Kenneth, followed in 2020 by terrorist insurgencies in the Northern region of Cabo Delgado and the global COVID-19 pandemic. Growth is expected to decrease to -0.5% in 2020 followed by a recovery to 2.1% in 2021.[88] The trade of goods and services accounted for 112% of GDP in 2019, with trade in merchandise accounted for 82% of GDP, confirming the importance of trade to Mozambique.[89] SA is Mozambique's largest trading partner, accounting for 24% of merchandise trade. Imports remain higher than exports partially as a result of large investments associated with the LNG projects.

FINMARK TRUST

During the debt crisis of 2016, the Metical depreciated sharply against major currencies. Annual inflation reached 19.9% in 2016, but has since reduced to below 5%.

Table 47: Real GDP contribution by sector

Sector	2020
Agriculture, Livestock, Forestry	26%
Transportation, Storage and ICT	9.6%
Trade and repairs	9.3%
Manufacturing	7.7%
Mining	5.1%
Public administration	7.2%
Education	5.7%
Real estate	4.9%
Fisheries and aquaculture	1.7%
Other	22.8%

Source: INE Mozambique 2020 | Notes: shading blue = top four sectors

The main sectors of the economy include agriculture, livestock and forestry, transportation, storage and ICT, trade and repairs and manufacturing. Cross border trade would fall into the trade and repair sector which is the third largest sector in the economy, contributing 9.3% to GDP.

Table 48: Ease of doing business indicators related to Trading across borders Mozambique

Trading across borders indicators	Mozambique	SSA	OECD high income
Time	Hours	Hours	Hours
Export: Border compliance	66	97.1	12.7
Export: Documentary compliance	36	71.9	2.3
Import: Border compliance	9	126.2	8.5
Import: Documentary compliance	16	96.1	3.4
Cost	USD	USD	USD
Export: Border compliance	602	603.1	136.8
Export: Documentary compliance	160	172.5	33.4
Import: Border compliance	399	690.6	98.1
Import: Documentary compliance	60	287.2	23.5

Source: WBG, Ease of Doing Business, 2020

Note: Red shading reflects above SSA averages

Mozambique is ranked 138th in the WBG's 2020 Ease of Doing Business ranking out of 190 countries. In relation to the indicators that affect traders, Mozambique ranks:

- **176th for starting a business:** This low ranking reflects numerous procedures involved (10), time taken (17 days) and high costs (106,9% of income per capita)
- **165th for getting credit:** This low ranking reflects the shallowness of credit information and poor legal rights.
- **94th for trading across borders:** This ranking reflects average time taken to complete exporting and importing goods. In Mozambique it takes less time to complete border documentation than other countries in the region. However, the cost of export and import compliance as well as the time taken to complete border documentation is more than in OECD countries.

4.1.2 Socio-demographic Context

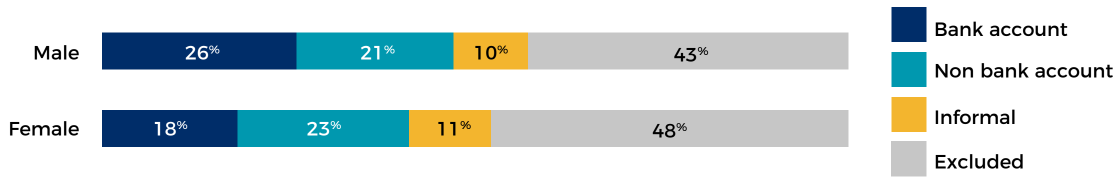
Mozambique has a population of 31 million. Adults of working age (aged 15 - 64 years old) constitute 52.7% of the population. Females make up 51.4% of the population.

Mozambique has a population of 31 million. Adults of working age (aged 15 - 64 years old) constitute 52.7% of the population. Females make up 51.4% of the population.

As at 2019, it was reported that 12.4 million people (i.e. 40% of the population) were living in monetary poverty;[90] and using international poverty lines this was 63%.[91] Another survey found that 55% of households had experienced poverty related symptoms in the last 12 months.[92]

25% of adults reported having no formal education, with 47% having attained primary education, and 25% with secondary education.[93]

Table 49: Financial access by gender



Source: FSD Mozambique, Consumer survey report, 2020

In 2019, 21% of adults (aged 16 years above) were banked. 46% of the population were excluded. Males had marginally higher banked levels at 26%, with females at 18%.[94] The gender disparity for those excluded was only 5% only.

With respect to access to mobile phones - 61% of adults had access to mobile phones. 14% had access to smartphones. 32% of adults had either made or received remittances. Mobile money was the preferred means (80% of adults) followed by informal means (e.g. bus drivers) at 12%.[95] Only 1% of adults had sent money outside the country. Males were generally more likely to use remittances compared to women.

4.1.3 SMME Context

Table 50: Sectoral split of business by size 2015

Split of formal businesses	Large	Medium	Small
Agriculture and fishing	0.1%	0.1%	0.7%
Trade (unspecified)	0.9%	1.7%	56.2%
Construction	0.4%	0.4%	3.7%
Manufacturing, electricity and water	0.6%	0.6%	6.4%
Services	1.1%	1.4%	25.8%

Source: INE Mozambique Business Census 2015

The last business census in Mozambique took place in 2015, with 43,026 formal enterprises identified, of which 93% were considered small. The small category is any firm with 49 employees and less with revenue below USD 250,000. There is no separate classification for micro enterprises.[96] Any business which has between 50 and 99 employees with a turnover of between USD 250,000 and USD 499,999 is considered to be a medium-sized firm. Any business which has more than 100 individuals and has a turnover more than USD 500,000 is considered to be a large enterprise.

According to the World Bank SMME enterprise surveys, 12.2% of Mozambican SMMEs directly export more than 10% of their sales. This is low but marginally higher than the SSA average of 8%.[97] 38.7% of firms use material inputs and/or supplies of foreign origin, which is lower than the region average of 61.1%.[98]

4.2 International Trade

This section evaluates the international trade policies with which Mozambique is a signatory of and evaluates the country's trade flows with SA.

4.2.1 International Trade Policies and Agreements

Mozambique is a member of **SADC.**[99] In 2017, Mozambique ratified the **WTO Trade Facilitation Agreement**, which could reduce the cost of trade by an average of 14.3 %.[100] In 2018, Mozambique signed the **AfCFTA agreement**, however they have not yet ratified this agreement through their legislative system.[101]

In relation to informal cross border trade, the **National Financial Inclusion Strategy (2016-2022)** identifies the need to develop micro-insurance products that are targeted to low income populations, and explicitly identifies informal importers (mukeristas) as a key segment[102]. No other mention of ICBT is found in Government strategies.

4.2.1.1 Trade Procedures

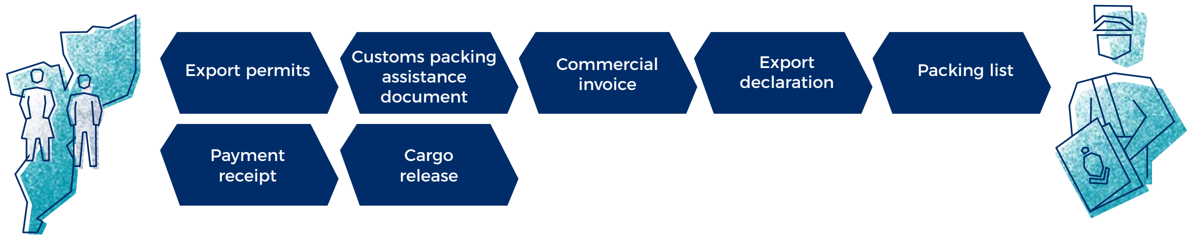
Figure 8: Import process required for CBTs to enter into Mozambique

Source: South African High Commission Maputo, Mozambique, Border procedures

Cargo manifest forms are to be completed if consignments are transported by air or sea. In road and railway transportation cases, the dispatcher/trader of goods submits a cargo memorandum to customs officials at the border. In addition, these traders need to present their driver's license and registration information as well as third party vehicle insurance.

CBTs traveling with children are required to provide the birth certificate of the child and an affidavit with written consent from the parent that is not present during the crossing of the border.

Figure 9: Export process required for CBTs to enter into Mozambique



Source: South African High Commission Maputo, Mozambique, Border procedures | Mozambique Revenue Authority website

Customs declaration documents and other supporting documents are submitted through the **Single Electronic Window (SEW)**. Once the documentation (e.g. export declaration forms, etc.) is received, the goods go through clearance and the cargo terminal officer updates the status of the declaration on the SEW.

A USAID 2017 study on the impact of the SEW in Mozambique indicated that the use of this system was for both imports and exports, however, importers were subject to user fees and experienced some difficulties relating to the release of their consignments. The SEW makes it easier to trade provided that customs officials and authorities are well trained and minimal occurrence of corruption.[103] The study also indicated that trade processes could improve provided there is a reduction in documentation required.[104] Scanning and attaching the declaration and supporting documents on the SEW is a lengthy process given the amount of documents needed.

4.2.1.2 Digitisation in Trade

The government of Mozambique has implemented a number of digital solutions to enhance cross-border trade. Below are the systems and tools implemented:

- **MCNet's TradeNet System (Mozambique Community Network)**[105] (accessible here) is part of the Single Electronic Window (SEW) Solution to facilitate import and export trade. The System provides the parties involved in international trade and transportation with a single platform for access to all services related to foreign trade and compliance with legal requirements for import, export, transit and other regimes. The main features on TradeNet include arrival notices; submission of electronic documents; cargo manifests (i.e. document list cargo); domestic manifestos submission; submission of electronic statements; payments and licences and authorisations; cargo tracking. However, it seems like this website is more targeted at larger firms that trade through the port and would not necessarily impact ICBT.
- **External trade portal**[106] (accessible here): Provides resources and information on how to send or receive goods from or to Mozambique
- **E-declaration**[107] (accessible here): tool to declare goods electronically: Calculation of the amount of tax payable; Generation of a single reference for the purpose of paying the tax already declared; Monitoring the status of declarations and payments already made.

It was reported that the MCNet platform had increased the ease with which traders can declare their merchandise with the authorities. There were some teething problems with the systems, such as with incorrect pricing on goods which in some cases could be twice as much. Uptake reportedly remains low among ICBTs.[108]

For the period April to September 2020, Mozambique restricted non-essential travel between Mozambique and other nations.

4.2.2 Regulatory Challenges

1. **Lack of a unified definition of ICBTs and support strategies:** There is no agreed upon definition of informal cross border traders across SADC. This means there is no joint approach seeking to support ICBTs.
2. **ICBT (locally known as Mukeristas) are not being included in government development plans**. Stakeholders suggested that they are treated as being disruptive to local economic activities.[109]
3. **SADC is yet to roll out simplified trade regimes (STRs) and one stop border posts (s):**[110] This has lagged other regional blocs such as the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA). As at November 2020, the Lebombo had yet to be implemented.

4.2.3 Mozambique Government's response to COVID-19

The initial response to the COVID-19 was the following:[111]

- (i)The shutdown of schools from preschool up to university, (ii) the ban of all gathering – including religious services - of more than 50 persons, (iii) the ban and cancellation of all entry visas, (iv) a 14 day quarantine for all travellers entering Mozambique and (iv) the creation of a technical and scientific committee to advise the government. President Nyusi took further measures, including the declaration of a state of emergency from the month of April.
- The government has increased the budget allocation for health, from about USD 28 million (or about 0.2 percent of GDP) to about USD 46 million (0.3 percent of GDP).
- In addition, the Government is asking Mozambique's development partners for USD 700 million for help to deal with the economic impact of the pandemic.

Overall COVID-19 impacted a number of sectors adversely. The manufacturing sector's productivity has fallen by more than 70%, and turnover of companies in this sector fall by a monthly average of 60%, corresponding to an estimated loss of revenue of about USD 58.7 million, with the non-alcoholic drinks, sugar, oil and soap industries recording monthly billing losses estimated between 40% and 65%.[112] Falling price of crude oil in the international market will have negatively affected the price of one of Mozambique's primary exports, which is mineral fuels, oil and gas.

For the period April to September 2020, Mozambique restricted non-essential travel between Mozambique and other nations. During SA's lockdown period, movement of people to and from the country was prohibited, however cross-border freight transport and logistics were permitted to enter and leave SA for agreed goods.[113] Both formal and informal traders were negatively impacted.

The border closure is likely to result in an upward pressure on prices. Imported rice and vegetable oil has seen average price increases of above 10% in urban areas and up to 20% in rural areas[114] (where mukeristas mainly trade). Traders are required to have a COVID-19 free certificate from a test taken 72 hours before travelling across the border. The tests, however, are mostly done in private hospitals, and cost between USD 41 and USD 97 - equivalent to ⅓ of GDP per capita.[115] This has led to a spike in fraudulent COVID-19 test certificates circulating near the border.[116]The table below shows the impact of the lockdowns in SA on trade with Mozambique.

Table 51: Impact of lockdown on Mozambique trade

Indicators	1st quarter 2020 Pre-lockdown in South Africa		2nd quarter 2020 Level 5, 4 & 3 lockdown in South Africa	
	Export	Import	Export	Import
Total international trade, USD millions	999	1,908	735	1,396
Total South Africa trade, USD millions	232	440	157	369

Source: INE Mozambique 2020

Note: Red indicates a decrease in trade activity

4.3 Demand Side Diagnostic

This section discusses the demand side findings.

4.3.1 CBTs Profiles

To capture the Mozambican traders crossing into SA, CBT survey was conducted at Lebombo border and telephonically with the members of the Association of Mukeristas. Overall, 67 Mozambican traders were sampled for this study; 43 at Lebombo and 24 telephonically.

The analysis of respondents below is carried out against the overall sample size, gender splits, and the segmentation based on frequency of trade (i.e. mukeristas; or bakkie brigade). The diaspora segment had only four observations which is too small a sample size to draw meaningful insights from. This is however included below for indicative purposes.

Table 52: Age distribution by trader segments

	Number	18 - 25 years	26 - 35 years	36 - 45 years	46 - 55 years	56 - 65 years
Total sample	67	4%	31%	42%	13%	9%
Mukeristas	23	4%	4%	65%	13%	13%
Diaspora traders	4	25%	50%	0%	25%	0%
Bakkie brigade	40	3%	45%	33%	13%	8%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

On average, the majority of traders were aged 36 to 45 years old, corroborating findings from the SAMP survey. Bakkie brigade had a higher proportion of individuals aged between 26 to 35 years old.[117]

49% of respondents were married. More men were married (69%) compared to women (37%). 76% of respondents had more than three dependents. Males had more dependents, with 81% of them having more than three compared to women at 71%.

Table 53: Gender and formality by trader segments

	Male	Female
Total	39%	61%
Youth	33%	67%
Mukeristas	30%	70%
Diaspora traders	75%	25%
Bakkie brigade	40%	60%

	Formal	Informal
Total	33%	67%
Youth	0%	100%
Male	35%	65%
Female	32%	68%
Mukeristas	26%	74%
Diaspora traders	25%	75%
Bakkie brigade	38%	63%

Source: Genesis Analytics, Team analysis, 2020

Note: Formality is defined as a business being registered or licensed as an importer or exporter with an authority| Youth is defined as respondents under 25 years | Red blocks indicate highest percentage/trend

Majority of the sample were female (61%) and informal (67%). The traders that trade formally are registered with either SARS or the Tax Authority of Mozambique (AT).

The majority of formal traders indicated that they did not experience any challenges with registration, however, informal traders indicated that they are not registered due to not having the required documentation and their business being too small.

Only 19% of respondents declared the correct value of goods traded with customs officials. For formal traders, this was 36% - highlighting low levels of compliance. Women had a higher rate of full compliance than men.

Access to visitors' permits for Mozambicans seems not to be an issue with over 74% holding one to travel into South Africa.[118] Nevertheless, a large number of respondents identified police harassment and customs officials' corruption negatively impacting their operations.

According to FMT, 74% of Mozambican migrants in SA do not have the right to work in SA[119]. This status prevents migrant traders based in SA from being able to access a number of financial services.[120]

42% of traders were members of a CBT association. The most popular association was the Association of Mukeristas (or Mukhero Association). Proportionally more women were signed up to the association than men. Similarly, more formal CBTs were members than ICBTs.
The main reported services received from the associations was training on the correct trade facilitation processes and assistance registering with an authority.

Box 3: Association of Mukeristas

The Association of Mukeristas was established to provide support to informal cross border traders. This support includes **providing capacity building, aiding or facilitating the licensing process, lobbying and advocacy** on the operating environment for ICBTs, providing information particularly to women and children and **organises transport or support in travelling across the border to purchase goods**.

The organisation had approximately **1,600 members** in 2020.

The organisation has sought a number of partnerships with government agencies (including Ministry of Finance, AT and Home Affairs) and banks. They reported discussing a memorandum of understanding between a commercial bank to organise financing for its members. This however, **did not materialise** with the bank citing the risky nature of the businesses as well as the high import taxes charged making it difficult to understand how they would be profitable.

Source: Stakeholder interviews, 2020

52% of respondents had completed secondary school. 25% had only completed primary school. Across the three countries education levels were the lowest, which may contribute to the level of informality identified.

40% of traders had more than five years' experience and 31% having between three and five years' experience.

Table 54: Type of product traded by trader segments

	Total	Female	Male	Mukeristas	Diaspora traders	Bakkie brigade
Agricultural produce	37%	41%	31%	83%	0%	15%
Electronics	3%	5%	0%	0%	0%	5%
Natural stones and metals	7%	5%	12%	4%	25%	8%
Textiles (first and second hand clothing)	13%	15%	12%	4%	0%	20%
Consumables	27%	22%	35%	22%	75%	25%
Vehicles and electrical machinery and equipment	4%	5%	4%	0%	0%	8%
Pharmaceuticals	4%	7%	0%	0%	0%	8%
Plastics	4%	7%	0%	4%	0%	5%
Other	9%	10%	8%	4%	0%	13%

Source: Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

The two most traded goods include agricultural produce and consumables. Mukeristas typically trade agricultural produce and consumables whereas the bakkie brigade traders are likely to trade consumables and textiles. Other commodities that Mozambicans trade include cosmetics and hair.

FMT FINMARK TRUST

Table 55: Average value of goods traded by trader segments

	Total	Female	Male	Mukeristas	Diaspora traders	Bakkie brigade
Below ZAR 1,000	9%	7%	12%	13%	25%	5%
ZAR 1,000 to 10,000	22%	24%	19%	9%	25%	30%
ZAR 20,000 to 100,000	57%	61%	50%	70%	50%	50%
ZAR 200,000 to 1 million	12%	7%	19%	9%	0%	15%

Source: Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

The average value of goods traded by trip ranged between ZAR 20,000 and ZAR 100,000. Of the whole sample, 40% indicated CBT income accounts for between 50% and 80% of their annual income before COVID-19. 81% of the respondents revealed that their annual income decreased due to the pandemic while 18% mentioned that their annual income remained the same.

77% of Mozambican traders are not aware of trade policy or agreements that the country is a signatory to. Those that indicated that they are aware of trade agreements stated that they knew of SADC. Despite being aware of the agreements, traders felt that these agreements do not make it easier for traders to trade between different countries in the regional community.

In light of the pandemic, most Mozambican traders across all segments indicated that the government did not provide them with business support.

4.3.2 Supplier and Customer Dynamics

Table 56: Type of suppliers of goods by trader segments

	Total	Female	Male	Mukeristas	Diaspora traders	Bakkie brigade
Wholesalers	36%	33%	23%	48%	0%	33%
Supermarkets	21%	21%	27%	9%	0%	30%
Manufacturers or factories	18%	8%	12%	9%	0%	25%
Small shops and retailers	7%	6%	8%	13%	50%	0%
Direct from farmers	10%	13%	12%	26%	0%	3%
You make the goods you sell yourself	6%	8%	8%	4%	25%	5%
Informal businesses	12%	10%	15%	4%	50%	13%

Source: Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

As with other countries, the key suppliers of goods are wholesalers and supermarkets. A sizeable share of the CBTs in addition purchase goods from informal businesses or direct from farmers that likely affects their ability to get VAT receipts. Diaspora traders went against the norm and sourced their goods from small traders and informal businesses.

60% of CBTs purchased goods in person. Formal businesses had the highest proportion of CBTs ordering goods electronically.

Table 57: Supplier payments based on trader segments

	Total	Female	Male	Mukeristas	Diaspora traders	Bakkie brigade
Bank transfer done at the branch	31%	24%	42%	39%	0%	30%
Bank transfer done on mobile banking app or USSD platform	1%	2%	0%	4%	0%	0%
Bank transfer done on internet banking platform	7%	10%	4%	4%	25%	8%
Cash	76%	78%	73%	65%	100%	80%
Mobile money	4%	7%	0%	9%	0%	3%
Voucher	3%	2%	4%	4%	0%	3%

Source: Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

The CBT survey showed that most Mozambican traders still rely on cash to pay their suppliers. Bank transfers done at the branch are also a prominent payment means. No CBT reported using ADLAs.

70% of Mozambican traders stated that they stopped receiving orders during the pandemic.

Table 58: Challenges related to suppliers by trader segments

	Total	Female	Male	Mukeristas	Diaspora traders	Bakkie brigade
Require payment in full before receiving goods	18%	16%	19%	15%	50%	15%
Charge high prices making it hard to compete	27%	31%	15%	37%	25%	17%
Don't have access to certain goods	12%	9%	15%	4%	0%	17%
The quality of goods is poor	21%	24%	11%	11%	25%	24%
They do not provide you with a VAT receipt	7%	2%	15%	4%	0%	10%
Require payment in foreign currency	6%	7%	4%	4%	0%	7%
Other	16%	11%	22%	26%	0%	10%

Source: Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Women's key challenges with suppliers related to the high pricing that impeded their ability to be competitive. Men faced challenges with being required to make payment upfront and identified other challenges related to their treatment at borders.

FMT FINMARK TRUST

Table 59: Type of customers by trader segments

	Total	Female	Male	Mukeristas	Diaspora traders	Bakkie brigade
End consumers/ Private individuals	45%	49%	38%	43%	25%	48%
Wholesalers	9%	12%	4%	4%	0%	13%
Small shops and retailers	22%	20%	27%	35%	0%	18%
Manufacturers or factories	3%	0%	8%	0%	0%	5%
Other large businesses	1%	0%	4%	0%	25%	0%
Informal businesses	15%	15%	15%	13%	50%	13%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Almost half of all CBTs sell directly to end consumers/ private individuals. As with other countries, majority of CBTs sell their goods on the street or by delivering these directly to consumers.

Table 60: How customers make payment by trader segments

	Total	Female	Male	Mukeristas	Diaspora traders	Bakkie brigade
Bank transfer	15%	15%	15%	26%	0%	10%
POS transaction	3%	2%	4%	0%	0%	5%
Cash	96%	95%	96%	100%	100%	93%
Cheque	3%	0%	8%	0%	0%	5%
Mobile Money	18%	27%	4%	43%	0%	5%
Airtime	1%	2%	0%	4%	0%	0%
Other Specify	3%	2%	4%	0%	0%	5%

Source: Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Across all segments, most customer payments are still made in cash. A significant proportion of females and mukeristas have taken up mobile money to pay their customers.

Table 61: Challenges related to customers by trader segments

	Total	Female	Male	Mukeristas	Diaspora traders	Bakkie brigade
Take too long to pay after delivery	30%	22%	42%	61%	0%	15%
Limited access to customers or markets	9%	10%	8%	0%	25%	13%
Competition from bigger traders and shops	22%	24%	19%	9%	50%	28%
Negotiate for very low prices	40%	49%	27%	52%	25%	35%
Payment is in foreign currency	4%	7%	0%	4%	0%	5%
Other	15%	12%	19%	17%	0%	15%

Source: Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Based on the questionnaire responses, customer challenges that Mozambican traders experienced varied across segments. Generally most traders felt that customers negotiate very low prices making it difficult for CBT businesses to generate a reasonable profit or expand their business. Male traders and mukeristas revealed that customers take too long to make payment once they have received the commodity. Traders that responded 'other' (as shown in the table above) highlighted theft/criminal activity as a key challenge while some experienced no customer related challenges.

On average 64% of the traders indicated that the pandemic has stopped them from selling goods to their customers.

Only 24% of CBTs identified access to foreign exchange as being an issue.

4.3.3 Access to Finance

Table 62: Account ownership by trader segments

	Total	Female	Male	Mukeristas	Diaspora traders	Bakkie brigade
Bank account	61%	73%	42%	70%	25%	60%
MFI account	7%	10%	4%	17%	0%	3%
Mobile money account	34%	32%	38%	57%	50%	20%
SACCO	1%	2%	0%	0%	0%	3%
ADLA account	1%	0%	4%	4%	0%	0%
Other account	12%	10%	31%	4%	25%	25%

Source: Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Bank and mobile money accounts are widely used by traders at 61% and 34% respectively. 70% of bakkie brigade traders and 52% of mukeristas indicated that they have not borrowed or owe any person/institution money currently. This identified low uptake of credit. Traders instead used loans from friends and family, savings and their income to finance their operations. 20% of traders also borrowed money from investors. The bulk of traders that did borrow/owe money recently used it for buying more goods and for expanding their business premises.

Looking forward, traders would prefer to get loans while speaking to branch staff in person. This suggests considerable efforts would be required to have traders comfortable with borrowing digitally.

Table 63: FSPs that are perceived to support CBT by trader segments

	Total	Female	Male	Mukeristas	Diaspora traders	Bakkie brigade
Banks	28%	32%	23%	39%	0%	25%
MFI account	16%	20%	12%	30%	0%	10%
Mobile money operators	7%	0%	19%	9%	25%	5%
SACCOs	4%	5%	0%	4%	0%	3%
ADLAs account	4%	5%	0%	0%	0%	5%
Insurance firms	3%	2%	0%	0%	0%	3%
None of the above	52%	49%	58%	39%	75%	58%

Source: Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

The general perception of traders is that FSPs are not interested in serving them. This is because they find current products are difficult to use and too expensive. CBTs felt that banks had the least interest in serving them.

Table 64: Access to digital platforms based on trader segments

	Total	Female	Male	Mukeristas	Diaspora traders	Bakkie brigade
Damn phone	33%	34%	31%	26%	50%	35%
Smartphone	55%	61%	46%	70%	0%	53%
Feature phone	7%	5%	12%	0%	25%	10%
None	4%	0%	12%	4%	25%	3%

Source: Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Smartphone penetration is high at 55%, particularly for women, mukeristas and bakkie brigade. Access to the internet followed a similar trend with smartphone penetration, with only 34% of respondents not being connected (i.e. likely related to those with damn phones).

Knowledge of digital platforms for financial services was low. Of the few that identified as knowing platforms, they identified internet banking, banking apps and Mukuru.

4.3.4 Summary of Key Challenges

Below we summarise the key challenges faced by the different profiles of traders. These are split by those impacting their operating environment and those that impact their ability to access financial services.

Table 65: Challenges faced by sub-segments

Segment	Key challenges
Mukeristas	**Operations** • Do not have all the required documentation to register with authorities • Traders see limited benefit of formalisation • Purchase goods from small shops and retailers that may have no VAT receipt • Insecurity at border posts • Customs fees are considered expensive • Long queues and delays at border posts • Face harassment at border posts by police and customs officials. This is often in the form of goods being seized or being asked for bribes • Suppliers charging high prices • Quality of goods sold by suppliers is poor • Consumers negotiate down prices • COVID-19 has inhibited their ability to access suppliers and customers
	Financial services • Suppliers require upfront payment in full implying there is limited access to supplier credit. • Customers take long to make payment once goods are delivered • Payment of suppliers and receipts by customers are largely in cash there by limiting developing a financial history • Lack of collateral • Purchase goods from small shops and retailers that may not have formal receipts • Limited uptake or usage of insurance because of a lack of understanding of insurance
Diaspora traders	**Operations** • Do not have all the required documentation • Poor transport infrastructure • Face harassment at border posts by police and customs officials. This is often in the form of goods being seized, sexual harassment or being asked for bribes • Purchase goods from small shops and retailers that may have no VAT receipt • Customs fees are too high • Face stiff competition from bigger traders
	Financial services • Suppliers require upfront payment in full implying there is limited access to supplier credit. • Lack of collateral • Payment of suppliers and receipts by customers are largely in cash there by limiting developing a financial history • Limited uptake or usage of insurance because insurance is perceived as being expensive • Repatriation of proceeds to SA

Segment	Key challenges
Bakkie Brigade	**Operations** • Do not have all the required documentation • The process of registration with an authority as an importer or exporter is considered lengthy and complicated • They perceive they are too small and have too little money to be registered • Face harassment at border posts by police and customs officials. This is often in the form of goods being seized, sexual harassment or being asked for bribes • Insecurity at the border • Customs fees are considered expensive • Quality of goods sold by suppliers is poor • They do not get access to certain types of goods • Suppliers charging high prices that eat into CBT incomes • Face stiff competition from bigger traders • Consumers negotiate down prices • COVID-19 has inhibited their ability to access suppliers and customers
	Financial services • Customers take too long to make payment once goods are delivered • Payment of suppliers and receipts by customers are largely in cash there by limiting developing a financial history • Lack of collateral • Insurance fees are too expensive • Lengthy time to access some financial services

Source: CBT survey, 2020

4.4 Supply Side Diagnostic

An overview of the financial sector in Mozambique is provided in Appendix 6.4.3. In this section a review of the financing, remittance and insurance offerings for CBTs within Mozambique are provided.

4.4.1 Financing

Table 66: Share of credit extension by sector 2020

Sector	2019	2020
Personal	46.7%	49.1%
Trade/Distribution	12%	11.5%
Real estate and Construction	10.5%	8.7%
Agriculture & Forestry	3.4%	3.8%
Tourism	1.8%	1.5%
Transport and communication	9.7%	10%
Manufacturing	15.9%	15.4%

Source: BM Statistics 2020

The Personal/ household category receives the largest share of credit from banks at 49%. The trade/ distribution segment receives 11.5% of total credit, seeing a slight drop from 12% in 2019. There was no reporting on trade that funds cross border trade as compared to domestic trade. The Bank of Mozambique does not report trade finance either.

Table 67: Trade finance products Mozambique

Trade finance product	BCI	Millennium Bim	Standard Bank	Absa	FNB
Letters of credit	✓	✓	✓	✓	✓
Receivable discounting	x	x	x	✓	x
Documentary collections	✓	✓	✓	✓	✓
Business/SME targeted trade finance	✓	x	x	x	x
Guarantees	✓	✓	✓	✓	x

Source: Various Bank websites

Currently only BCI, offers SME targeted trade finance services.[121] The documentation requirements remain high which makes it unlikely ICBTs can access it. Some of the main requirements include: letter requesting the opening of an account, indicating the subscribers and the conditions of movement; certificate of commercial registry, deed and tax certificate of the company; identification document; proof of residence and tax certificate of the partners; proof of powers of representation in relation to account subscribers; legislation in force on opening foreign currency accounts applies.

According to stakeholder engagement access to financial services from banks is limited due to the reluctance of the banks to provide short loans to them due to the risky nature of the business of cross border trading, especially because it is considered informal[122].

In terms of non-bank trade finance offerings, USAID offers guarantees for cross border transactions, but these are targeted at the agriculture sector. No additional information is available on the specific products on offer form the DFI.[123] A report by ACIS Mozambique evaluated 32 microcredit/finance providers in Mozambique, it found that none of these institutions offered explicit trade finance products.[124]

There is currently no ECA operating within Mozambique. ECAs are entities that provide/ facilitate export credit insurance and/ or outward investment insurance on behalf of the government it serves.

4.4.1.1 Provider constraints to financing

1. **Perceive ICBT section to be high risk with limited business case**: Through stakeholder engagement, it has been identified by banks and other financial institutions in Mozambique that the lack of collateral and guarantee hinder financial service providers from providing trade finance to cross border traders.
2. **Underdeveloped and underutilised credit information system**: with just the one CRB entering the market in 2018, the industry still needs further development to increase reporting and utilisation in the credit underwriting processes
3. **There is limited innovation of trade finance products to meet ICBT needs:** As a result of the above, only BCI was offering tailored trade finance products to SMEs
4. **There is no national reporting of uptake of trade finance:** The Bank of Mozambique does not report trade finance statistics. There is therefore no clear data point on how trade finance extension, particularly to SMMEs is changing.

4.4.2 Remittances

Table 68: Bilateral remittances between Mozambique and South Africa (2018, USD Millions)

Indicators	WBG estimates, 2018	FMT estimates, 2018
Inflows from South Africa, USD million	213	276
Outflows to South Africa, USD million	8	-

Sources: WBG Bilateral Remittance Data 2020 | FMT, SADC volumes and values report, 2020

Overall, remittances as a percentage of GDP were reported as 2% of Mozambique's GDP in 2019.[125] FMT estimated migrant remittance flows from South Africa to Mozambique amounted to USD 276 million (i.e. ZAR 3.3 billion)[126] in 2018, more than that from WBG estimates. Of this 67% of remittances were estimated to be through informal channels.

Table 69: Sample of payment and remittance services in Mozambique

	FNB	ABSA	Standard Bank	WorldRemit	Mukuru	Mama Money
Type of institution	Bank	Bank	Bank	ADLA	ADLA	ADLA
Sender's Account						
Bank Account	✓	✓	✓	x	x	x
Virtual forex/ Provider wallet	✓	x	x	✓	x	x
Mobile money wallet	x	x	x	✓	x	x
Card	x	x	x	✓	x	x
Cash at an agent/ branch	✓	✓	✓	✓	x	x
Recipients account						
Bank Account	✓	✓	✓	x	x	x
Virtual forex/ Provider wallet	x	x	x	✓	✓	✓
Mobile money wallet	x	x	x	✓	✓	✓
Card	x	x	x	x	x	x
Cash at an agent/ branch	✓	✓	✓	✓	✓	✓
Document Required						
ID/Passport/Permit	✓	✓	✓	✓	✓	✓
Photo	✓	✓	✓	✓	✓	✓
Fees per USD 100 transaction	26%	28%	28%	5%	11%	5%
Time Taken	3-5 days	3-5 days	2 days	<1 hour	<1 hour	<1 hour

Sources: Provider website, Genesis Analytics mystery shopping

Banks charge between 26-28% of value sent on fees for remittances between South Africa and Mozambique. ADLAs charge around 5% of value sent on fees for remittances between South Africa and Mozambique. MMO charge on average between 5% - 11%. Mystery shopping identified that ADLAs are currently sending outbound money from Mozambique to SA.

In terms of time taken for a receiver to receive funds, banks take between 2 -5 days whereas non-banks take less than an hour[127]. Low fees charged and faster money transfer times is likely to incentivise usage and uptake of non-bank remittance providers such as ADLAs and MMOs.

4.4.2.1 SADC-RTGS

Mozambique joined the SADC-RTGS in October 2016. Mozambique has six participating banks namely Banco Mais, Absa, FNB, Moza Banco, Standard Bank and Banco Unico.[128] It is worth noting that the two largest banks in the country, BIM and BCI have not joined the system. In 2019 ZAR 2.89 billion was cleared through the SADC-RTGS equivalent to about 2% of imports. The planned TCIB payment system for low value cross-border transactions has the potential to incorporate non-bank providers and to reduce the cost of transfers.

4.4.2.2 Providers constraints to remittance provision

1. **Limited participation in SADC-RTGS -** means that the system has not materially changed the cost of interbank payments or remittance.
2. **Limited competition:** Although there are both bank and non-bank providers, limited competition results in higher costs.
3. **Tight financial regulatory landscape**: The Mozambican regulatory framework recognises banks as the main providers of payment services meaning that only banks are permitted to perform cross border remittance services.[129]

4.4.3 Insurance

Table 70: Insurance Policies in Mozambique

Type of product	Hollard	Britam	Imperial	Global Alliance	Emose
Commercial vehicle	✓	✓	✓	✓	✓
Fire	✓	✓	✓	✓	X
Business Interruption	✓	X	✓	✓	✓
Goods in Transit	✓	✓	✓	✓	X
Theft	✓	✓	✓	✓	X
Money in Transit	✓	✓	✓	✓	✓
Agriculture	✓	X	X	X	X
Cross Border Insurance	X	X	X	X	X

Sources: Provider website, Genesis Analytics mystery shopping

There are a number of insurance companies providing business/CBT related insurance services such as fire, motor, goods-in-transit, theft and business interruption insurance to cross borders as well as other SMMEs in Mozambique. Mozambican insurance mystery shopping revealed that no insurer provides cross border insurance.

4.4.3.1 Providers constraints to insurance provision

1. **Limiting regulatory requirements preventing cross border insurance:** The Insurance Regulatory Authority does not allow cross border insurance in Mozambique, and this limits the cover that insurance firms provide.[130]
2. **Limited understanding of the ICBT segment**: Formal insurance is typically designed for the formal economy. Formal providers do not understand the informal sector and are unable to adjust valuation and risk assessment processes

4.5 COVID-19 financial sector responses

Covid-19 crisis has adversely impacted economic activity, causing growth expectations to decline to -0.4 percent in 2020, down from a pre-Covid19 forecast of 4.3 percent, with significant downside risks.[131] As a result of lower tax revenue collection and decreased fiscal borrowing capacity, The World Bank and the IMF has since listed Mozambique as one of eight countries in "debt distress".[132]

To ease liquidity conditions, on March 16, the central bank reduced reserve requirements by 150 basis points for both foreign currency and domestic currency deposits (to 11.5 percent and 34.5 percent respectively).On March 30, the central bank announced measures to easy payment system transactions and liquidity conditions by: (i) lowering fees and charges for digital transactions through commercial banks, mobile banking and e-currency, for a period of three months, and (ii) waiving specific provision on foreign currency loans, until December 31.

4.6 Support providers

This section explores the key cross border trader support providers that operate within Mozambique and the type of support they provide. The type of support is classified around who the key recipients are i.e. traders, financial institutions (FIs) and regulators/ government agencies.

Table 71: Key CBT support providers in Mozambique

Institution	AfDB	IFC	Afreximbank	Ministry of Industry and Commerce
Classification	Donor/ DFI	Donor/ DFI	Donor/ DFI	Gov department
Overall focus	Africa wide	Africa wide & Global	Africa wide & Global	Mozambique
Type of support to traders				
BDS				
Market access				
Credit guarantee to traders				
Financing/ Grants				
Overall research				
Type of support to FIs				
Capacity building				
Credit lines to FIs for trade finance				
Risk guarantees to FIs				
Type of support to regulators/ government agencies				
Capacity building				
Advocacy				

Source: Mystery shopping, 2020

The ministry of industry and commerce offers support to traders through BDS and market access. They also offer regulators and other government agencies advocacy services.

The AfDB has a relatively small presence compared to other nations in our analysis. They only offer overall research on traders in Mozambique. The IFC and Afreximbank offer comprehensive support to FIs in the country, including capacity building, lines of credit for trade finance and risk guarantees. The IFC additionally offers capacity building to regulators and government agencies.

Notes from section 4

90 IMF WEO Database, 2020 Available here

91 Ibid..

92 Ibid..

93 Monetary poverty is defined as disposable income (after social transfers) is below the at-risk-of-poverty threshold, often set at 60% of the national median equalised disposable income

94 Embassy of Sweden in Maputo, Mozambique multidimensional poverty analysis, 2019

95 FSD Mozambique, FinScope Consumer Survey Report, 2019. Available here

96 ibid.

97 ibid.

98 ibid.

99 INE Business census, 2015. Available here

100 World Bank, Enterprise surveys Mozambique 2018 here

101 Ibid.

102 Ibid.

103 WTO news article 2017 here

104 Club of Mozambique News 2018 here

105 Government of Mozambique, National Financial Inclusion Strategy (2016-2022). Available here

106 USAID, Impacts of the Single Electronic Window in Mozambique, 2017

107 Ibid.

108 MCnet Ministry of Trade and industry 2020 Website here

109 External Trade Department Portal Websites 2020 here

110 Tax Authority of Mozambique (Autoridade Tributaria de Mozambique - AT) Website. Available here

111 Stakeholder interviews, 2020

112 Ibid.

113 An is a shared space located at a border crossing between two adjoining countries, or in its proximity, where the border agencies of the two States with inspection responsibilities on goods, persons and vehicles (e.g. Customs, Immigration, Police, health authorities, veterinary authorities, etc.) carry out their functions in a combined and coordinated manner.

114 KPMG Mozambique Government and institution measures in response to COVID-19 2020 here

115 Club of Mozambique news article 2020 here

116 Government of South Africa Website 2020 here

117 World Food Programme Mozambique Market and Price monitoring 2020 here

118 BBC News article 2020 here

119 CGTN Africa News article 2020 here

120 Ibid.

121 SAMP, Informal entrepreneurship and CBT in Maputo, Mozambique, 2016

122 FMT SADC Values and Volumes report 2020 here

123 UN IOM Financial Access for Migrants and Intermediation of Remittances in South Africa 2012 here

124 BCI website 2020 here

125 Genesis Analytics Stakeholder Engagement 2020

126 FSD Mozambique Case study of alternative SME and informal finance 2020 here

127 ACIS Mozambique 2017 here

128 World Bank. Available here

129 The exchange rate used was from Oanda.com as at 31 December 2018

130 Ibid.

131 SADC-RTGS Newsletter 2019 here

132 WBG, The Market for Remittance Services in Southern Africa, 2018

133 Africa Reinsurance Corporation country dashboard. Available here

134 World Bank Group Country overview website 2020 here

135 IMF country debt listing 2020 here "debt distressed is defined as a situation where a country is unable to fulfil its financial obligations and debt restructuring is required"

FINMARK TRUST

5. SOUTH AFRICA

5.1 Country Context

This section provides a contextual overview and macro-economic outlook for SA. It further highlights the socio-demographic and SMMEs trends.

5.1.1 Macroeconomic Context

Table 72: Key macroeconomic indicators for SA

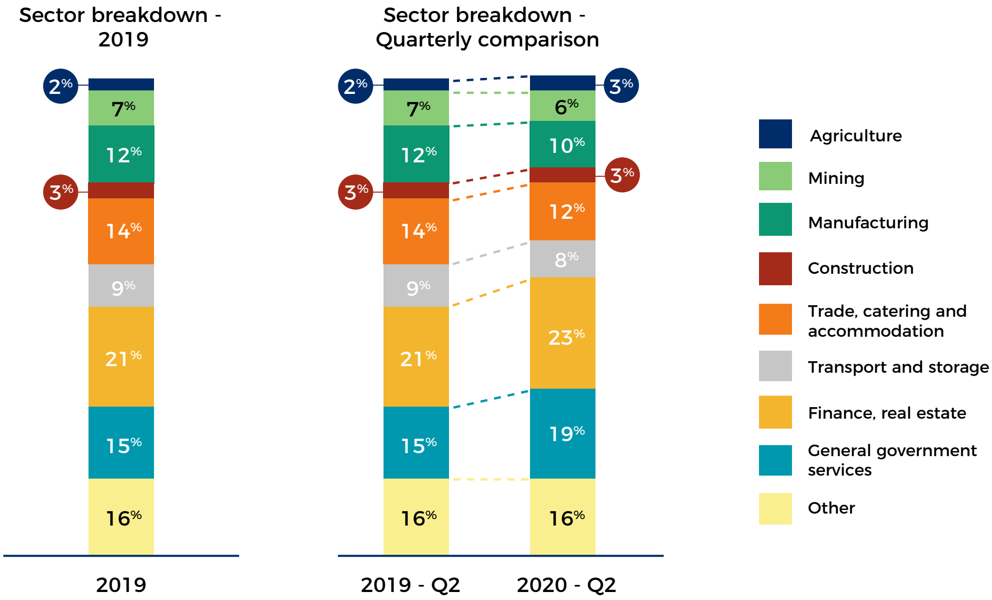
Indicators	2015	2016	2017	2018	2019*	2020*	2021*
Nominal GDP, USD Billion	317.6	296.4	349.6	368.3	351.4	-	-
GDP growth, %	1.2%	0.4%	1.4%	0.8%	0.2%	-8%	3%
GDP per capita, USD	5,734	5,272	6,132	6,374	6,001	-	-
Inflation, %	4.6%	6.3%	5.3%	4.6%	4.1%	3.3%	3.8%
Exchange rate ZAR/ USD	12.8	14.7	13.3	13.2	14.5	-	-
Current account balance, % of GDP	-4.6%	-2.9%	-2.5%	-3.6%	-3%	-1.6%	-1.8%
Population, Millions	55.4	56.3	57.1	57.9	58.8	59.7	60.6

Source: WBG Database, 2020 | IMF WEO, 2020

Note: * are for estimates

SA is classified as an upper middle income country, with an estimated GDP of USD 351 billion and a per capita GDP of USD 6,001 in 2019. As the largest economy in SADC, and by extension SACU, SA is the largest trading partner with all three trading partners considered in this report (i.e. eSwatini, Mozambique and Zimbabwe). In 2019, international trade was valued at 59% of GDP. Merchandise trade was valued at 56%. The real GDP growth rate in SA was only 0.2% in 2019.[133] The contraction has been driven by a myriad of factors including governance weaknesses, subdued private investment and persistent structural challenges with key state owned enterprises. The resulting weak growth has been unable to raise per capita incomes, keeping unemployment.[134]

Figure 10: Key sector contribution to GDP



Source: Stats SA, Gross Domestic Product Quarterly Report, 2020

In terms of GDP contribution, the top sectors are finance and real estate; general government services; trade, catering and accommodation; and manufacturing.

Table 73: Ease of doing business indicators related to trading across borders

Trading across borders indicators	South Africa	SSA	OECD high income
Time	Hours	Hours	Hours
Export: Border compliance	92	97.1	12.7
Export: Documentary compliance	68	71.9	2.3
Import: Border compliance	87	126.2	8.5
Import: Documentary compliance	36	96.1	3.4
Cost	USD	USD	USD
Export: Border compliance	1,275	603.1	136.8
Export: Documentary compliance	55	172.5	33.4
Import: Border compliance	676	690.6	98.1
Import: Documentary compliance	73	287.2	23.5

Source: WBG, Ease of Doing Business, 2019

Note: Red shading reflects above SSA averages

SA is ranked 84th in the WBG's 2020 Ease of Doing Business ranking. This rank is higher than the other three trading partners. Relevant to traders, SA ranks:

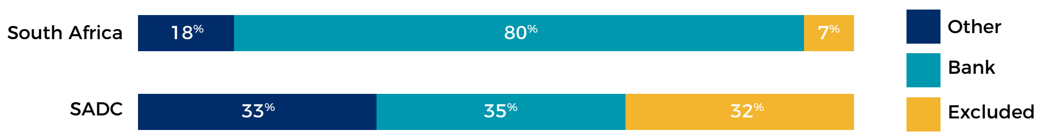
- **139th for starting a business**: This low ranking reflects the length of time taken to open a business (i.e.40 days)
- **80th for getting credit**: This ranking reflects the strength of legal rights and credit bureau coverage (i.e. 66.5% of adults).
- **145th for trading across borders**: This low ranking largely reflects the high cost of export and import border compliance

5.1.2 Socio-demographic Context

As at 2019, SA had a population of 58.6 million.[135] Of this, the total working population accounted for 66% while 29% of the population was aged below 15 years.[136] Women make up 51% of the population (i.e. 30 million in 2019). Gauteng comprises the largest share of the SA population (i.e. 15.2 million people).

In 2018, only 59% of adults aged between 25-64 years had attained an upper secondary education.[137] Only 7% of adults have a tertiary education of which more females were enrolled for tertiary education than males in 2017.[138]

Figure 11: Financial access in South Africa



Source: FMT FinScope 2018

As at 2018, 80% of the adult population had a formal financial account.[139] Only 7% of the adult population were financially excluded (i.e. not served by FSPs or informal financial providers).

Many SA also make use of stokvels as a form of savings or investment. More than 40% of SAs depend on stokvels as a safety net for emergency funding and are attracted to the support structure offered by such community based financial organisations, often perceived as a missing aspect in the banking industry.[140]

The ICASA State of the ICT Sector 2020 Report revealed that smartphone penetration reached 91% in 2019.

5.1.3 SMME Context

Table 74: Distribution of SMMEs in South Africa

Indicators	2019
Total number of SMMEs	2,490,641
Number of formal SMMEs	736,198
Number of informal SMMEs	1,754,443

Source: Small Enterprise Development Agency (SEDA Quarterly Update Report, 2019

According to the Small Enterprise Development Agency (SEDA) Quarterly Update 2019 Report, there were a total of 2.5 SMMEs. The SMME sector employs over 8.3 million employees as at 2019.

Table 75: Sector distribution of SMMEs as at 2019

Sector	Distribution
Agriculture	2%
Manufacturing	9%
Construction	14%
Trade, catering and accommodation	41%
Transport and storage	7%
Finance and real estate	13%
Community	13%

Source: Small Enterprise Development Agency (SEDA Quarterly Update Report, 2019

Of the total number of SMME owners, 68% are between the ages 25 and 49 years. A significant proportion of SMME owners have only completed secondary education. Over 40% of SMMEs form part of the trade, catering and accommodation sector.

According to the World Bank SMME enterprise surveys, 8.7% of South Africans SMMEs directly export more than 10% of their sales. This is similar to the region average of 8%, implying SMMEs are on par as exporters compared to their counterparts.[141] 37.8% of SMMEs use material inputs and/or supplies of foreign origin.

5.2 International Trade

This section evaluates the international trade policies with which SA is a signatory of and evaluates its trade flows.

5.2.1 International Trade Policies and Agreements

SA is a member of **SADC** and **SACU** unions. In addition SA is also a signatory to the **Tripartite Free Trade Area (TFTA), WTO, GATT** and has ratified the **African Continental Free Trade Area (AfCFTA)**.

To accommodate informal and small scale cross border trades, the South African Revenue Authority (SARS) developed a **non-commercial customs code (referred to as Code 70707070 defined in Rule 59A).**[142] These traders are not required to register their businesses with SARS, and are limited to crossing the border three times a year, with goods totalling ZAR 150,000 (i.e. USD 9,220.)[143]

The National Development Plan (2030) indirectly aims to grow exports from SA. This is to be achieved by investing in economic infrastructure to expand export capacity and by boosting private investment in labour intensive and competitive areas.[144]

In 2016, the Department of Trade and Industry launched the Integrated National Export Strategy (INES). This was aimed at improving global competitiveness of South African exporters. The government planned to do this by:[145] i) Diversification of South Africa's export basket into more value-added and manufactured goods and services; ii) Development of new markets with an emphasis on Africa and emerging markets; iii) Engage with the top 50 manufacturing exporters; and iv) Grow the exporter base using the National Exporter Development Programme (NEDP).

5.2.1.1 *Trade Procedures*

Figure 12: Import process and requirements to enter/exit South African borders

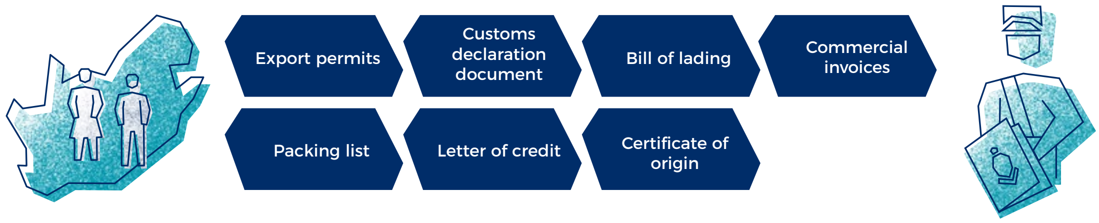
Source: SARS website | Santander, Import customs procedures in South Africa, 2020

South Africa has a complex import procedure based on the number of product codes strictly relating to importations.[146] To formally complete the importation process, foreign exporters are advised to seek a local agent for customs clearance with a good understanding of the South African trade regulations.

Traders are required to register and obtain a SARS importer code. To facilitate custom clearance for all trade, a Single Administrative Document (SAD) is used. This is a multi-purpose goods declaration form and issued once copies of the bill of lading, declaration of origin form, commercial invoices, insurance certificate and packing lists are submitted.[147]

Following this, an import permit can be obtained from the International Administration Commission (ITAC), however, certain restricted goods that require import licenses. Import licenses are non-transferable and can only be used by the person to whom it was issued. On the other hand, import permits are only valid for the calendar year in which they were issued.[148]

Figure 13: Export process and requirements to enter/exit South African borders



Source: Santander, Export customs procedures in South Africa, 2020

Traders participating in selling goods across borders must obtain an export permit. This permit is necessary to ensure that goods exported comply with the provisions of international agreements. In addition, the export permit helps to control the outflow of goods and guard against instances of smuggling and theft.

The export trader submits supporting documents to customs authority to verify the quantity of goods received. Provided that the goods conform to the description given in the documents, the goods may be allowed to cross the border.[149]

The bill of lading is a requirement for trade that has number functions including being a formal receipt for a specified number of goods received, it is a document of title to the goods, and defines the terms of the contract between the shipper and shipping line for the carriage of goods.[150] The bill of lading must be produced at the port of final destination by the consignee in order to claim the good. Depending on how the goods are transported there are various types of the bill e.g. air waybill, road waybill, etc. Other documents are also submitted along with the bill of lading including packing lists, letter of credit and certificate of origin.[151]

The export process is less intensive and has no associated tax levied on the goods in comparison to the import process. This may serve as an incentive for low value cross border traders to participate in selling goods from South Africa to other countries.

One of the major sectors to be directly and indirectly affected is cross-border trade. This is attributed to the slowdown in activity in related sectors including tourism, transportation and supply chain.

5.2.1.2 Digitisation in Trade

There are limited developments in the digitisation of SA trade however the following e-government services that impact formal cross-border traders have been implemented:

- Following the COVID-19 pandemic, SARS brought forward a planned digitisation of the new registration, licensing and accreditation processes for a select group of importers and exporters. This includes SADC and SACU importers. This can be done on a digital platform or at Customs branches.[152]
- In 2013, the Department of Home Affairs embarked on the migration of offline national identification documents to online using a smart card identification system.[153]
- The SA government introduced a customs systems modernisation programme in 2013. This was aimed at fully automating and centralising the processing system for all commercial trade across SA borders. The system has benefited SARS in the reduction of paper usage, physical inspections and allowed for electronic submission of supporting documents.[154]

The UN had no information on SA's Digital and Sustainable Trade Facilitation, unlike other countries.

5.2.2 Regulatory Challenges

1. **Lack of a unified definition of ICBTs and support strategies:** This means there is no joint approach seeking to support ICBTs within SACU and SADC.
2. **Internal immigration concerns may restrict the duration CBTs are permitted within SA, thereby limiting potential trade**: eSwatini traders opined 30 days was not sufficient to sell their produce, particularly when they travel to Lesotho.

5.2.3 SA Government's Response to COVID-19

As with many countries, the COVID-19 pandemic has brought about economic contractions and disrupted economic activity in key sectors. One of the major sectors to be directly and indirectly affected is cross-border trade. This is attributed to the slowdown in activity in related sectors including tourism, transportation and supply chain.

SA responded to the outbreak by closing its borders and commencing a national lockdown for 21 days as of the 26th of March 2020.[155] Borders remained closed until 1st October 2020. The second wave of infections in 2021 caused yet another closure of borders from 11th January 2021 to a planned 15th February 2021.

The country's economic response was divided into three phases:

- The virus was declared a national disaster and broad measures were introduced to mitigate the worst effects of the pandemic on businesses, communities and individuals. These included tax relief, wage support and funding to small businesses
- Phase two was aimed at stabilising the economy and addressing the decline in supply and demand as well as protecting jobs. A social and economic support package ZAR 500 billion was released to provide assistance to companies and protect jobs; relieve individuals of hunger and social distress; and support the healthcare system through redirecting resources and provision of funding
- The government developed an economic strategy aimed at driving the recovery of the economy. Interventions in this strategy included a substantial infrastructure build programme and implementation of economic reforms.

Table 76: South African trade statistics

	January 2020 Pre-COVID		April 2020 Level 5 lockdown		August 2020 Eased lockdown	
Indicators	Export	Import	Export	Import	Export	Import
Total international trade, ZAR billion	100.9	103.6	51.9	87.9	130.2	91.4
Total intra-African trade, ZAR billion	23.6	14.8	12.1	8.1	29.1	8.3

Source: SARS, Trade statistics, 2020

Note: Red indicates a decrease and green indicates an increase

Prior to the lockdown, SA total exports amounted to ZAR 100.9 billion and total imports of ZAR 103.6 billion in January 2020. Under hard lockdown restrictions (with border closures and travel bans) total exports dropped by 49% and total imports decreased by 15%. Despite the drop in both imports and exports, imports reported a lower drop as the South African sources PPEs from the rest of the world. Intra-African trade exhibited significant reductions of 49% in exports and 45% in imports. Key trade commodities decreased across the basket, however, vegetable and textile products exhibited positive growth.[156]

As the country approached the third quarter, the South African government eased lockdown restrictions allowing for citizens to return to work and the reopening of many economic sectors. Exports exhibited an increase of over 150% however imports increased marginally by 4%.

There is limited data that quantifies the socio-economic impact of the pandemic on informal trade, however, based on the requirements for certain relief packages (i.e. formal business registration) the informal trade/businesses were likely to be negatively impacted by the pandemic and excluded from government economic relief.

5.3 Supply Side Diagnostic

An overview of the financial sector in eSwatini is provided in the Appendix. In this section a review of the financing, remittance and insurance offerings for CBTs within South Africa are provided.

5.3.1 Financing

Table 77: Share of credit extension by sector 2020

Sector	2018	2019
Households	34.8%	35.8%
Finance and insurance	18%	17.3%
Real estate	10.9%	11.2%
Wholesale and retail trade	5.4%	5.2%
Manufacturing	4.4%	4.5%
Business services	3.4%	3.3%
Transport, storage and communications	3.1%	3.2%
Electricity, gas and water	2.5%	2.4%
Agriculture, forestry and fishing	2.3%	2.4%
Mining and Quarrying	1.6%	1.6%
Constructions	0.9%	0.9%
Community, social and personal services and others	12.7%	12.3%

Source: SARB Quarterly Bulletins 2018, 2019

The distribution of bank credit is focused on the personal, real estate and construction and financial services sectors.[157] Trade (the sector ICBT would be categorised in) makes up 5.20% of all credit in 2019, which is less as a proportion of total credit than the other three countries. This number has fallen from 5.4% in 2018.

Table 78: Trade finance products South Africa

Trade finance product	Standard Bank	FNB	Absa	Nedbank	Bidvest Bank
Letters of credit	✓	✓	✓	✓	✓
Receivable discounting	✓	✓	✓	✓	✓
Documentary collections	✓	✓	✓	✓	✓
Business/SME targeted trade finance	✓	✓	✓	x	✓
Guarantees	✓	✓	✓	✓	✓

Source: Various Banks Websites 2020

Trade finance products aimed at SMEs and businesses are available from the majority of major banks. The requirements for the most entry level business account are the South African ID documents of owners and signatories, proof of address not older than three months and the company registration documents (if a registered company). These requirements are relatively lower when compared to the other countries in our analysis, thus making it easier for ICBTs to access. These entry level business bank accounts are targeted at sole proprietors which earn any turnover less than ZAR 5 million.

CapX finance is a non-bank finance provider with a focus on primarily providing shorter-term finance to SMEs. Their trade finance product offering focuses on single invoice disclosed receivable discounting. The minimum value for trade receivable discounting is ZAR 50,000, and they require businesses to be registered.[158]

Box 4: SBSA Trade Club

Standard Bank developed a networking trade platform called the Trade Club. The platform is designed for the bank's SME and corporate customers to connect with one another and promote trade both locally and internationally.

The Trade Club **connects SMEs and corporates to suppliers and customers using the network of partner banks around the world**. In addition, the Club gives users access to trade tools and expertise to support customers as they participate in trade.

The Trade Club is a service that is free of charge, however, requires customers to register for the platform. Once registered, customers are allowed to invite five colleagues through their user account settings allowing them to send/receive messages on behalf of the main customers business. Customers in the Trade Club have access to a community manager that matches the customers to the relevant trading partners (e.g. suppliers in different countries). In addition, the community manager helps customers to navigate and understand the platform. Businesses on the platform are all customers of the Standard Bank and of partner banks who have been vetted by their own banks.

In the SADC region, currently only Botswana, Lesotho and SA have been on boarded to participate in the Trade Club, however, eSwatini, Malawi, Mozambique, Zambia, Zimbabwe and other countries are to join in the future.

Standard Bank

Source: Standard Bank website

The Small Enterprise Finance Agency (SEFA) is focused on smaller sized financing directed at SMMEs and co-operatives. SEFA doesn't offer any trade finance products, but it does offer a credit for informal traders. The funding takes the form of a 'revolving loan' of between R500 and R10 000. Once approved, the same loan amount becomes available for withdrawal on a weekly basis over a 6-month period, providing the client repays the full loan amount.[159]

The Export Credit Insurance Corporation of South Africa (ECIC) was established in 2001 under the Export Credit and Foreign Investments Insurance Act. The institution providers political and commercial risk insurance to South African exporters of capital goods and related services.[160] Currently the ECIC only services the medium/long export credit market, so their product offerings do not suit small scale CBT. This has hampered ECIC to be utilized by the South African government to protect trade flows during COVID-19, which is why ECIC is currently reconsidering its mandate with a view to make it more accessible to short term and SME trade.

5.3.1.1 Provider constraints to financing

1. **Perceive ICBT section to be high risk with limited business case**: due to ICBTs lack of formal registration, limited access to collateral, the nature of informal trade and overall lack of visibility of their financial transactions, formal providers perceive ICBTs to be high risk with limited bankability.[161]
2. **There is no national reporting of uptake of trade finance:** The SARB does not report trade finance statistics like the East African counterparts. There is therefore no clear data point on how trade finance extension, particularly to SMMEs is changing.

5.3.2 Remittances

Table 79: South Africa total remittances Inflows and outflows

Indicators	2015	2016	2017	2018	2019
Total Inflows, USD millions	825	755	874	929	873
Total Outflows, USD millions	980	897	1,330	1,098	1,198
Total Inflows to key markets,[162] USD millions	-	121	63	35	-
Total Outflows to key markets,[163] USD millions	-	870	1291	1066	-

Sources: WBG, Remittance Data 2019-2017, Genesis Analytics analysis 2020

Overall, remittances as a percentage of GDP is 0.25% of South Africa's GDP in 2019 compared to 0.25% in 2018.[164] In 2018, South Africa received USD 35 million from eSwatini, Mozambique, and Zimbabwe, and sent USD 1.06 billion to eSwatini, Mozambique, and Zimbabwe.

An FMT report estimated that outflows from SA to the three key partners by migrant workers amounted to a total of USD 996 million (ZAR 14.4 billion) in 2018.[165] Of this, 68% was remitted through informal means, though this had decreased by -3% since 2016. Formal remittances grew by a CAGR of 30% since 2016, suggesting increasing uptake.[166]

Table 80: Payment and remittance services in South Africa

Characteristic	FNB	Standard Bank	Absa	Western Union	WorldRemit	Mukuru	Mama Money
Type of institution	Bank	Bank	Bank	ADLA	ADLA	ADLA	ADLA
Sender's Account							
Bank Account	✓	✓	✓	X	X	X	X
Card	X	X	X	✓	✓	✓	✓
Cash at an agent/ branch	✓	✓	✓	✓	✓	✓	✓
Recipients account							
Bank Account	✓	✓	✓	X	X	X	X
Virtual forex/ Provider wallet	X	X	X	✓	✓	✓	✓
Mobile money wallet	X	X	X	✓	✓	✓	✓
Card	X	X	X	X	X	X	X
Cash at an agent/ branch	✓	✓	✓	✓	✓	✓	✓
Document Required							
ID/Passport/ Permit	✓	✓	✓	✓	✓	✓	✓
Photo	✓	✓	✓	✓	✓	✓	✓
Fees per USD 100	20%	17%	14%	5%	8.4%	9.6%	4.3%
Time Taken	3-5 days	3-5 days	2 days	<1 hour	<1 hour	<1 hour	<1 hour

Sources: Provider website, Genesis Analytics mystery shopping

Only institutions registered with the SARB are allowed to send remittances to other countries. Across the four major banks which do international payment, we see an average minimum value of ZAR 150 and maximum value of ZAR 750 when making a non-travel related outward international payment from your South African bank account.

The banks charge between 14%- 20% of value sent on fees for remittances. ADLAs average cost ranges from 5%- 8, 4%, and MMOs can range from as low as 4.3% to 9.6%. In terms of time taken for a receiver to receive funds, banks take between 2 -5 days whereas non-banks take less than an hour.[167]

5.3.2.1 SADC-RTGS

Table 81: Volume and value of SA SADC-RTGS transactions

Indicators	2016	2017	2018	2019
Values, USD million	33,928.7	42,623.7	37,684.7	37,285.5
Values, units	111,987	125,860	131,835	126,964

Source: SADC RTGS SADC bankers payment project 2020

South Africa was part of the original four nations which launched the SADC-RTGS system in July 2013. The SARB oversees the operation of the system. South Africa has 12 banks participating, notably low cost retail banks such as Capitec and African Bank are absent from participating banks.

South Africa is the largest settler in the system by volume and value. As of 2019 USD 37,285 million was settled through the system, down from USD 37,685 million in 2018 (a decrease of -1.06% from 2018). This USD 37,285 million represents 42.9% of total imports. The average settlement value was USD 293,367 (i.e. ZAR 4.2 million).

As described above, BASA is in the process of launching the Transaction Cleared on Immediate Basis (TCIB) - a payment scheme for cross-border low-value transactions.[168]

5.3.2.2 Providers constraints to remittance provision

1. **Current ADLA regulations limit use cases for business to business transactions:** The ZAR 25,000 limit is not sufficient for business transactions.
2. **Balance of payment reporting is cumbersome:** The current list of balance of payment options that must be filled when making cross border payments is cumbersome. There is room to reduce the requirements while still maintaining adequate risk mitigation measures.
3. **Slow implementation of TCIB:** TCIB is yet to launch despite its set up beginning in 2018. This was attributed to a lack of agreement on balance of payments principles between regulators. This has limited the options available to ICBTs.

5.3.3 Insurance

Table 82: Insurance policies in South Africa

Product	Hollard	Sanlam	Santam	Outsurance	Old mutual
Commercial vehicle	✓	X	✓	✓	✓
Fire	✓	X	✓	✓	✓
Business Interruption	✓	X	✓	✓	X
Goods in Transit	X	X	✓	X	X
Theft	X	X	✓	X	✓
Money in Transit	X	X	X	✓	X
Export Payments	X	X	X	X	X
Trade credit	✓	X	X	X	X
Cross Border Insurance	✓	✓	✓	X	X

Sources: Provider website, Genesis Analytics mystery shopping

Of the four countries, SA non-life insurance firms offer the most varied number of products relevant to CBTs. This reflects the comparative development in the sector. Key products include cross border insurance, goods in transit and money in transit. Hollard, in addition, offers trade credit.

There are a number of fintech providers offering niche insurance products targeting the informal sector. These providers rival formal insurance providers with their payment plans (i.e. once-off annual payment for 12 months of coverage); and easier KYC processes based on a better understanding of the informal market.

5.3.3.1 Insurance providers constraints

1. **Limited understanding of the ICBT segment**: Formal insurance is typically designed for the formal economy. Formal providers do not understand the informal sector and are unable to adjust valuation and risk assessment processes.[169]

5.4 COVID-19 financial sector responses

The COVID-19 pandemic has resulted in a number of financial sector adjustments in order to provide economic relief and eased access to finance. This includes the decrease in the repo rate from 6.5% in January 2020 to 3.75% in May 2020.[170] The repo rate was revised to make it easier for borrowers to meet their financial obligations.

The South African Reserve Bank (SARB) has also provided additional liquidity to the banking sector by increasing the size and duration of repo facilities.[171] In addition the SARB had also purchased government bonds to ensure the continued smooth functioning of the South African financial markets.

A **loan guarantee scheme** was implemented by the banks and National Treasury for small and medium businesses. Enterprises with annual turnover of less than ZAR 300 million were suitable to apply for the guaranteed loans. These loans could be used for operational expenses such as salaries, lease agreements and paying suppliers. The loans were granted at a preferential rate of prime and repayment of the loans was deferred for one. Enterprises will have a maximum of five years to repay the loan.[172]

The challenge associated with the loan guarantee scheme is that SMMEs who require this assistance would have needed to be banked with a commercial bank providing this scheme and be registered with SARS. In addition, the loan can only be used for operational expenses and not pay off other existing loans or make investments.

The **SMME Support Intervention** was introduced by the Department of Small Business Development in conjunction with the Debt Relief Fund. This was to provide additional support to small businesses and minimise the impact of the pandemic. The department allocated ZAR 500 million to the intervention for the provision of loans as of 1 April 2020. The loans could be used for working capital, stock and meeting other financial needs for the business.[173]

The eligibility requirements included businesses that are registered with CIPC; businesses owned by South African citizens and businesses registered and compliant with SARS and UIF.[174] This presented a challenge for the businesses operating in the informal sector given that most were not registered and/or tax compliant.

5.5 Support providers

This section explores the key cross border trader support providers that operate within South Africa and the type of support they provide. The type of support is classified around who the key recipients are i.e. traders, financial institutions (FIs) and regulators/ government agencies.

Table 83: Key CBT support providers in South Africa

Institution	AfDB	IFC	Afreximbank	SEDA	UN IOM	SAMP	EDD[175]
Classification	Donor/ DFI	Donor/ DFI	Donor/ DFI	Gov agency	Donor/DFI	NGO	Gov agency
Overall focus	Africa wide	Africa wide & Global	Africa wide & Global	South Africa	South Africa	Regional	South Africa
Type of support to traders							
BDS							
Market access							
Credit guarantee to traders							
Financing/ Grants							
Overall research							
Type of support to FIs							
Capacity building							
Credit lines to FIs for trade finance							
Risk guarantees to FIs							
Type of support to regulators/ government agencies							
Capacity building							
Advocacy							

Source: Mystery shopping, 2020 | Stakeholder interviews, 2020

The key CBT support institution in SA is the Small Enterprise Development Agency (SEDA) which offers business development support and market access to the segment. SEDA in addition carries out advocacy for broader SMMEs. The EDD is a government department in South Africa that supports the development of small businesses through cross border trade.[176] Their aim is to intensify cross border policy dialogue to build an understanding of this segment.

The UN has two agencies involved in ICBT. This includes the i) IOM - with an overarching focus on migration, offers ICBT research, market access support and advocacy; ii) WFP - with a focus on food security, provides research on ICBT food flows. SAMP carries out periodic monitoring of border posts to estimate the ICBT flows and advocates for improved operating landscapes for ICBTs.

There three multinational DFIs namely AfDB, IFC and Afreximbank offer support primarily to FIs as part of their operations on the continent. Afreximbank does not offer overall research, but the IFC and the AfDB do. The IFC offers capacity building to government agencies and regulators.

Notes from section 5

[136] IMF, WEO, 2020
[137] IMF, Article IV, 2020
[138] IMF, WEO, 2020
[139] Stats SA, Mid-year population estimates, 2019
[140] OECD, Education at a glance, 2019
[141] UNESCO, Education and literacy South Africa, 2017
[142] FMT, FinScope, How South Africans are leveraging informal and formal financial markets, 2018
[143] WEF, 6 challenges to financial inclusion in South Africa, 2017
[144] World Bank, Enterprise surveys South Africa 2007 here
[145] Stakeholder interviews, 2020
[146] Exchange rate from Oanda.com as at 1 November 2020
[147] National Planning Commission, National Development Plan, 2030. Available here
[148] DTI, Integrated National Export Strategy (INES) or Export 2030, 2016
[149] SARS, Customs Registration, Licensing and Accreditation
[150] Santander, Import customs procedures in South Africa, 2020
[151] Ibid.
[152] Santander, Export customs procedures in South Africa, 2020
[153] Ibid.
[154] Ibid.
[155] SARS, Customs Registration, Licensing and Accreditation. Available here
[156] Ibid.
[157] SARS, Implementation of the new Customs Systems Modernisation Programme, 2013
[158] Tralac, South Africa's policy response to the COVID-19 pandemic, 2020
[159] SARS, Trade statistics, 2020
[160] SARB BA900 2020
[161] CAPX finance website here
[162] SEFA website here
[163] ECIC Website. Available here
[164] CIEAS, Review of the state of the informal sector in Swaziland, 2016
[165] Key markets refers to Mozambique, eSwatini and Zimbabwe
[166] Ibid.
[167] World Bank. Available here
[168] The exchange rate used was from Oanda.com as at 31 December 2018
[169] FMT, SADC volumes and values report, 2020. Available here
[170] World Bank Remittance Prices. Available here
[171] Stakeholder interviews, 2020
[172] Ibid.
[173] SARB, Our response to COVID-19, 2020
[174] Ibid.
[175] White and Case, COVID-19: South African Government Financial Assistance Measures, 2020
[176] Ibid.
[177] Ibid.
[178] EDD stands for the Economic Development Department
[179] Economic Development Department, Small Business Knowledge Network e-bulletin, 2014

6. ZIMBABWE

6.1 Country Context

This section provides a contextual overview and macro-economic outlook for Zimbabwe. It further highlights the socio-demographic and SMMEs trends.

6.1.1 Macroeconomic Context

Table 84: Key macroeconomic indicators for Zimbabwe

Indicators	2016	2017	2018	2019	2020*	2021*
Nominal GDP, USD Billion	20.5	22	24.3	21.4	-	-
GDP growth, %	0.7%	4.7%	4.8%	-8.1%	-10.4%	4.2%
GDP per capita, USD	1,465	1,548	1,684	1,464	-	-
Inflation, %	-.1.6%	0.9%	10.6%	255.3%	622.8%	3.7%
Exchange rate ZWL/ USD	13.5	13.7	13.7	16.3	82.7	-
Current account balance, % of GDP	-3.6%	-1.3%	-5.9%	1.1%	-3.6%	-2%
Population, Millions	14.2	14.4	14.6	14.9	15.2	15.5
Source: IMF WEO Database, 2020 | WBG WDI Database, 2020						
Note: *Estimates						

Zimbabwe is classified as a low-income developing country by the IMF, with a GDP of USD 21.4 billion in 2019.[177] The economy grew at an annual average rate of 2.2% between 2015 and 2017 amid political and monetary policy instability. The change in leadership in 2017 saw a doubling of growth to 4.7%. But the country contracted sharply in 2019 by -8.1%. This was a result of a number of factors, including; monetary reforms that constricted economic activity (i.e. the reintroduction of the Zimbabwe Dollar -ZWL); resulting high inflation and shortages of basic goods; and a severe drought that affected agricultural production and electricity production.[178] The COVID-19 pandemic contributed to a sharp contraction of the economy in 2020 estimated at -10%.[179] Economic growth is expected to rebound, in 2021 subject to the post pandemic global economic recovery and supported by the recovery of the local agricultural sector.[180]

FMT FINMARK TRUST

Table 85: Real GDP contribution by sector

Sector	2018
Wholesale and retail trade; repair of motor vehicles and motorcycles	18.7%
Manufacturing	11.7%
Education	11.3%
Agriculture, Hunting, Fishing and Forestry	9.7%
Public administration and defence; compulsory social security	9.2%
Information and communication	8.7%
Mining and quarrying	7.8%
Financial and insurance activities	6.2%
Accommodation and food service activities	5.6%
Other	17%

Source: Zimbabwe National Statistics Agency (ZIMSTAT) Data, 2019 | Notes: shading blue = top four sectors, Q1 2020 statistics were yet to be published at the writing of this document

The largest contributor to economic growth is the Wholesale and retail trade; and repair of motor vehicles and motorcycles at 18.7% of GDP in 2018. Cross border trade would fall into this sector. This is followed by manufacturing, education and agricultural sector, all contributing about 32.2% to GDP.

Inflation remained low until the introduction of ZWL and the abandonment of the USD peg, combined with the shortage of basic goods shortages resulted in triple digit inflation which reached 837.5% in July 2020.[181]

Table 86: Ease of doing business indicators related to Trading across borders for Zimbabwe

Trading across borders indicators	Zimbabwe	SSA	OECD high income
Time	**Hours**	**Hours**	**Hours**
Export: Border compliance	88	97.1	12.7
Export: Documentary compliance	99	71.9	2.3
Import: Border compliance	228	126.2	8.5
Import: Documentary compliance	150	287.2	23.5
Cost	**USD**	**USD**	**USD**
Export: Border compliance	285	603.1	126.8
Export: Documentary compliance	170	172.5	33.4
Import: Border compliance	562	690.6	98.1
Import: Documentary compliance	150	287.2	23.5

Source: WBG, Ease of Doing Business, 2020

Note: Red shading reflects above SSA averages

In line with the currency economic environment, doing business in Zimbabwe remains challenging. In the WBG's 2020 Ease of Doing Business ranking, Zimbabwe is ranked 140th out of 190 countries. Relevant to traders, Zimbabwe ranks:

- **167th for starting a business**: This low ranking reflects the length of time taken to open a business (27 days) and the high associated costs (76.6% of income per capita)
- **67th for getting credit:** This high ranking reflects the strength of legal rights, credit information sharing and CRB coverage. Further, there has been continued growth in digital lending platforms
- **159th for trading across borders**: This low ranking reflects that time taken for import border and documentary compliance takes significantly longer than exportation, and costs for export documentary compliance and import border compliance are high (see below).[182]

6.1.2 Socio-demographic Context

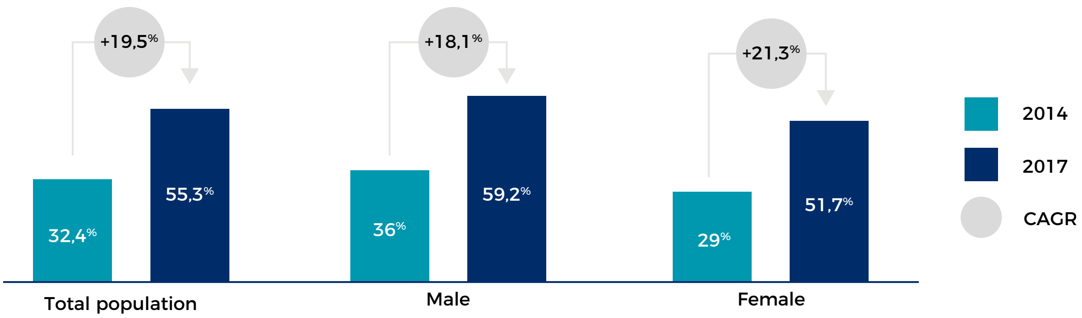
Zimbabwe has a population of 14.6 million, with a per capita GDP of USD 1,464 in 2019. Poverty levels remain high with an estimated 33.9% of the population was estimated to live below the international poverty line in 2017 - USD1.9 a day.[183]

57% of the Zimbabwean population in the working age of between 15 and 65 years of age, while 43% of the population are aged below 15 years[184]. Unemployment rate was estimated at 4.9% in 2020, mainly due to a high percentage of discouraged workers, with very little job opportunities.[185] Women make up 53% of the population and according to the 2019, ZIMSTAT, Labour Force and Child Labour Survey (LFCLS) about 16% of women within working age were employed, marginally lower than their male counterparts at 20%.

67% of the population are based in rural areas.[186] Harare, the capital, is the most populous city with 3.1 million people. This is followed by Manicaland (1.8 million), Midlands (1.6 million) and Mashonaland West (1.5 million).

88.7% of the population are literate.[187] Only 11% of adults had no formal education attainment, while 71% had attained at least a primary education, and 3.4% upper secondary education.[188]

Figure 14: Financial inclusion in Zimbabwe



Source: Global Findex Data

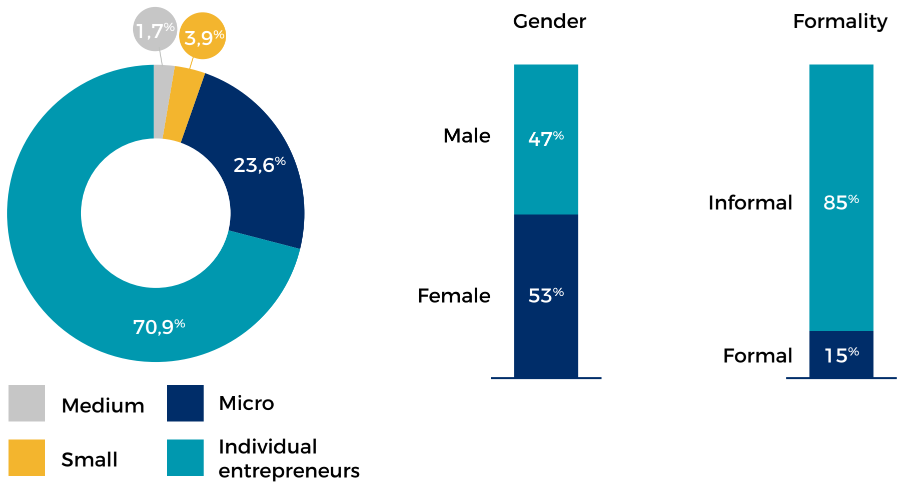
Mobile money has had a significant impact on financial inclusion, extending financial services across the country. Banks remain concentrated in urban areas. In 2017, more than half of the adult population had an account, at a financial institution or a mobile money provider. The number of people that had financial accounts increased by a compounded annual rate of 19.5% for the total population and in rural areas, mainly due to the increased adoption of mobile money. Women had a slightly lower access to financial accounts than men, 51.7% compared to 59.2%. However, the number of women having financial accounts increased at a higher rate than that of men between 2014 and 2017.

6.1.3 SMME Context

The most recent survey on the number of SMMEs was carried out in 2012. It estimated there were 2.8 million SMME owners that owned 3.5 million businesses.[189] According to the Small Enterprises Development Corporation Amendment of 2011, SMMEs are classified by the number of employees. The classification includes individual entrepreneurs with no employees, micro businesses with 1 to 5 employees, small businesses with 6 to 30/40 employees depending on the sector and medium size businesses employing 31/41 to 75.

Majority of SMMEs are individual enterprises, followed by micro sized enterprises. 53% of enterprises are women-owned. The majority of SMMEs are informal enterprises, with only 15% of SMMEs owners reporting to be registered with their local council or authority. Informal enterprises were mostly individual enterprises, with only 10% formally registered. Small and medium enterprises had the highest percentage of formalisation at 37% and 36% respectively.

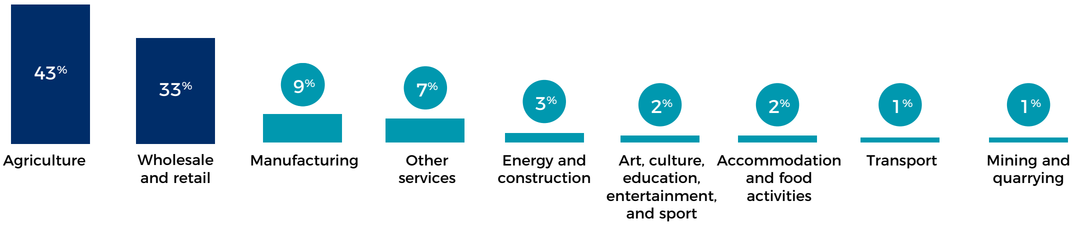
Figure 15: SMME characteristics in Zimbabwe



Source: FinScope SMME Survey Zimbabwe 2012

SMMEs in Zimbabwe are largely concentrated in the agricultural sector, followed by the wholesale and retail sector. This data is however, extremely dated and stakeholder interviews suggested wholesale and retail trade had higher proportion of SMMEs followed by the agriculture sector. Despite having 43% of SMMEs in the agricultural sector, only 22% of SMMEs operated from a farm.[190]

Figure 16: SMME economic sectoral split (%)



Source: FinScope SMME Survey Zimbabwe 2012

Most businesses are located in Harare (15.5%), followed by Manicaland (14.5%)[191]. Considering the border provinces, Masvingo that borders Mozambique and SA has 13.2% of the total SMMEs in Zimbabwe. Matabeleland North bordering Botswana and Zambia has 5.4% of SMMEs. Matabeleland South bordering SA has about 5.1% of SMMEs.

According to the WBG SMME enterprise surveys, **only 5.6% of Zimbabweans SMMEs directly export more than 10% of their sales**. This is marginally lower than the region average of 8%, implying SMMEs are less active as exporters compared to their counterparts.[192] **70.5% of firms use material inputs and/or supplies of foreign origin**, which is higher than the region average of 61.1%, implying that Zimbabweans SMMEs rely more on foreign imports for intermediary goods than their peers.[193]

6.2 International Trade

This section evaluates the international trade policies with which Zimbabwe is a signatory of and evaluates its trade flows.

6.2.1 International Trade Policies and Agreements

Zimbabwe is a member of **COMESA** and SADC free trade protocols**.** The country has been a member of COMESA since 1995 and signed the SADC Free Trade Area in 2008. Zimbabwe also ratified **AfCFTA** in February 2020.[194] The country is also a signatory to the **Tripartite Free Trade Area (TFTA)** between the COMESA-EAC-SADC regions and belongs to the 22-nation Preferral Trade Area of countries in Eastern and Southern Africa.

The **National Trade Policy 2012-16**, is currently under review.[195] The new National Trade Policy together with the **National Export Strategy** are expected to support the **Zimbabwe National Industrial Development Policy 2019-2023**. Together these policies seek to drive the productive sectors towards export orientation and international competitiveness.[196] In particular, the policies aim to introduce measures to support industries and steer them towards producing for the export market, and support industries towards producing import-substitution goods.

Zimbabwe also has bilateral trade agreements with **Botswana, Malawi, Namibia, Mozambique** and previously SA. SA remains one of the most important partners for Zimbabwe, importing 51% of its total imports and exporting 39% of its total exports to South Africa in 2018. Based on the previous bilateral trade agreement between Zimbabwe and South Africa, imports from South Africa into Zimbabwe were granted preferential access in accordance with the South Africa and Zimbabwe bilateral trade agreement (BTA) of 1964. Zimbabwe and South Africa was terminated on 20 November 2018 in favour of the SADC FTA protocol.

The Zimbabwe Revenue Authority (ZIMRA) has defined informal cross border trade as **traders who cross the borders to purchase goods for resale but are not a registered commercial entity.**[197] ZIMRA also allows **informal traders (i.e. trading for personal as opposed to commercial purposes) trading small quantities valued below ZWL 10,000 (i.e. USD 1,000)** without a bill of entry (i.e. required for commercial trade and extensive documentation requirements) but would have to complete Form 49 (i.e. private trade permits with shorter list of documentation requirements).

The Government's new **National Development Strategy 1 (NDS1)** from 2021 to 2025 identifies "moving the economy up the value chain and structural transformation" as a national priority. Though not directly related to ICBT, the priority seeks to i) improve the contribution of value added exports to total exports; and ii) improve the earnings from trade in goods and services.[198]

6.2.1.1 Trade procedures

Figure 17: Import process of required for CBTs to exit/enter Zimbabwe

Source: Cross border Road Transport agency, Cross border Road Transport Operator Handbook for Zimbabwe, 2018

The trade procedure figure shown above indicates the requirements for cross border traders to import goods into Zimbabwe. The clearance of importations is completed by a bill of entry which is processed through the Automated System for Customs Data (ASYCUDA) system.

As seen above, a trader is required to submit their tax clearance certificate (ITF 236) in order to import commodities. However, if a trader does not have a tax clearance certificate, an informal cross border trader's tax 10% of will be charged.[199]Once all the above documents are processed, assessed and if correct a delivery release order issued to authorise the collection of goods from the carrier. If there is a need to inspect the goods, an examination order is issued in order to check the quantities, classification, origin and values of the goods. The certificate of origin needs to be signed by the exporter or manufacturer of the goods.[200]

Figure 18: Export process of required for CBTs to exit/enter Zimbabwe

Source: Cross border Road Transport agency, Cross border Road Transport Operator Handbook for Zimbabwe, 2018

As seen in the figure above, the export process is less intensive and no duties are required. However, there is a fee required for the clearance of goods. Documentation for export needs to be completed by the registered importer or a registered clearing agent. Exporters are required to be registered with ZIMRA under the relevant trade agreement to participate in trade.[201]

The formalised import process is lengthy and may attribute to the prevalence of informal traders crossing the borders to purchase commodities themselves so that they can sell in their country of origin.

6.2.1.2 Digitisation in trade

There is limited developments in the digitisation of Zimbabwean trade however different government trade agencies have implemented the following e-government services that impact formal cross-border traders have been implemented:

- **ZIMRA's Electronic Cargo Tracking System (ECTS)**: ECTS system tracks and monitors transit cargo from the point of entry into Zimbabwe to the point of exit using electronic seals that are armed on the cargo. The system covers containerized cargo, break bulk cargo and fuel tankers - i.e. not small scale trade. The system has assisted with reducing illegal smuggling and corruption at borders.[202] The system is used for large scale traders.
- **ZIMRA's computerized customs clearance systems**: Allows certain processes including the registration and risk-based processing of declarations to be submitted remotely.[203]
- **ZIMRA online information platform**: ZIMRA's website contains the necessary forms and customs information which can be downloaded beforehand. Cross-border traders can use this website to stay up to date regulatory and requirement updates.
- The **ZimTrade** (see here) is a parastatal that operates as the export promotion agency. It includes a list of registered exporters and their contact details (a total of 33) and has functionality for an online marketplace.

6.2.2 Regulatory Challenges

1. **SADC is yet to roll out STRs and s**: Unlike other unions EAC and COMESA, SADC is yet to roll out these initiatives to simplify and expedite trade facilitation. Traders complained about the number of different offices and documentation required to meet customs requirements as an impediment to their operations
2. **Limited customs digitisation:** Despite initiatives and plans to digitise trade systems, very little implementation has taken place to facilitate trade in Zimbabwe.
3. **Lengthy time taken to clear customs:** Traders identified a lack of sufficient number of customs officers at border posts which often led to delays. As a result many traders were unable to claim their VAT refunds, particularly for those using public transport that cannot wait indefinitely.
4. **Unpredictable policy changes**: This creates a difficult environment to operate in. Examples of such policy changes include the currency changes and the end to the bilateral trade agreement with SA.
5. **Efforts to digitise the exchange of customs information with SA have trailed other countries**: This was attributed to network and infrastructure challenges.
6. **Transaction limits for ICBTs are low**: a maximum of USD 1,000 limits ICBTs to small scale trade.
7. **ICBTs are unable to access foreign exchange through the auction system:** when they compete with larger and connected businesses. As such ICBTs tend to seek foreign exchange in the black market.
8. **The infrastructure at borders is poor:** ICBT traders lack sufficient places to sleep or hygiene facilities.

6.3.2 Zimbabwe Government's response to COVID-19

The initial response to the COVID-19 was the following:[204]

- A "National Lockdown and prohibition of gatherings" was legislated for a 21-day period commencing 30 March 2020 (extended indefinitely). The extent of lockdown has been reviewed and revised since then with the latest change taking effect from 22 July 2020 with an 18:00 to 06:00 curfew being implemented. Business operations for non-essential services, low risk sports and permitted gatherings has been restricted to times between 09.00 and 15.00.
- The entry of citizens and residents is permitted although this entailed that the responsible enforcement officer at the port of entry concerned must order such citizens, returning residents to be detained, isolated or quarantined in any place for a period of twenty-one days;
- There has been a further relaxation of Covid-19 lock down regulations such as allowing registered informal traders to resume operations upon fulfilling certain conditions e.g. compulsory mask wearing and employee testing.

The pandemic will hinder the government's National Industrial Development Policy 2019-2023's ambitions to increase exports. In January 2020, before the virus became a global pandemic, Zimbabwe had recorded exports of USD 397.7 million whilst imports were USD 383.6 million, resulting in a surplus of USD 14.1 million.[205] From March 2020, Zimbabwe's largest trading partner, SA, closed its border to control the spread of COVID-19 with only freights of essential goods allowed to be traded. With 39% of the country's imports coming from SA, slower imports could cause a shortage of goods and continue to put more pressure on the country's inflation. Furthermore, with low production and lower global demand, the decreasing exports would worsen the shortage of foreign currency.

Table 87: Zimbabwean trade statistics

	January 2020 Pre-COVID		April 2020 SA level 5 lockdown	
Indicators	Export	Import	Export	Import
Total international trade, USD million	398	384	200	225

Source: Zimbabwe National Statistics Bureau, Summary of External Trade, 2020

Note: Red indicates a decrease and green indicates an increase

Between April 2019 and April 2020 exports decreased by 28% and imports declined by 46%. It is unclear which trade commodities were mostly impacted by COVID-19.

As of the 7th of October, Zimbabwean borders remain closed for general travel and the lockdown regulations as announced by the Government are yet to be relaxed at the entry points despite other countries starting to reopen.[206] The government has recently announced that they are sending a team of experts to all ports of entry to assess whether the country is ready to open its borders, as the cases of Covid-19 continue to decline.[207]

6.3 Demand Side Diagnostic

This section provides findings from the demand side research in Zimbabwe.

6.3.1 CBTs Profiles

To capture Zimbabwean traders crossing into SA, a survey was conducted at the Beitbridge border and supplemented with telephonic interviews of ZCBTA members. A total of 72 traders were interviewed; 44 at Beitbridge and 28 telephonically.

The analysis of respondents below is carried out against the overall sample size, gender splits, youth (traders aged 25 years and below) and the segmentation based on frequency of trade (i.e. day traders - crossing the border weekly or more frequently; malaichas - crossing the border between every two weeks to six months; or diaspora traders - crossing the border once every six months to a year).

Table 88: Age distribution by trader segments

	Number	18 - 25 years	26 - 35 years	36 - 45 years	46 - 55 years	56 - 65 years
Total sample	72	11%	31%	42%	17%	0%
Day traders	25	0%	44%	48%	8%	0%
Diaspora traders	7	57%	29%	14%	0%	0%
Malaichas	40	10%	23%	43%	25%	0%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

42% of the overall sample of traders were aged between 36 and 45 years. Female CBTs had a higher proportion of respondents that were 46 to 55 years old (32%). Diaspora traders were younger with 57% of respondents aged 18 to 25 years. The respondents were marginally older than the traders sampled in the SAMP ICBT survey in 2014 who on average were 34 years old.[208]

68% of total respondents had three or more dependents. For female CBTs this was higher at 75% compared to males with 64%.

Table 89: Gender and formality by trader segments

	Male	Female
Total	61%	39%
Youth	50%	50%
Day traders	80%	20%
Diaspora traders	57%	43%
Malaichas	50%	50%

	Formal	Informal
Total	31%	69%
Female	29%	71%
Male	32%	68%
Youth	13%	88%
Day traders	24%	76%
Diaspora traders	29%	71%
Malaichas	35%	65%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Formality is defined as a business being registered or licensed as an importer or exporter with an authority| Youth is defined as respondents under 25 years | Red blocks indicate highest percentage/trend

61% of respondents to the survey were male. This is in contrast to the SAMP study where females accounted for 54% of ICBTs between SA and Zimbabwe.[209] This suggests that the added constraints brought on by COVID-19 may have negatively impacted women more so than men. 80% of day traders (i.e. traveling across the border weekly) were male.

All traders had completed at least secondary school, in line with overall high literacy rates of the population. Of the three segmentations only malaichas (i.e. 27% of them) had attained a university education.[210]

Informal traders made up the majority of the respondents at 69%. The top three reasons cited for not being registered were the registration process being too complicated (36%), not having enough money (30%) and that the business is too small to be registered (20%). Formal traders reported either being registered with ZIMRA (82%) or SARS (18%). Of those that were registered, a near equal number of individuals stated that they did not face any challenges registering and that they found the registration process to be long.

Only 7% of the total respondents reported never declaring the correct value of goods to customs. 22% claimed they only sometimes declare the correct value, 28% most times and 43% reported they always declare the correct value. Formal businesses reported higher compliance as would be expected, but 32% did not comply all the time.

Only two out of the 72 respondents were members of a CBT association. This was ZCBTA and Mbedzi association. The traders received assistance registering with authorities and advocacy from the associations.

Box 5: Zimbabwe Cross Border Traders Association (ZCBTA)

ZCBTA was founded in 2000.

The EU and the International Trade Centre (ITC) funded the development of ZCBTA's Strategic Plan for 2016 to 2018. Prior to this it is reported that the EU and ITC also funded a diagnostic research on ICBT in Zimbabwe. The authors were unable to gain access to this report.

The organisation's key strategic objectives included: i) developing business linkages for members; ii) lobbying and advocacy to improve the operating environment; iii) providing members with financing; and v) business development support. These activities are to be executed while driving up membership and awareness, becoming self-sustaining from a financing aspect, and enhancing the administrative operation of the organisation.

As at 2020 ZCBTA had partnered with Homelink, a housing finance financial institution to offer members loans of up to USD 1,000 at a 3% interest rate. Loan applications are submitted through ZCBTA. Close to 200 individuals had applied for the loan, but it was unclear how many of them had received it.

ZCBTA has over 7,000 members in its database. However, only 700 are active.

Source: ZCBTA, Strategy (2016-2018), Available here | Stakeholder interviews, 2020 |

Of the three countries, Zimbabwean traders have been engaged in CBT activity for the longest period of time, with 57% of them engaging in the trade for more than five years. Based on the trader segments, over 60% of the malaichas and day traders have participated in CBT for over five years while diaspora traders showed that 72% have only been involved in CBT for at most two years.

82% of respondents identified as exporting goods from SA, with 11% importing goods to SA and 7% both exporting from and importing to SA. After SA, the countries or regions most traded with were Mozambique and other Southern African countries (i.e. other than Mozambique, eSwatini and SA).

Table 90: Type of product traded by trader segments

	Total	Female	Male	Day traders	Diaspora traders	Malaicha
Agricultural produce	32%	18%	41%	52%	29%	20%
Electronics	28%	18%	34%	16%	57%	30%
Textiles (first and second hand clothing)	54%	68%	45%	48%	71%	55%
Consumables	47%	46%	55%	68%	14%	40%
Vehicles and electrical machinery and equipment	10%	4%	14%	8%	0%	13%
Plastics	3%	7%	0%	8%	0%	0%
Other	11%	7%	14%	16%	14%	8%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Traders are trading a mixture of goods. Female traders seemed to concentrate their trade more in textiles (first hand and second hand clothing) - 68% and consumables (e.g. alcohol, cigarettes and cooking oil) - 46%. Males seemed to diversify their goods across consumables (55%), textiles (45%), agricultural produce (41%) and electronics (34%).

Table 91: Average value of goods traded by trader segments

	Total	Female	Male	Day traders	Diaspora traders	Malaicha
Below ZAR 1,000	3%	4%	2%	0%	0%	5%
ZAR 1,000 to 10,000	19%	32%	11%	0%	86%	20%
ZAR 10,001 to 100,000	68%	57%	75%	94%	14%	60%
ZAR 100,001 to 1 million	10%	7%	11%	4%	0%	15%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

The average value of commodities for most traders was between ZAR 10,001 and ZAR 100,000. Almost all respondents (99%) identified that they use the income generated from CBT to meet their daily household expenditures.

Prior to the COVID-19 pandemic, 90% of CBTs reported that CBT accounted for more than 50% of their annual income. Following COVID-19, this had dropped to only 33%. 92% of respondents identified that their incomes had decreased during the pandemic. For 45% reported the decrease between 1% and 30%, and 47% by between 30% and 50%.

93% of traders had no knowledge of trade policies or agreements of which Zimbabwe is signatory to.

6.3.2 Supplier and Customer Dynamics

Table 92: Type of suppliers of goods by trader segments (suppliers in SA)

	Total	Female	Male	Day traders	Diaspora traders	Malaichas
Wholesalers	76%	68%	82%	92%	86%	65%
Supermarkets	28%	11%	39%	40%	14%	23%
Manufacturers or factories	24%	7%	34%	20%	0%	30%
Small shops and retailers	15%	21%	11%	20%	0%	15%
Direct from farmers	4%	4%	5%	4%	0%	5%
You make the goods you sell yourself	1%	4%	0%	0%	0%	3%
Informal businesses	3%	7%	0%	0%	0%	5%
Other	3%	4%	2%	4%	0%	3%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

76% of traders source their goods from wholesalers. This confirms CBTs (both informal and formal trade) importance to GDP contribution for South Africa. 69% of respondents purchased stock in bulk when cheap and traded it slowly over time. A lower proportion of women bought goods in bulk at 57% compared to males at 77%.

Most traders, 88%, physically travel to shops of suppliers to purchase goods. Female led and formal businesses had a higher proportion of usage of call or email ordering than other segments at 18% both.

Box 6: Malaicha.com case study

Malaicha.com was started in 2019. The e-commerce website and app offers the purchase of goods from SA to be delivered to Zimbabwe in 26 different cities/ towns. Customers can purchase groceries, appliances and electronics, stationery, hardware goods, medications, among other household items. A service fee of 15% is charged. An order worth less than USD 30 must be collected from a collection point. Those worth over USD 30 can be delivered within 20 km of the collection points for a delivery cost of USD 5. Same day collection is available, implying goods.

Customers can make payments either by debit or credit card, mobile money (when paying from Ghana, Kenya, Rwanda and Tanzania) or xPAY. The DPO Group provides the payment processing capabilities for the platform.

Stakeholder interviews identified there had been a rise in usage of Malaicha.com during the COVID-19 pandemic particularly for younger traders. Reuters reported that the number of customers had surpassed 75,000, who were making on average between 20,000 and 30,000 orders per month in April 2020.

Source: Malaicha.com website, Available here | Reuters, Zimbabwe in SA use app to send food home after border restrictions, 2020. Available here | Stakeholder interviews, 2020

Table 93: How traders pay suppliers by trader segments

	Total	Female	Male	Day traders	Diaspora traders	Malaicha
Bank transfer done at the branch	7%	4%	9%	4%	0%	10%
Bank transfer done on mobile banking app or USSD platform	7%	7%	7%	4%	0%	10%
Bank transfer done on internet banking platform	8%	11%	7%	4%	0%	13%
Cash	86%	82%	89%	96%	100%	78%
Other, specify	3%	7%	0%	0%	0%	5%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Almost all traders paid their suppliers in cash. There was no uptake of ADLAs.

Table 94: Challenges related to suppliers by trader segments

	Total	Female	Male	Day traders	Diaspora traders	Malaicha
Require payment in full before receiving goods	43%	36%	48%	48%	14%	45%
Charge high prices making it hard to compete	49%	50%	48%	40%	71%	50%
Don't have access to certain goods	18%	21%	16%	28%	14%	13%
The quality of goods is poor	13%	18%	9%	4%	0%	20%
They do not provide you with a VAT receipt	11%	14%	9%	8%	14%	13%
Require payment in foreign currency	10%	18%	5%	0%	0%	18%
Other	11%	4%	16%	24%	0%	5%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

The two main challenges traders reported facing were being charged high prices by their suppliers (49%), and being required to make payment in full before receiving goods (43%). This suggests access to supplier financing may be limited. The Covid-19 pandemic had inhibited the access to supplies of 78% of traders.

Table 95: Type of customers by trader segments

	Total	Female	Male	Day traders	Diaspora traders	Malaichas
End consumers/ Private individuals	74%	71%	75%	76%	100%	68%
Wholesalers	0%	0%	0%	0%	0%	0%
Small shops and retailers	21%	25%	18%	20%	0%	25%
Other large businesses	3%	0%	5%	0%	0%	5%
Informal businesses	3%	4%	2%	4%	0%	3%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

74% of CBTs sell directly to end consumers/ private individuals. This largely involves either delivering the goods to the customer, or selling the goods on the street.

Table 96: How customers make payment by trader segments

	Total	Female	Male	Day traders	Diaspora traders	Malaichas
Bank transfer	15%	7%	20%	8%	0%	23%
POS transaction	8%	11%	7%	4%	0%	13%
Cash	94%	96%	93%	96%	100%	93%
Mobile Money	6%	7%	5%	0%	0%	10%
Other Specify	1%	4%	0%	0%	0%	3%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

As with suppliers, the majority of CBTs traders pay in cash. This impacts transactional visibility of traders. While men utilised more bank transfers, women accepted more POS payments.

Table 97: Challenges related to customers by trader segments

	Total	Female	Male	Day traders	Diaspora traders	Malaichas
Take too long to pay after delivery	49%	43%	52%	44%	86%	45%
Limited access to customers or markets	24%	25%	23%	20%	29%	25%
Competition from bigger traders and shops	50%	54%	48%	48%	29%	55%
Negotiate for very low prices	60%	61%	59%	68%	43%	58%
Payment is in foreign currency	17%	11%	20%	24%	14%	13%
Other	10%	0%	16%	20%	0%	5%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

CBTs across all segments identified the three key challenges related to consumers to be their nature of negotiation down prices (60%), competition from bigger traders and shops (50%), and customers taking too long to make payment. These challenges were more pronounced for informal traders compared to formal traders. COVID-19 had inhibited the ability to sell goods to 78% of respondents.

46% of all respondents identified getting access to foreign currency as being a problem. This was a particular challenge for women traders, diaspora traders and informal traders. The key concerns here were the fluctuations between the home currency and foreign exchange that made goods more expensive and eroded incomes. Respondents faced the most challenges accessing USD followed by the ZAR.

6.3.3 Access to Finance

Table 98: Account ownership by trader segments

	Total	Female	Male	Day traders	Diaspora traders	Malaichas
Bank account	52%	32%	85%	61%	0%	53%
MFI account	3%	2%	4%	0%	0%	5%
Mobile money account	39%	34%	46%	4%	86%	48%
No account	24%	10%	58%	43%	14%	20%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Up to 52% of respondents were banked. Women had significantly lower banked rates than their men counterparts, and rather made use of mobile money. 24% of respondents had no financial services account.

Only 14% of respondents had borrowed in the last year to finance CBT activities. On average the loan amounts borrowed were USD 2,075. These were largely informal CBTs, rather than formal CBTs. Only one CBT had taken goods on credit. When in need of funds, 43% used their own savings and 28% used their income.

Going forward 71% of respondents would prefer to apply for a bank account face to face with a bank representative. Only 17% would like the possibility of borrowing on SMS or WhatsApp. This demonstrates limited trust or comfort with digital platforms. 60% of respondents had some form of security or asset that they could use as collateral for loans. This was mostly land and vehicles.

The most important criteria that traders identified when selecting a financial institution to borrow from was low interest rates and the easiest to make and receive payments.

Table 99: FSPs that are perceived to support CBT by trader segments

	Total	Female	Male	Day traders	Diaspora traders	Malaicha
Banks	33%	21%	41%	44%	0%	33%
MFI	7%	11%	5%	4%	0%	10%
MMO	19%	32%	11%	4%	71%	20%
ADLAs account	3%	0%	2%	0%	0%	3%
None of the above	43%	43%	43%	48%	29%	43%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Based on the questionnaire results, most traders feel they are not a key segment for financial institutions. As seen in the section above, diaspora traders feel that they are treated as an important segment to this provider. Zimbabwean traders indicated the reason for this perception was that the FSP met their product needs and the products were easily accessible.

On the other hand, when asked which FSP are perceived not to care about CBT, most indicated that banks do not care for CBTs. Traders indicated that this was due to hard to use products and current products did not meet their needs. Of the bakkie brigade traders, 38% felt the products were too expensive.

Only 17% of CBTs had taken up insurance before. Of this, the majority reported taking out vehicle cover, followed by cover on the goods. All CBTs sourced insurance from formal providers.

Table 100: Uptake of devices by trader segments

	Total	Female	Male	Day traders	Diaspora traders	Malaicha
Damn phone (Kambudzi for Zimbabwe)	6%	14%	0%	0%	14%	8%
Smartphone	85%	82%	86%	84%	71%	86%
Feature phone	10%	4%	14%	14%	14%	5%
None	0%	0%	0%	0%	0%	0%

Source: CBT Survey, 2020 | Genesis Analytics, Team analysis, 2020

Note: Red blocks indicate highest percentage/trend

Smartphone penetration was up to 85% of the respondents. Despite this high uptake, most CBT traders were not aware of any digital platforms offering financial services. Of the 26% that had heard of digital platforms, they identified internet and mobile banking applications, and ADLAS.

6.3.4 Summary of key challenges

Below we summarise the key challenges faced by the different profiles of traders. These are split by those impacting CBT's operating environment and those that impact their ability to access financial services.

Table 101: Challenges faced for financial services

Segment	Key challenges
Day traders	**Operations** • The process of registration with an authority as an importer or exporter is considered lengthy, complicated and costly • Long queues and delays at border posts. This could result in not being able to collect VAT returns • They do not see a benefit to registering with an authority • Face harassment at border posts by police and customs officials. This is often in the form of goods being seized or being asked for bribes • COVID-19 has inhibited their ability to access suppliers and customers • Some suppliers may not provide you with a VAT receipt • Face stiff competition from bigger retailers • Consumers negotiate down prices • Access to foreign exchange is a challenge as traders cannot get as much currency as they need
	Financial services • Suppliers require upfront payment in full implying there is limited access to supplier credit. This is likely related to lack of formal documentation • Lack legal documents to obtain financial services from commercial banks and large insurers • Lack collateral to put down for credit • Payment of suppliers and receipts by customers are largely in cash there by limiting developing a financial history • Limited uptake of insurance because of the related cost
Diaspora traders	**Operations** • Lacking formal documentation to register with authorities • Not having sufficient money to register • Customs fees are considered expensive • Long queues and delays at border posts • Suppliers charging high prices • Lack of reliable transport for goods • Insecurity at the border
	Financial services • Lack of legal documents to obtain financial services products in SA, most are in SA illegally thus increasing their exclusion from financial services • Customers take long to make payment once goods are delivered • Lack collateral to put down for credit • Lack of financial records compared to formal entities

Segment	Key challenges
Malaicha	**Operations** • The process of registration with an authority as an importer or exporter is considered lengthy, complicated and costly • Long queues and delays at border posts • Customs fees are considered expensive and eat into CBTs profits • Face harassment at border posts by police and customs officials. This is often in the form of goods being seized or being asked for bribes • Insecurity at the border
	Financial services • Suppliers require upfront payment in full implying there is limited access to supplier credit • Payment of suppliers and receipts by customers are largely in cash there by limiting developing a financial history • Lack of collateral

Source: Genesis Analytics Analysis

6.4 Supply Side Diagnostic

An overview of the financial sector in Zimbabwe is provided in the Appendix. In this section a review of the financing, remittance and insurance offerings for CBTs within Zimbabwe are provided.

6.4.1 Financing

Table 102: Share of credit extension by sector 2020

Sector	2019	2020
Agriculture	31.7%	23.2%
Communication	0.3%	0.5%
Construction	1.4%	0.7%
Distribution	10.9%	11.%
Financial and Investments	0.5%	0.1%
Financial Organisations	14.6%	18.5%
Manufacturing	10%	13.3%
Mining	8%	14%
Services	8%	6.3%
Transport	0.8%	1.1%
Individuals	13.9%	11.2%
Conglomerate	0.1%	0.1%

Source: Reserve bank of Zimbabwe statistics 2020

The agriculture sector receives the largest share of total credit at 23% in 2019. This differs from the other three countries which all have personal/household loans as the dominant receiver of loans. This is probably due to agriculture contributing approximately 17 % to Zimbabwe's GDP and providing employment and income for 60-70 % of the population[211]. About 11% of total loans go to the trade segment which is similar when compared to Mozambique and eSwatini.

The 2020 AfDB report on Trade Finance identified that Southern Africa had the highest proportion of banks that were engaged in trade finance (i.e. 23%). These banks also reported the lowest default rates at 2%, for SMEs which was even lower at 1%. Zimbabwe banks made up 2% of respondents to the survey.[212]

Table 103: Trade finance products Zimbabwe

Trade finance product	Stanbic Bank	CBZ Bank	EcoBank	Standard Chartered	FBC Bank	Infrastructure development Bank of Zimbabwe	People's Own Savings Bank
Letters of credit	✓	✓	✓	✓	✓	✓	✓
Receivable discounting	✓	✓	✓	✓	✓	x	x
Documentary collections	✓	✓	✓	✓	✓	✓	✓
SME targeted trade finance	x	x	✓	✓	✓	x	x
Guarantees	✓	✓	✓	✓	✓	✓	✓

Source: Various Banks Websites 2020

Trade finance products targeted at SMEs are offered in at least three commercial banks (Standard Chartered, FBC Zimbabwe and EcoBank). The eligibility document requirements for such products are high. Similarly to the other countries, these are likely to be key barriers for ICBTs.

The People's Own Savings Bank is a savings bank which offers trade finance services, however, it only offers these documents to their corporate banking clients. This excludes CBTs and SMEs from applying for these services.

The Infrastructure Development Bank of Zimbabwe (IDBZ) is a development finance institution (DFI) launched by the Government of Zimbabwe to support lower-income market segments[213]. The IDBZ offers trade and commodity finance products. The IDBZ product offerings are aimed at the energy and power, transport, water and sanitation, ICT and housing sectors in Zimbabwe, which ICBTs do not fall into.

The Small and Medium Enterprises Development Corporation (SMEDCO) is another DFI which launched by the government, they offer services such as working capital and order finance but do not explicitly offer trade finance products or services[214]. Despite it being a DFI, the document requirements are similar to that of banks and requires an upfront payment of USD 100[215].

The Export Credit Guarantee Corporation (ECGC) is a wholly owned subsidiary of the Zimbabwe Reserve Bank. ECGC can cover shipments made by exporters on a Letter of Credit basis, or open account terms where applicable. However, they realized that their requirements are too cumbersome for SMEs and hence they introduced a new financial inclusion facility about three years ago. This facility involved any bank or MFI approaching the ECGC on behalf of an SME (including a CBT) for a working capital finance guarantee in the absence of collateral from the SME. Around 100 exporters have been assisted in this way. There is no minimum amount, but this probably depends on what makes economic sense to the financier. The key issue with the system is that the facility is denominated in Zimbabwean Dollar. At unpredictable three-digit inflation rates, Zimbabwean dollar loans would inevitably mean that a lender advances in USD and get repaid in ZWL. ECGC is considering starting discussions to get approval to guarantee USD denominated loans.

6.4.1.1 Provider constraints to financing

1. **Currency instability:** Persistent currency shortages and restrictions limits providers' ability to extend international trade finance products.[216] This likely limits the willingness of corresponding banks to work with Zimbabwe banks.
2. **Perceived ICBT section to be high risk with limited business case:** due to ICBTs lack of formal registration, limited access to collateral, the nature of informal trade and overall lack of visibility of their financial transactions, formal providers perceive ICBTs to be high risk with limited bankability
3. **There is no national reporting of uptake of trade finance:** The Reserve Bank does not report trade finance statistics like the East African counterparts. There is therefore no clear data point on how trade finance extension, particularly to SMMEs is changing.

6.4.2 Remittances

Table 104: Bilateral remittances between Zimbabwe and SA (2018, USD Millions)

Indicators	World bank 2018	FMT 2018
Inflows from SA, USD million	720	686
Outflows to SA, USD million	16	-

Sources: World Bank Bilateral Remittance Data 2020

Overall, remittances accounts for 8% of Zimbabwe's GDP in 2019 compared to 7% in 2018[217]. In 2018, Zimbabwe received USD 720 million from South Africa and sent USD 18 million to South Africa.[218]

FMT estimates the remittance Zimbabwe received from South Africa is around USD 686 million, which is relatively close to the World Bank estimate. FMT estimates that 68% of this is informal, which is similar to eSwatini. This identifies the need to increase formalisation in payments, where informal channels are often exposed to delays and other risks.[219]

Table 105: Payment and remittance services in Zimbabwe

	FNB	ABSA	Stanbic Bank	WorldRemit	Hello Paisa	Mukuru	Mama Money
Type of institution	Bank	Bank	Bank	ADLA	ADLA	ADLA	ADLA
Sender's Account							
Bank Account	✓	✓	✓	x	x	x	x
Virtual forex/ Provider wallet	✓	x	x	✓	✓	✓	✓
Mobile money wallet	x	x	x	✓	✓	✓	✓
Card	x	x	x	✓	✓	✓	✓
Cash at an agent/ branch	✓	✓	✓	✓	✓	✓	✓
Recipients account							
Bank Account	✓	✓	✓	x	x	x	x
Virtual forex/ Provider wallet	x	x	x	✓	✓	✓	✓
Mobile money wallet	x	x	x	✓	✓	✓	✓
Card	x	x	x	x	x	x	x
Cash at an agent/ branch	✓	✓	✓	✓	✓	✓	✓
Document Required							
ID/Passport/Permit	✓	✓	✓	✓	✓	✓	✓
Photo	✓	✓	✓	✓	✓	✓	✓
Fees	20%	29%	23%	5%	8.4%	9.6%	4.3%
Time taken	3- 5 days	3- 5 days	2 days	<1 hour	<1 hour	<1 hour	<1 hour

Sources: Provider website, Genesis Analytics mystery shopping

There are a large number of bank and non-bank remittance providers in Zimbabwe. This results from the macroeconomic conditions that necessitated the use of digital forms of payment and cross border trade. There are examples of interoperability between Zimbabwean banks and non-bank remittance providers. WorldRemit and the People's Own Savings Bank (POSB) have a strategic partnership which allows you to receive remittances with your POSB account through WorldRemit. Zimbabweans can receive remittances through an agent or a bank account.

Banks charge in excess of 20% fees on remittances between SA. ADLAs, in contrast charge on average 5% -8.4%. MMO charges range from 4.3% to 9.6%. Banks have a turnaround time which averages between 2-5 days. Whereas, ADLAs and MMOs are much shorter, usually taking less than an hour to process remittance payments.

6.4.2.1 SADC-RTGS

Table 106: Volume and value of Zimbabwe SADC-RTGS transactions

Indicators	2016	2017	2018	2019
Value, USD millions	953.1	939.7	942.5	844.6
Volumes, units	16,848	12,153	11,591	5,799
Source: SADC RTGS SADC bankers payment project 2020				
Note: Exchange rates from Oanda.com and as at 31 December of respective years				

Zimbabwe joined the SADC-RTGS system in 2014 with 14 banks currently participating in the system. The value of RTGS amounted to ZWD 49 billion in 2020.[220] The average transaction value of USD 145,646 (i.e. ZAR 2.08 million). The amount of money settled through the system was USD 844.6 billion for 2019, which represents 20.1% of total imports. This is down by 10% from 2018, and is still below 2016 levels.

6.4.2.2 Providers constraints to remittance provision

1. **High operating costs**: High interchange pricing and regulatory compliance costs are passed on to consumers making the remittance platform too costly for some segments. ADLAs identified that they are required to send physical USD cash into Zimbabwe to effect the remittance payments.
2. **Operating holidays**: Currently SARB oversees the running of the SADC-RTGS system and thus the system operates based on the South African holidays, and efforts have been made to identify the common SADC holidays from which the system should operate.
3. **Delayed launch of Transaction Cleared on Immediate Basis (TCIB):** ADLAs expect the TCIB platform to reduce the time taken to settle cross border payments, as opposed to the current use of corresponding banks. This is expected to reduce working capital requirements.

6.4.3 Insurance

Table 107: Insurance Policies in Zimbabwe

	CBZ	Alliance	Clarion	ECGC	Cell	Champion
Commercial vehicle	✓	✓	✓	x	✓	✓
Fire	✓	✓	✓	x	✓	✓
Business Interruption	✓	x	✓	x	x	x
Goods in Transit	x	x	✓	x	x	✓
Theft	✓	✓	✓	x	✓	✓
Money in Transit	x	x	x	x	x	x
Agriculture	✓	✓	x	x	x	✓
Export payment	x	x	x	✓	x	x
Cross border insurance	✓	✓	✓	✓	✓	✓
Sources: Provider website, Genesis Analytics mystery shopping						

As with other African countries, insurers in Zimbabwe target individuals and larger businesses more so than CBTs. Nevertheless, there are a number of insurance companies offering CBT-related insurance policies such as fire, motor, goods-in-transit, theft, business interruption insurance and cross border insurance[221].

6.4.3.1 Providers constraints to insurance provision

1. **Overall low insurance uptake by SMMEs:** 2012 SMME FinScope showed that only 5% of SMME use formal insurance, whilst 15% use informal insurance and 80% is excluded from the market.[222]
2. **Limited understanding of insurance products in industry**: Insurance Council of Zimbabwe (ICZ) and the Association of Reinsurers of Developing Countries have indicated that there is a gap in technical skills training in the Zimbabwean insurance industry.[223] This may impact the uptake of insurance products as it impacts the insurance personnel's ability to properly market and disseminate insurance information about their products.

6.5 COVID-19 financial sector responses

The Zimbabwean government provided an economic recovery and stimulus package amounting to ZWL 18 billion. This stimulus package was aimed at regenerating the economy and providing relief to individuals and businesses.[224]

In addition to the stimulus package, the government suspended the floating exchange rate system to provide better certainty in the pricing of goods and services in the market. The RBZ adopted a fixed exchange rate system at the current interbank level. Further, the monetary policy committee of the bank increased the medium term bank accommodation facility to ZWL 2.5 billion.[225] This facility is meant to support productive sector activities.

The issuance of the Open Market Operations (OMO) Corporate Bills was another measure aimed at price stabilisation. The issuance of these bills was done to enhance the monetary targeting framework necessary to support the exchange rate.

The MPC has decreased the statutory reserve (amount of money set aside by financial institutions to meet un-matured obligations) ratio from 5% to 4.5% in order to free up some funds to the bank in order to enhance their lending activities.

The RBZ's policy rate was also reduced from 35% to 25% in order to incentivise commercial banks to adjust their lending rates. This is to meet the requirements of their customers that are being negatively impacted by the pandemic.

The commercial banks in Zimbabwe suspended increases in charges related to the provision of all electronic payments during the pandemic. The RBZ engaged with mobile network providers to ensure that their mobile banking charges are reduced in order to promote electronic banking.

The financial sector measures should result in an increase in the amount of available credit to businesses and individuals and should maintain price stability to limit economic and financial strain.

6.6 Support providers

This section explores the key CBT support providers that operate within Zimbabwe and the type of support they provide. The type of support is classified around who the key recipients are i.e. traders, FIs and regulators/ government agencies.

For Zimbabwe, these are i) AfDB; ii) IFC; iii) Afreximbank; iv) Small and Medium Enterprises Development Corporation - SMEDCO; v) the UN International Organization for Migration -UN IOM ; vi) Southern African Migration Programme - SAMP); and vii) UN World Food Programme - UN WFP.

Table 108: Key CBT support providers in Zimbabwe

Institution	AfDB	IFC	Afreximbank	SMEDCO	ZimTrade	UN IOM	SAMP	UN WFP
Classification	Donor/ DFI	Donor/ DFI	Donor/ DFI	Gov agency	Gov agency	Donor/DFI	NGO	Donor/DFI
Overall focus	Africa wide	Africa wide & Global	Africa wide & Global	Zimbabwe	Zimbabwe	Zimbabwe	Regional	Africa wide & Global
Type of support to traders								
BDS								
Market access								
Credit guarantee to traders								
Financing/ Grants								
Overall research								
Type of support to FIs								
Capacity building								
Credit lines to FIs for trade finance								
Risk guarantees to FIs								
Type of support to regulators/ government agencies								
Capacity building								
Advocacy								

Source: Mystery shopping, 2020 | Stakeholder interviews, 2020

The SMEDCO is the government agency tasked with developing SMEs in Zimbabwe. To this end SMEDCO offers BDS, market access, credit guarantees, advocacy and financing.

The UN has two agencies involved in ICBT. This includes the i) IOM - with an overarching focus on migration, offers ICBT research, market access support and advocacy; ii) WFP - with a focus on food security, provides research on ICBT food flows. SAMP carries out periodic monitoring of border posts to estimate the ICBT flows and advocates for improved operating landscapes for ICBTs.

There are three multinational DFIs namely AfDB, IFC and Afreximbank which offer support primarily to FIs as part of their operations on the continent. The support focuses on offering capacity building, credit lines for trade finance and risk guarantees. The AfDB offered overall research to traders. The IFC in also carries out overall research for traders and capacity building for government institutions.

Notes from section 6

[180] WBG, WDI Database, 2020
[181] AfDB, Zimbabwe Outlook, 2020. Available here
[182] UNDP, Policy Brief: A preliminary assessment of the socio-economic impact of COVID-19 on Zimbabwe, 2020
[183] IMF World Economic Outlook (WEO) Database, 2020
[184] ZIMSTAT Twitter Update. Available here
[185] WBG, Ease of Doing Business, 2020
[186] World Bank Database, 2017
[187] ZIMSTAT. Labour Force and Child Labour Survey, 2019
[188] BBC News, Reality Check: Are 90% of Zimbabweans unemployed? 2017. Available here
[189] Ibid.
[190] UNESCO, Education and literacy, 2014. Available here
[191] ZIMSTAT. Labour Force and Child Labour Survey, 2019
[192] FinScope, SMME Survey Zimbabwe, 2012.
[193] Ibid.
[194] Ibid.
[195] World Bank, Enterprise surveys Zimbabwe 2016 here
[196] Ibid.
[197] International Trade Administration, Zimbabwe - Trade Agreements. Available here
[198] Tralac, Trade Policy Review: Zimbabwe, 2020. Available here
[199] Government of Zimbabwe Industrial Development Policy , 2019-23, 2019
[200] Stakeholder interviews, 2020
[201] Government of Zimbabwe, NDS1, 2020. Available here
[202] Cross border Road Transport agency, Cross border Road Transport Operator Handbook for Zimbabwe, 2018
[203] Ibid.
[204] Ibid.
[205] World customs organization website, 2020. Available here
[206] World Trade Organisation, Trade Policy and practices by measures - trade Policy Review, 2011
[207] KPMG Zimbabwe Government and institution measures in response to COVID-19 2020 here
[208] Trade Zimbabwe news article here
[209] All Africa news article here
[210] Online Article, Zimbabwe Mnangagwa set to reopen borders. Available here
[211] SAMP Informal Entrepreneurship and Cross-Border Trade between Zimbabwe and South Africa, 2017
[212] Ibid.
[213] South African Government statement 2015 here
[214] Food and Agriculture Organization of the United Nations websites 2020 here
[215] AfDB, Trade finance in Africa, 2020. Available here
[216] SNV Microfinance sector recovery study Zimbabwe 2009 here
[217] SMEDCO website here
[218] Ibid.
[219] Trade finance in Africa AFDB 2020 here
[220] World Bank Group Database. Available here
[221] World Bank Remittances Matrix Data, 2018
[222] FMT, SADC volumes and values report, 2020. Available here
[223] FMT, Interest on mobile money in Zimbabwe "Paying the customer their dues", 2020
[224] Genesis Analytics mystery shopping
[225] FMT FinScope SMME survey 2012 here
[226] Zimbabwe Independent, Insurers must go back to basics, 2020
[227] KPMG, Zimbabwe government and institution measures in response to COVID-19, 2020 here
[228] RBZ, Press Statement Covid Measures, 2020

7. ANNEXES

7.1 Key stakeholders interviewed

Table 109: Stakeholder interview information

Stakeholder categories	Stakeholders interviewed
CBT associations	• Zimbabwe cross border trader association • Association of Mukeristas • TradeMark East Africa
Regulators	• eSwatini Revenue Authority • South African Revenue Services • Zimbabwe Revenue Authority
Financial service providers and regulators	• FNB • World Remit • Mukuru • BASA
Regional trade communities and organisations	• SACU • UN IOM: Integrated Border Management

7.2 Customs Union and Key Trade agreements

Table 110: Regional Economic Communities statistics for 2018

	COMESA		SADC		SACU	
	Unit	% of SSA	Unit	% of SSA	Unit	% of SADC
Number of countries	19	41%	16	35%	5	31%
GDP	USD 755 b	44%	USD 721 b	42%	USD 319 b	44%
Population	540 m	50%	345 m	32%	63 m	18%
Total trade	USD 235 b	42%	USD 303 b	1%	USD 172 b	57%

Sources: COMESA Statistics 2018| SADC Guide to Trade Protocol 2018 | SACU Website 2018 | WBG Database 2018

The key customs unions that the four countries are signatories to are COMESA, SADC and SACU. COMESA is the largest with 19 countries, followed by SADC with 16 and SACU with five. These customs unions share similar objectives around improving access to trade of member states. They seek this by either:

1. defining **common external tariffs (CETs)** which unifies tariff rates among members to imports from other countries outside of the union in an attempt to boost intra-union trade
2. **set rules of origin** which sets priorities for goods produced or manufactured within member states. These are often enforced through issuing certificates of origin.
3. **developing simplified trade regimes (STRs)** which aim to simplify processes and procedures at border posts to aid small scale and informal traders to comply

Awareness and impact of these trade programmes and policies will be addressed in the demand side analysis.

Table 111: Trade agreement summary

Trade agreement	Common External Tariff (CET)/ tariff exemptions	Rules of origin	Certificate of origin	Simplified trade regimes (STR)
COMESA				
ADC				
SACU				

7.2.1 Common Markets for Eastern and Southern Africa (COMESA)

COMESA was established in 1994 with the objective of replacing the Preferential Trade Area (PTA). Partner states within COMESA include Burundi, Comoros, Djibouti, D.R Congo, Egypt, Eritrea, Ethiopia, eSwatini, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Somalia, Tunisia, Uganda, Zambia, and Zimbabwe. South Africa and Mozambique are not part of COMESA. In total, COMESA has a population of 540 million and global trade in goods accounting for USD 235 million. COMESA's priority areas include developing a free trade, merging customs from different territories into one region (i.e. developing a customs union) and trade promotion initiatives that reduce non-tariff barriers.

There are a number of key initiatives set out by COMESA to promote and/or ease trade operations, specifically the introduction of new information kits. The COMESA Secretariat has developed modules for online courses on trade and gender in order to advance gender equality and empowerment among women traders in the region. The regional community has also rolled out a mobile application designed to provide access to real time information to clearing and forwarding agents.

Article 3 of the COMESA Treaty addresses the promotion of the informal cross-border trade sector. COMESA recognises that small scale traders play a critical role in the region as this segment is responsible for the bulk of intra-COMESA food trade. As a result, COMESA has encouraged the formation of associations among these traders in order to engage governments and ensure that they receive the assistance to participate more effectively in trade[226].

Table 112: Challenges affecting COMESA STR uptake

COMESA STR Challenges	
High costs	There are additional fees (i.e. processing fee) accompanied with traded goods that are considered eligible for STR treatment. This fee can be particularly high (USD 10 per invoice) especially for small scale traders Traders are still impacted by a range of non-tariff barriers that operate at the border. Formal trade requirements that are still in place form part of these non-tariff barriers e.g. border service fees and certificates of origin
Narrow list of eligible goods	The list of eligible goods for STR treatment is still limited with less than 30 items at some borders
Inconsistent implementation of STRs	Implementation of the STR is impeded by the inconsistent application of rules and requirements at the border
Limited familiarity with STR	Limited knowledge and understanding among traders of the STR and its prerequisites. This could be due to the lack of access to information
Low presence of Trade Information Desk Officers (TIDOs) at borders	COMESA developed a system of using trade information desk officers whilst piloting the STR. The objective of these officers was to provide information and assistance on clearance procedures as well as the list of goods qualifying for STR. However, the assistance of the TIDOs have shown to be inconsistent. In some cases the number of TIDOs appointed to deal with STR issues impacted the number of transactions carried out under the regime

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

7.2.2 Southern African Development Community (SADC)

Regional integration is an important objective for SADC. SADC has 16 member states that include Angola, Botswana, the Democratic Republic of the Congo (DRC), Lesotho, Madagascar (that was suspended in March 2009 after a coup d'état), Malawi, Mozambique, Mauritius, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe[227].

SADC does not have a STR in place yet. The SADC ministers have mandated the Secretariat to commence plans for developing an STR for intra-regional trade[228]. As per the 40th SADC Summit held in August 2020, the STR framework is planned to be voluntary and be based on bilateral arrangements which might limit the impact of its implementation[229].

SADC has neither developed guidelines nor model laws on s yet. Of the that have been completed, their implementation has been spearheaded by the COMESA Secretariat on behalf of the COMESA-EAC-SADC tripartite initiative. The planned s between South Africa and the key partners include: Lebombo/ Ressano Garcia (between South Africa and Mozambique) Beitbridge/ Messina (between South Africa and Zimbabwe), Oshoek/ Ngwenya (between South Africa and eSwatini) and Lavumisa (between South Africa and eSwatini)[230].

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

The SADC Protocol on Trade consists of restrictive rules of origin that potentially discourage trade among informal or small scale cross-border traders[231]. The rule of origin states that the trade commodity must have been wholly produced or obtained in one partner state; the non-originating materials that make up the commodity must have undergone sufficient working or processing in one of the SADC countries; or the value of the non-originating materials must not exceed 10% of the ex-factory price of the good[232]. Informal or small scale traders may find the process of proving origination tedious and as a result not worth the transition into formal trade.

The documentation needed for proof of origin and transport information includes a certificate of origin, transport document and certificate issued by the customs authorities of the country of transit. The certificate of origin requires a signature from the consignee and consignor and description of the commodities, exact description of the product and origin criteria. The transport document should include the passage from the exporting partner state through the country of transit[233]. The SADC Protocol on Trade is explicit about ensuring that trade requirements comply with that of international standards. These requirements may pose as a barrier to trade for small scale traders discouraging the transition in formality.

Table 113: Challenges affecting SADC Trade Protocol

SADC Trade Protocol Challenges	
Restrictive rules of origin	The SADC Protocol on Trade consists of restrictive rules of origin that potentially discourage trade among informal or small scale cross-border traders[234]. These traders may find the process of proving origination tedious and as a result not worth the transition into formal trade.
Heavy administration required	Traders are required to provide transport information, signatures from both the consignee and consignor, details of the traded commodities. These requirements pose as a barrier to trade and impede the transition into formality
Dependency on trade taxes	A low or uniform CET is accompanied with government revenue challenges. Revenue from trade taxes is at least 10% of total government revenue in most SADC partner states[235]. Finding another source of revenue in order to replace lost trade taxes may be difficult
No joint approach on informal cross border trade	The Secretariat is yet to adopt a joint approach or strategy to support ICBT. As such, there no agreed upon definition of ICBT or collaborative efforts to support traders

Source: UNCTAD, Borderline: Women in informal cross-border trade in Malawi, Tanzania and Zambia, 2019 | Stakeholder interviews, 2020

7.2.3 Southern Africa Customs Union (SACU)

The Southern African Development Community (SADC) was established in 1992 with the aim of promoting economic growth and social development within the region. The partner states comprise of Angola, Botswana, Comoros, Democratic Republic of Congo, eSwatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, United Republic of Tanzania, Zambia and Zimbabwe[236]. Total trade in SADC accounted for USD 303 billion and had a population of 345 million in 2018. The SADC Protocol on Trade forms part of a larger regional cooperation programme and is centred on the reduction of customs duties and other trade barriers among partner states.

Article 5.1.1 of the SADC Treaty is aimed at developing policies that will lead to the elimination of obstacles to the free movement of capital, labour, goods and services. The regional indicative strategic development plan (RISDP) acknowledges challenges in developing policies that target vulnerable groups such as ICBT. In addition, the SADC industrialisation strategy roadmap (SISR) also takes into cognisance the role of small scale traders in contributing to employment and national development[237].

Similarly the Southern African Customs Union (SACU) was established in 1910 with five partner states namely; Botswana, eSwatini, Lesotho, Namibia and South Africa. The aim of this customs union was to form a customs union among the five countries. Under the SACU agreement a common external tariff (CET) on all goods imported into the union from the rest of world was developed; free movement of SACU manufactured products within SACU without duty charges; and revenue sharing formula for the distribution of customs and excise revenues collected by the union was established[238].

Key programmes under the SACU include the following[239,240]:

- **Customs modernisation programme**: The aim of this programme is to support customs administration to implement common customs systems, procedures and processes. This is to ensure that the movement of cross-border goods occurs with ease whilst strengthening collaboration amongst the member states. The Programme contains four areas focus namely;
  - Customs Legislative Framework which seeks to facilitate the development and implementation of the programme;
  - Risk management and enforcement aimed at enhancing and enforcing risk management capabilities through the development of common strategies to combat illicit trade;
  - IT connectivity which seeks to build real time IT systems interface between member states to allow automated exchange of trade transactions;
  - Trader partnerships which is meant to establish and implement the Preferred Trader Programme as a basis for an Authorised Economic Operator Scheme.
- **Authorised economic operator programme**: The objective of this programme is to recognise traders that are compliant with the customs laws through expedited movement of goods, and less physical and documentary inspections.
- **Trade facilitation programme**: SACU is reviewing its trade facilitation programme with the objective of strengthening the existing cooperation and collaboration to improve border efficiencies. Critical areas included in this programme are a one stop border post (i.e. coordinated border management); initiatives that address behind the border issues (e.g. non-tariff measures); and initiatives related to compliance of trade standards (e.g. sanitary and phytosanitary measures).

Imports from SACU partner states enter South Africa duty free given that SACU countries have single customs territory with no customs between them. However, imports of sugar, second-hand clothing, original vehicle component parts and wheat flour from SADC countries still face duties[241]. Imports from all other African countries are levied MFN duties which is the SACU common external tariff (CET) combined with several tariff bands.

SACU countries apply MFN tariffs on all products coming into the union except for goods that originate from the SADC and other international trade associations such as the EU and the European Free Trade Association. Commodities originating from these areas are charged preferential duties in accordance with the respective trade agreements with SACU[242].

The highest MFN applied duties in SACUs are levied on tobacco and clothing products. The ad valorem equivalent MFN applied tariff for un-stemmed and unstripped tobacco is 142.7% and for stemmed and stripped tobacco is 111.4%. The MFN applied tariff on clothing is 45% apart from second hand clothes. A specific duty of 213c/kg is applied on sugar imports and 60% or 25000c/kg for second clothes imports[243].

7.2.4 African Continental Free Trade Area (AfCFTA)

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

AfCFTA entered into force on 30 May 2019. As at November 2020, 30 countries had deposited their instruments of ratification with the African Union Commission (AUC) Chairperson. These include eSwatini, South Africa and Zimbabwe. 54 countries have signed the consolidated text of the agreement which Establishes AfCFTA.[244]

The AfCFTA is anticipated to boost intra-African trade by 33% once full tariff liberalisation is implemented.[245] This will potentially attract additional intra-African investment and generate market opportunities therefore fostering Africa's industrialisation through regional value chains. However, the rules of origin are still under negotiation.[246] Countries are, nevertheless, concerned about their loss to revenues and the ability to protect domestic industry.

As it stands the AfCFTA agrees to a 90% tariff liberalisation. The remaining 10% of tariffs are to be divided into two categories: i) 7% to be designated sensitive products and to be eliminated overtime; and ii) 3% to be excluded from liberalisation.[247] Liberalisation is expected to be staggered depending on a countries' classification as:

1. one of the 32 least developed countries (LDCs) that will be given ten years to achieve 90% trade liberalisation, and 13 years to eliminate the designated sensitive products. Of the EAC countries, this includes Burundi, South Sudan, Tanzania and Uganda.
2. non LDCs that will be given five years to achieve 90% of liberalisation, and 10 years to eliminate the designated sensitive products. Of the EAC countries, this includes Kenya and Rwanda.
3. G6 countries that face specific development challenges namely Ethiopia, Madagascar, Malawi, Sudan, Zambia and Zimbabwe. These will be given 15 years to achieve 90% liberalisation. The elimination of designated sensitive products has yet to be determined.[248]

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

7.2.5 SADC-EAC-COMESA Tripartite Free Trade Area (TFTA)

The partner states of COMESA, East African Community (EAC) and SADC agreed in October 2008 to negotiate a Tripartite Free Trade Area (TFTA) The SADC-EAC TFTA was launched on 10 June 2015 during a Tripartite Summit. The agreement initially covered 26 member states across the three regional economic communities. The expansion of the EAC to include South Sudan in 2016, raised the number of participating member states to 27[249].

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

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

7.3 eSwatini

7.3.1 SMME Context

The government of eSwatini put the following mechanisms to support the growth of the SMME industry in place:

1. **The Small and Medium Enterprises unit** of the Ministry of Commerce, Industry & Trade is responsible for the promotion and stimulation of the SMME sector.
2. The **Revised Small, Micro & Medium Enterprises Framework, 2018**, aims at stimulating the SMME sector to increase its participation to GDP. The policy framework sought to achieve this through eight pillars:[250]
   a. Increasing access to financial products and services;
   b. Strengthening SMME business support institutions and structures
   c. Strengthening the legislative and regulatory framework for the development of SMMEs
   d. Promoting and developing a culture of Entrepreneurship and Innovation
   e. Strengthening the domestic and international competitiveness of SMMEs
   f. Defining, recognizing and protecting the informal trade sector
   g. Developing and improving the position and support of SMMEs owned by women, youth and disadvantaged group
   h. Enhancing policy implementation and integration by improving dialogue between key stakeholders

   A number of indicators have been selected to track the evolution of the SMME sector, but no review has been conducted yet.
3. The government of eSwatini reportedly developed a national roadmap for the implementation of the COMESA Simplified Trade Regime and the Trade and Transportation Facilitation Instruments for the Small Scale Cross Border Traders (SSCT), both of which aim at facilitating (SSCT) flows.[251]

7.3.2 International Trade Flows

Table 114: eSwatini international trade in products statistics

Indicators	2016	2017	2018	2019
eSwatini exports				
Total eSwatini export, USD billion	1.6	1.8	1.9	2
of which is to SADC, %	81.5%	82%	82%	79.5%
of which is to SACU, %	69.1%	71.3%	70.6%	69.2%
of which is to South Africa, %	67%	69.4%	68.6%	66.6%
eSwatini imports				
Total eSwatini imports, USD billion	1.3	1.6	1.9	1.8
of which is from SADC, %	82.7%	79.3%	77.3%	76.7%
of which is from SACU, %	82.0%	78.5%	74.9%	73.5%
of which is from South Africa, %	81.4%	77.6%	74%	72.9%

Source: TradeMap Statistics, 2020

In 2019, eSwatini recorded total exports of USD 2 billion[252], a CAGR of 8.4% since 2016. Of these exports, ~80% was to SADC; 69% to SACU and ~67% to SA[253]. eSwatini imports were worth USD 1.8 billion in the same year, reflecting a CAGR of 12.3% since 2016. Of these imports, 77% was from SADC; 74% from SACU; and 73% from SA. Together this emphasises the importance of SA as a trading partner to eSwatini.

Figure 19: Key trade commodities

Source: ITC TradeMap, 2020

Top five exported goods to SA are essential oils and resinoids, sugars and sugar confectionery, chemical products, apparel and wood. These goods amounted to just over USD 1 billion, and made up to 79% of total exports to SA in 2019. Sugars are the second largest group of products exported (22.8%) as sugarcane production is the dominant cash crop in the country.

Top five imported goods from SA are mineral fuels and oils, vehicles, machinery and mechanical appliances, plastics, iron and steel. These goods amounted to USD 507 million, and made up to 38% of total imports from South Africa in 2019.

7.3.3 Structure of Financial Sector

Table 115: Number of institutions

Country	Banks	Building societies	MFIs	DFIs	MMO	SACCOs	Short term insurers	ADLAs	CRBs
eSwatini	4	2	4	2	2	51	5	1	1

Source: CBE financial stability review 2020 | Financial Services Regulatory Authority (FSRA) Annual report, 2018

The eSwatini financial sector serving CBTs is made up of: four banks; two building societies; four microfinance institutions (MFIs); two development finance institutions (DFIs); two mobile money operators (MMOs); 51 savings and credit cooperatives (SACCOs); 28 non-life insurance providers; one authorised dealer with limited authority (ADLA); and one credit reference bureau (CRB).

Table 116: Summary of financial services available per institution

Service provider	Vanilla loans	Trade finance	Remittances	Foreign exchange	Savings	Insurance
Bank						
Building society						
MFI						
DFI						
MMO						
SACCO						
Non-life insurer						
ADLA						

Source: Stakeholder interviews, 2020 | Mystery shopping

There are currently four licensed commercial banks in eSwatini, in order of assets, Standard Bank, First National Bank (FNB), Nedbank and eSwatini Bank. The first three are subsidiaries of SA banks and account for 80% of the total asset market share[254] (see below). In relation to CBTs banks offer term and working capital loans (herein defined as vanilla loans), trade finance (tailored loan products for CBT),[255] cross border payments (herein defined as remittance), access to foreign exchange and savings. Further evaluation of the type of products offered is carried out below.

There are two building societies, Swaziland Building Society (SBS) and Status Capital Bank (established in 2020). Although SBS does not have a commercial banking licence it offers many of the services offered by the banks.[256] They offer savings, vanilla loans and access to foreign exchange.

The four MFIs operating in the market are: Letshego Financial Services, First Finance Bank, Select Financial Services and Amandla Financial Services. According to the MAP eSwatini Diagnostic, MFIs primarily focus on payroll lending. Those that serve small businesses focus on domestic businesses.

The DFI's operating in the market are eSwatini Development Finance Corporation (FINCORP) and the Industrial development Company of eSwatini (IDCE). Both organisations are owned by the eSwatini Government. They offer vanilla loans and are not focused on cross border finance.

There are currently two players in the market - MTN (MOMO) and eSwatini Mobile's e-Mali offering, introduced in 2018. MTN has an overwhelming dominant market position with 700,000 registered mobile money subscribers and 430,000 active customers in 2020. eSwatini Mobile's e-Mali on the other hand seems to have limited market penetration with the most recent data available indicating that it had a mere 20,000 e-Mali subscribers in 2018 (this has likely increased since then). From 2020 MTN offers micro credit loans of up to SZL 200 (i.e. USD 6).[257] Although MTN also operates in SA there are no cross-border mobile money payment services, given the limited adoption of mobile money in SA.

As per the CBE website, SBS is the only registered authorised dealer with limited authority (ADLA) in eSwatini.[258] However, Shoprite Money Transfer, Mukuru and Shyft can receive remittances within eSwatini but do not allow sending of remittances.[259]

TransUnion is the only credit bureau in eSwatini and offers commercial, consumer, insurance and auto risk information[260] across a number of industries in eSwatini.[261] Stakeholders interviewed informed that despite TransUnion having a presence in SA and other countries, credit information in eSwatini cannot be accessed outside the borders of the country.[262] This means CBT credit history from their home country cannot be accessed to assess creditworthiness when they are across the border.

There are five short-term insurance businesses (i.e. non-life); namely eSwatini Royal Insurance Corporation (ESRIC), Lidwala Insurance Company, Momentum Insurance Company, Phoenix eSwatini Assurance Company and United General Insurance Limited - in order of market share. ESRIC accounts for 78% of market share, followed by Lidwala with 18% in 2018.[263] In relation to CBTs, they offer insurance on commercial vehicles and trailers and goods in transit.

Table 117: Size of financial services and network of financial infrastructure

Country	Total bank assets to GDP (%) 2019	Private sector credit to GDP (%) 2019	Non-life insurance premiums to GDP (%) 2018
eSwatini	38.4%	31.7%	1.2%

Source: WBG database 2020 | CBE Financial Stability Report, 2019 | IMF Article IV eSwatini, 2020

Financial depth and development, as estimated by the ratio of private sector credit to GDP, increased marginally from 30.9% in 2018 to 31.7% in 2019.[264] When benchmarked against the global average ratio of private sector credit to GDP of 133%.[265] The ratio was also lower than the sub-Saharan African (SSA) average of 45.5%. eSwatini's banking system is small, suggesting capacity for further growth given an environment of stable macroeconomic conditions and prudent credit expansion.

Non-life insurance premiums in 2019 were at 1.2% of GDP. As with other developing countries, this confirms the nascent level of insurance in eSwatini.

Table 118: Access points per 100,000 (>18 years)

	Bank Branches	Banking Agencies	ATM	POS	Mobile Money Agents
June 2017	0.9	15.4	15.4	564	484.4
2018	10.7	16.3	40.6	340	904.8

Source: eSwatini MAP diagnostic report

Overall market network and channel distribution is improving. Particularly in terms of the distribution of ATMs, mobile money agents and bank branches per 100,000 persons (over 18>). Broader distribution of banking channels allows for ease of access to banking services and products. Although agent banking and internet channels seem quite nascent, these developments make a significant contribution to extending financial services to traders. There is no reporting of network or channel distribution by region in eSwatini.

Compared to the other countries in our analysis, eSwatini has the second highest rate of ATMs, POS devices and bank branches per 100,000 people. The numbers are similar relatively to South Africa and shows that there is similar access to financial infrastructure in both countries.

7.3.3.1 Banking sector

There are currently four licensed commercial banks in eSwatini, in order of assets, Standard Bank, FNB, Nedbank and eSwatini Bank. Additionally, there are two building societies, SBS and Status Capital Bank (established in 2020). The table below provides a summary of the assets held by banks including the value of their loan advances, the value of deposits and market share by total assets.[266]

Table 119: Assets, loans, customer deposits and market share (USD thousands, % - 2019)

Bank	Total Assets	Gross Loans & Advances	Total customer deposits	Market share (%)
Standard bank	519,861	281,396	430,140	32%
FNB	404,800	194,023	325,055	25%
Nedbank	377,239	276,558	294,444	23%
eSwatini Bank	318,510*	162,787	177,941	20%

Source: Bankscope 2020 | *eSwatini bank has not released 2019 figures and thus 2019 was projected based on historical trends.

Table 120: Distribution channels by bank

	No. Branches	No. of ATMS	Internet Banking	Mobile banking	Agency banking	Number of agents
Standard bank	8	69	✓	✓	✓	n.a
FNB	n.a	n.a	✓	✓	✓	n.a
Nedbank	n.a	n.a	✓	✓	n.a	n.a
eSwatini Bank	10	n.a	✓	✓	✓	n.a
Total	67	281	n.a	n.a	n.a	n.a

Source: Various bank website, 2020

Standard Bank dominates the market with a total asset market share of 32%, followed by FNB (25%), Nedbank (23%) and eSwatini Bank (20%). Although SBS does not have a commercial banking licence it offers many of the services offered by the banks and hence can be considered a direct competitor to the banks from a consumer perspective.[267] Between them (including SBS), these five institutions account for 85% of total formal credit and 94% of formal deposits (excluding pension fund deposits) in 2019.[268]

eSwatini Bank and Standard bank are the only banks which report their distribution network. In total there are 281 ATMs in the country and 67 bank branches.

7.3.3.2 Mobile money sector

Mobile money usage grew quite significantly over the 2014-2018 period with the number of adults with an active account increasing from 48% to 92% respectively.

Key developments in the sector include the diversification of products, interoperability between mobile money operators and commercial banks. MTN has introduced a short term credit product called MOMO loans which provides MTN customers with loans up to SZL 200.[269]

MTN is also working on a pilot project with the eSwatini Government to allow people to pay for government services through mobile money. This could further ease the process of registering a business where currently SMMEs still need to make a physical payment.[270]

7.3.3.3 Non-life insurance sector

Table 121: Non-life insurance overview

Insurance	Market Share 2018	Premiums (ZAR)	Brokers	Agents
Esric	78%	492,223,453	27	57
Lidwala	18%	113,564,030	-	-
Phoenix	2%	14,966,302	-	-
Momentum	2%	14,880,000	-	-
United General insurance	0.001%	860,966	-	-

Source: Financial Services Regulatory Authority 2019 Market review

7.4 Mozambique

7.4.1 SMME Context

The government and donors have put in place the following mechanisms to support SMMEs in Mozambique:

1. The Institute for the Promotion of Small and Medium Enterprises (IPEME), an institution under the Mozambican Ministry of Industry and Commerce. In order to fulfil its mission, IPEME works in the following areas[271]:
   a. **Business information**: providing information on small businesses geared to meeting the needs of entrepreneurs, businesses and citizens;
   b. **Business consulting**: direct and personalized follow-up to entrepreneurs and small business managers, supporting the formation and development of business growth strategies;
   c. **Business training**: courses offered to small entrepreneurs in the areas of entrepreneurship, business, marketing, access to investment, among others;
   d. **Facilitation of business financing**: dissemination of information on financial solutions, adapted to the realities and needs of small businesses;
   e. **Creation of new companies**: support during the stages of conception of the idea, elaboration of business plan, financing and first steps of the company;
   f. **Promotion of entrepreneurship:** development of diversified skills geared towards creating new businesses.
2. Mozambique's National Programme for Enterprise Certification (Pronacer)[272]
   a. The aim of Pronacer is to certify SMEs in Mozambique, with a maximum number of 100 workers, to ensure their effective participation and sustainable supply chain of goods and services to major projects in Mozambique.
   b. Pronacer was launched in September 2019 by the Foundation for the Improvement of the Business Environment (FAN) and the Confederation of Economic Associations (CTA).

7.4.2 International Trade Flows

Table 122: Mozambique international trade in products statistics

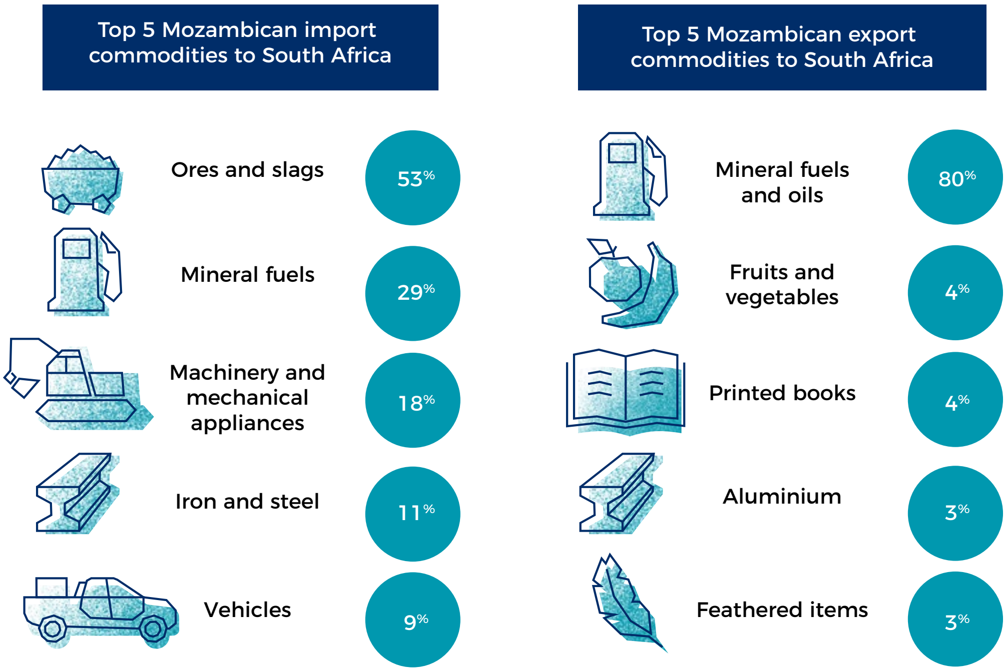
Indicators	2016	2017	2018	2019
Mozambique exports				
Total Mozambique export, USD billion	3.4	4.7	5.2	4.7
of which is to SADC, %	26.5%	21.7%	23.3%	23.7%
of which is to South Africa, %	21.0%	18.3%	19.2%	18.9%
Mozambique imports				
Total Mozambique imports, USD billion	5.3	5.8	6.8	7.6
of which is from SADC, %	32.7%	31.8%	29.5%	31.1%
of which is from South Africa, %	30.0%	28.6%	26.4%	27.9%

Source: TradeMap Statistics, 2020

In 2019, Mozambique recorded total exports of USD 4.7 billion reflecting a CAGR of 12.1% since 2016. Of these exports, 24% were to SADC and 19% to South Africa. Mozambique imports accounted for USD 7.6 billion, reflecting a CAGR of 13% since 2016. Of these imports, 31% was from SADC and 28% from South Africa[273]. The higher imports by a factor of 1.6 times to its exports reflect the investments involved in the LNG and coal projects, and the delayed operationalisation of the projects.

In recent decades, the export base has moved away from traditional exports such as prawns, cotton, timber, cashew nuts and sugar, which dominated in the first post-war decade, to mining-related exports from mega projects[274].

Figure 20: Key trade commodities by value



Source: SARS Database 2020

The main types of goods exported to South Africa have been mineral fuels, mineral oils and products of their distillation and bituminous substances which together make up around 79.6% of good exported in terms of value[275]. This is attributed to the large natural gas pipeline controlled by South African companies like Sasol[276]. The second largest exported good category to South Africa is fruits and vegetables (which only makes up 3.7% of total exports to South Africa).

Key commodities from South Africa such as ores, slag and ash accounted for 53.1% of imported goods (mainly associate with the Mozal project), while 28.5% are mineral fuels mineral oils and related products; and 17.5% are machinery and mechanical equipment[277].

7.4.3 Structure of Financial Sector

Table 123: Number of institutions

Country	Banks	Credit Unions	Micro banks	Microcredit organ-isations	DFIs	MMO	Savings and loans organ-isations	Short term insurers	Bureau de Change	CRB
Mozambique	19	8	9	426	3	2	4	17	24	1

Source: BM Prudential indicators 2019, Mozambique insurance supervisor website 2019

The Mozambican financial sector is made up of 19 banks, 426 MFIs, 8 credit unions, 9 Micro banks, 3 DFIs, 17 non-life insurance providers, 24 bureau de changes and one credit bureau[278].

Table 124: Summary of financial services available per institution

Service provider	Vanilla loans	Trade finance	Remittance	Foreign exchange	Savings	Insurance
Bank						
Credit Union						
Micro banks						
Microcredit organisations						
DFI						
MMO						
Savings and loans organisations						
Non-life insurer						
ADLA						

Source: Mystery Shopping, 2020

Of the 19 registered banks, the top five banks account for 90% of market share; namely BCI (Mozambican); Millennium Bim (Portuguese); Standard Bank (SA), ABSA (SA) and Moza banco (Mozambican). Banks offer comprehensive product offerings including vanilla loans, trade finance, remittance, access to foreign exchange and savings to CBTs.

Mozambique has 8 credit unions. These unions are namely SACCOs, UGC-CPC, Credit Cooperative of Micro-entrepreneurs of Angónia, Credit Cooperative of Limpopo Producers, Caixa Cooperativa de Crédito, Nampula Women's Cooperative Credit Society, Caixa das Mulheres de Nacala and Pemba Women's Credit Union. Credit unions are non-profit organisations which are owned by their members, they aim to offer low interest rate loans and better saving rates. In Mozambique credit unions offer vanilla loans and savings products.

There are 8 micro banks in Mozambique. These are AC MicroBanco, Caixa Financeira de Catandica, Postal Savings Bank of Mozambique, Microbanco NGR, Yingwe Microbanco, The First Micro bank, Caixa Financeira de Caia, Microbanco Fides Moçambique and Bayport Financial Services Mozambique. They offer vanilla loans as well as savings products. Bayport financial services states they have only service government employees[279].

The Bank of Mozambique reports 426 microcredit operators in the country, which is the highest reported number of all four countries. These are often based in rural areas and offer micro-loans as well as basic savings products.

Mozambique has two mobile money operators (Mkesh and M-Pesa), and subscriptions to the financial service has grown by 48% between 2017 and 2019[280]. Major remittance service providers in Mozambique include: Absa, FNB, Nedbank Mukuru, HelloPaisa, WorldRemit, Western Union, and MoneyGram[281].

There are four savings and loan societies which focus on the following regions: Maputo city, Maputo South, Matola and Montepeuz. Traditionally these organisations offer mortgage loans to their customers and deposit services.

There are 17 short term insurance providers in Mozambique. The five largest players by market share are EMOSE, Hollard, SIM, ICE and Global Alliance. There are no specific short-term insurance products which are directly targeted at cross border traders.

In 2018, The BM authorised Compuscan as the first private credit bureau and provide services to all credit providers, covering all sectors[282]. All commercial banks and microfinance institutions share data on loans contracted in the Mozambican market with Compuscan.

Table 125: Size of financial services and network of financial infrastructure

Country	Total bank assets to GDP (%) 2019	Private sector credit to GDP (%) 2019	Non-life insurance premiums to GDP (%) 2018
Mozambique	70%	22.2%	1.1%

Source: World Bank Database 2020, Genesis Analytics calculations, Bankscope database 2020

Financial depth and development, as estimated by the ratio of private sector credit to GDP is low at 22.2% (2019) - when benchmarked against the global average ratio of private sector credit to GDP of 133%. The ratio was also lower than the sub-Saharan African (SSA) average of 45.5%. Non-life insurance premiums in 2019 stood at 1.1%.

Table 126: Access points per 100,000 (>18 years)

	Bank Branches	Banking agents	ATM	POS	Mobile Money Agents
2018	4.1	3.1	10.4	120.9	213.6

Source: FSD Mozambique Bank and non-bank agents' report 2019, World Bank Database 2020

Mozambique's traditional bank network (i.e. branches, ATMs and POS devices) distribution is limited with bank agents and mobile money agencies becoming the main focus of financial service providers' distribution strategies. There is no reporting of network or channel distribution within the different provinces of Mozambique.

7.4.3.1 *Banking sector*

Table 127: Assets, loans, customer deposits and market share (USD thousands, % - 2019)

Bank	Total Assets	Gross Loans & Advances	Total customer deposits	Market share (%)
Bci-fomento	2,658,086	1,144,838	2,039,132	27%
Bim - Banco Internacional De Mocambique	2,658,033	817,599	1,920,542	26%
Standard Bank	1,940,549	490,108	1,439,389	19%
Moza Banco	680,288	465,209	477,406	6%
Absa Bank Mocambique	669,707	277,250	512,574	7%
Banco Unico	451,374	185,526	366,284	5%
FNB Mozambique	266,820	58,517	211,892	3%
African Banking Corporation (Mozambique) Limited	242,931	99,907	177,440	2%
Bayport Financial Services Mocambique (Mcb)	178,729	151,379	34,054	0%
Letshego Financial Services Mozambique	159,422	128,739	26,913	0%
Societe Generale Mocambique	147,782	76,067	114,675	2%
Banco Nacional De Investimento	98,526	36,661	13,527	0%
First Capital Bank	85,556	25,614	55,127	1%
Ecobank Mozambique	67,435	6,981	38,705	1%
United Bank For Africa Mozambique	52,619	1,111	22,042	0%
Banco Terra	49,581	35,981	27,700	0%
Banco Big Mocambique	48,391	-	20147	0%
Banco Mais - Banco Mocambicano De Apoio Aos Investimentos	42,509	26,862	22,847	0%
Banco Mercantil E De Investimentos Sarl	30,398	-		

Source: Bankscope 2020

Table 128: Distribution channels by bank

Bank	No. Branches	No. of ATMS	Internet Banking	Mobile banking	Agency banking	Number of agents
Bci-fomento	208	617	✓	✓	✓	N.A
Bim - Banco Internacional De Mocambique	694	1766	✓	✓	✓	N.A
Standard Bank	N.A	256	✓	✓	✓	N.A
Moza Banco	62	123	✓	✓	✓	N.A
Absa Bank Mocambique	44	118	✓	✓	X	-
Banco Unico	-	-	✓	✓	X	-
FNB Mozambique	43	15	✓	✓	X	-
African Banking Corporation (Mozambique) Limited	10	25	✓	✓	✓	654

Source: Various bank websites, 2020

There are 19 commercial banks out of a total 40 financial institutions. The top 5 largest banks in Mozambique claim 90% of the total market share. These banks are BCI, Millennium Bim, Standard Bank, Moza banco and Absa Mozambique. Millenium Bim bank has the largest distribution channels of all the banks in Mozambique.

7.4.3.2 Mobile money sector

The two main players in the Mozambican mobile money market are M-Pesa (Vodacom) and M-kesh (Carteira mobile). The bank of Mozambique reports that there are around 2,975,550 mobile money subscriptions in 2020. This is an increase by around 48% from 2019. In May 2018 there were more than 32,000 mobile money agents[283].

7.4.3.3 Non-life insurance sector

Table 129: Insurance market overview

Insurance	Market Share (%) 2019	Premiums (USD millions) 2019	Brokers	Agents
Emose	22.9%	22.6	-	33
Hollard	12.5%	12.3	26	-
SIM	11.3%	11.1	-	-
ICE	11.0%	10.8	-	-
Global Alliance	9,9%	9.8	-	3
Indico	6.4%	6.3	-	11
Mediplus	5.7%	5.6	-	2
Fidelidade	3.8%	3.7	-	-
Sanlam	3.4%	3.3	-	-
MCS	2.5%	2.5	-	-
Total	89.4%	98.49	-	-

Insurance Supervision Authority Mozambique 2019

There are 17 short term insurance providers in Mozambique. The five largest players by market share are EMOSE, Hollard, SIM, ICE and Global Alliance. Broker and agent information is limited on each insurer's websites.

7.5 South Africa

7.5.1 International Trade

The SA government's broad national development strategy focuses on accelerating growth along a path that creates sustainable development and decent jobs to address historical segregation issues. The National Industrial Policy Framework and Industrial Policy Action Plan are central aspects of the trade strategy and seek to encourage value addition and labour absorption in industrial production.[284]The trade policy strategic framework was approved by cabinet in 2012 with the following objectives:[285]

- To adopt a strategic approach to tariff reform. This suggests that trade policy is an instrument of industrial policy and for developmental tariff setting
- For the International Trade Administration Commission of South Africa to conduct an assessment of tariffs and trade to inform the changes to tariffs

These objectives imply that raising tariffs on downstream industries with employment and/or value addition potential to ensure job creation and sustainability. Additionally, reducing tariffs on upstream input producing industries.

The trade policy strategy consists of a number of priorities that are centred on African development, industrialisation and integration. These priorities include the following:[286]

- A need for the continent to shift its current consumption and commodity-driven path onto a more sustainable industrial development path
- To pursue development integration in SACU, SADC, TFTA and AfCFTA
- Maintain trade and investment relations with industrialised economies

In 2016, the Department of Trade and Industry launched the Integrated National Export Strategy (INES). This was aimed at improving global competitiveness of South African exporters. The government planned to do this by:[287]

- Diversification of SA's export basket into more value-added and manufactured goods and services
- Development of new markets with an emphasis on Africa and emerging markets
- Engage with the top 50 manufacturing exporters
- Grow the exporter base using the National Exporter Development Programme (NEDP)

7.5.1.1 International Trade Flows

Table 130: Value of trade in South Africa with key trading partners

Indicators	2016	2017	2018	2019
South Africa export trade values				
Total SA exports, USD billion	76.6	89.6	95.2	90.4
To SADC, %	24.4%	22.9%	23.0%	23.5%
To SACU, %	12.5%	11.3%	10.9%	11.5%
To eSwatini, %	1.5%	1.4%	1.5%	1.5%
To Mozambique, %	3.0%	3.3%	3.4%	4.1%
To Zimbabwe, %	2.6%	2.4%	2.5%	2.2%
South Africa import trade values				
Total SA imports, USD billion	75.1	83.3	94	88.2
From SADC, %	7.3%	7.5%	7.2%	6.5%
From SACU, %	3.4%	3.8%	3.7%	3.8%
From eSwatini, %	1.4%	1.5%	1.3%	1.5%
From Mozambique, %	0.9%	1.1%	1.1%	1%
From Zimbabwe, %	0.5%	0.2%	0.3%	0.2%
Source: TradeMap Statistics, 2020				

In 2019 SA recorded total exports of USD 90.4 billion, a CAGR of 5.7% since 2016. Exports to the three key trading partners accounted for less than 5% each.[288]

Total imports in 2019 were USD 88.2 billion, a 5.5% CAGR growth since 2016. Imports to the three trading partners were less than 2% each. Together this identifies an opportunity to increase imports within the region.

Table 131: Key export trade commodities

SA exports to eSwatini		
Top 5 commodities	**Value (USD thousand)**	**Contribution to exports**
Mineral fuels and oils	195,534	15%
Vehicle and other railway	95,404	7%
Machinery and mechanical appliances	84,162	6%
Plastics	65,636	5%
Electrical machinery and equipment	64,963	5%
SA exports to Mozambique		
Top 5 commodities	**Value (USD thousand)**	**Contribution to exports**
Ores and slag	1,173,437	32%
Minerals fuels and oils	450,678	12%
Machinery and mechanical appliances	331,212	9%
Iron and steel	201,831	6%
Vehicle and other railway	160,190	4%
SA exports to Zimbabwe		
Top 5 commodities	**Value (USD thousand)**	**Contribution to exports**
Mineral fuels and oils	336,036	17%
Machinery and mechanical appliances	274,907	14%
Vehicle and other railway	200,902	10%
Plastics	112,026	6%
Iron and steel	96,578	5%

Sources: International trade statistics, 2019

Note: Most traded commodities in terms of value across South Africa and the three key trading partners (i.e. eSwatini, Mozambique and Zimbabwe) | Contribution to exports indicates the proportion of the commodity value to total exports to that country

Trade flows to these three key trading partners were concentrated to a mix of secondary goods and industrial/manufacturing commodities. These include mineral fuels and oils; ores, slag and ash; vehicles; and machinery and mechanical appliances amounted to USD 3.8 billion.

Table 132: Key import trade commodities

SA imports from eSwatini		
Top 5 commodities	**Value (USD thousand)**	**Contribution to imports**
Essential oils and perfumery	356,251	28%
Sugar and sugar confectionary	294,937	23%
Clothing and accessories	152,405	12%
Chemical products	133,377	10%
Wood and charcoal	99,853	8%
SA imports from Mozambique		
Top 5 commodities	**Value (USD thousand)**	**Contribution to imports**
Mineral fuels and oils	738,840	80%
Edible fruits and nuts	43,076	5%
Feathers and artificial flowers	29,067	3%
Aluminium	21,761	2%
Printed books and newspapers	16,988	2%
SA imports from Zimbabwe		
Top 5 commodities	**Value (USD thousand)**	**Contribution to exports**
Tobacco	39,276	23%
Salt and sulphur	18,855	11%
Printed books and newspapers	17,781	10%
Cotton	10,503	6%
Edible fruits and nuts	9,780	6%

Sources: International trade statistics, 2019

Note: Most traded commodities in terms of value across South Africa and the three key trading partners (i.e. eSwatini, Mozambique and Zimbabwe) | Contribution to exports indicates the proportion of the commodity value to total exports to that country

Key import commodities across these corridors (i.e. eSwatini, Mozambique and Zimbabwe) include essential oils and perfumery; mineral fuels and oils; and tobacco and manufactured tobacco substitutes. South African re-exports to Mozambique grew significantly from USD 172 million in 2018 to USD 230 million in 2019.[289] Similar to exports, re-exportation trade flows were driven by industrial/manufacturing commodities. However, re-exports to Zimbabwe dropped by 6% in 2019 to USD 181 million. This was mostly attributed to the decline in machinery and mechanical appliances in 2019.

The other two countries had large discrepancies. Mozambique on average reported 78% higher imports from SA compared to SA's recording of exports to Mozambique. Zimbabwe reported on average 90% lower exports to SA, than the imports recorded by SA.

Individual products also differed significantly, even between SA and eSwatini. There was no obvious observable trend. Together this highlights that more still needs to be done in harmonizing cross country reporting on the type of trade occurring.

7.5.2 Structure of Financial Sector

Table 133: Number of institutions

Institutions	Banks	MFI	Co-operative bank & mutual banks	DFI	MMO	Non- life insurance	ADLAs	CRBs
South Africa	33	1,100	8	11	2	96	20	4

Source: SARB Quarterly Bulletins 2020 | Financial Sector Conduct Authority website 2020 | Department Government communications and information systems website 2020 | Microfinance South Africa association website

The SA financial sector serving CBTs is made up of: 19 banks; eight co-operative and mutual banks; 1,100 MFIs; 11 DFIs; two MMOs; 96 non-life insurers; 20 ADLA; and four CRBs.

Table 134: Summary of financial services available per institution

Service provider	Vanilla loans	Trade finance	Remittances	Foreign exchange	Savings	Insurance
Bank						
MFI						
Co-operative bank & mutual banks						
DFI						
MMO						
Non-life insurer						
ADLA						

Source: Stakeholder interviews, 2020 | Mystery shopping

SA possesses the highest number of commercial banks and non-life insurance institutions of the four countries. A number of foreign banks have a presence in SA. Investment and merchant banking remains the most competitive front in the industry, while the country's "big five" banks – Absa, FNB, Standard Bank, Nedbank and Capitec – dominate the retail market. These banks offer a full range of products and services.

The Microfinance South Africa association states they represent around 1,100 MFIs in the country. These MFIs mainly offer salary based loans. There are eight co-operative and mutual banks in SA. These institutions offer ownership to their customers and offer vanilla loans as well as savings products.

There are two mobile money operators in the country, with MTN recently re-launching its mobile money value proposition in February 2020. The platform has since amassed 1.6 million customers, but since its original introduction in 2007 mobile money battled to attract customers away from traditional banking products.[290] These MMOs are only offering vanilla loan products at this stage.

The major South African short term insurers include Auto & General, Discovery Insure, Hollard, OUTsurance, Old Mutual Insure, Santam and Virseker. These insurance companies mainly offer insurance and saving products.

There are 20 registered ADLA's in SA. ADLAs are authorised to operate as one of three types of businesses: (i) as bureaus of exchange, or (ii) to operate as a bureau of exchange and offer remittance services in partnership with an external MTO, or lastly (iii) as independent remittance services providers that trade through authorised dealers.[291]

There are four main credit bureaus in SA: Experian, TransUnion, Compuscan and XDS. Different creditors will report to different bureaus – some may report back to all four and others may only report your information back to one or two of the four.

Table 135: Size of financial services and network of financial infrastructure

Country	Total bank assets to GDP (%) 2019	Private sector credit to GDP (%) 2019	Non-life insurance premiums to GDP (%) 2017
South Africa	78%	139.5%	1.8%

Source: World Bank database 2020

Financial depth and development, as estimated by the ratio of private sector credit to GDP, increased marginally from 138.8% in 2018 to 139.5% in 2019.[292] The ratio was also higher than the SSA average of 45.5%. Non-life insurance premiums in 2019 were at 1.8% of GDP. This is higher than the other countries in this analysis.

Table 136: Access points per 100,000 (>18 years)

	Bank Branches	Banking Agencies	ATM	POS	Mobile Money Agents
2015	10.4	-	68.80	940.6	-
2019	9.6	-	40.6	880.91	-

Source: World Bank database 2020

Of the four countries, SA financial institutions have the largest network of ATM, POS devices and bank branches infrastructure per 100,000 people. Between the period 2015 to 2019, South Africa has seen a decrease in number of bank branches, ATM and POS devices per 100,000.

7.5.2.1 *Banking sector*

Table 137: Assets, loans, customer deposits and market share (USD thousands, % - 2019)

Bank	Total Assets	Gross Loans & Advances	Total customer deposits	Market share (%)
Standard Bank Group Limited	162,246,071	86,723,639	93,049,812	29.68%
Firstrand Limited	111,132,214	75,630,387	70,590,745	22.51%
Absa Group Limited	99,759,072	64,417,691	57,477,139	18.33%
Nedbank Group Limited	81,519,063	56,476,821	60,363,088	19.25%
Investec Bank Limited	29,957,614	16,073,607	21,013,313	6.70%
Capitec Bank Limited	8,628,729	4,874,440	6,409,640	2.04%
Grindrod Bank Limited	1,093,830	535,193	789,454	0.25%
Mercantile Bank Holdings Limited	1,032,783	701,445	724,610	0.23%
Deutsche Bank Ag	845,866	461,674	493,672	0.16%
Sasfin Holdings Ltd	807,908	413,124	296,430	0.09%
Bidvest Bank Limited	724,278	196,954	464,133	0.15%
Sasfin Bank Ltd	723,512	413,119	307,288	0.10%
Albaraka Bank Limited	524,996	382,067	440,646	0.14%
Hbz Bank Limited	422,301	138,121	372,458	0.12%
Ubank Limited	404,689	52,840	340,590	0.11%
Finbond Group Ltd	300,611	97,289	70,440	0.02%
Grobank	231,036	125,084	177,631	0.06%
Tyme Bank Holdings Limited	124,673	163	388	0.00%
Finbond Mutual Bank	105,992	29,395	70,440	0.02%
Gbs Mutual Bank	90,515	70,254	82,746	0.03%
Discovery Bank Limited	73,764	6	20	0.00%
Source: Bankscope 2020				

Table 138: Distribution channels by bank

	No. Branches	No. of ATMS	Internet Banking	Mobile banking	Agency banking	Number of agents
Standard Bank Group Limited	1114	8,970	✓	✓	X	N.A
Firstrand Limited	604	3,746	✓	✓	X	N.A
Absa Group Limited	1,000	8,000	✓	✓	X	N.A
Nedbank Group Limited	692	4,398	✓	✓	X	N.A
Investec Bank Limited	-	-	✓	✓	X	N.A
Capitec Bank Limited	840	2,090	✓	✓	X	N.A
Grindrod Bank Limited	-	-	✓	✓	X	N.A
Mercantile Bank Holdings Limited	-	-	✓	✓	X	N.A
Deutsche Bank Ag	1	-	✓	X	X	N.A
Sasfin Holdings Ltd	-		✓	X	X	N.A
Bidvest Bank Limited	80	-	✓	X	X	N.A
Albaraka Bank Limited	7	2	✓	X	X	N.A
Hbz Bank Limited	9	-	✓	X	X	N.A
Ubank Limited	48	99	✓	✓	✓	23
Grobank	3	-	✓	X	X	N.A
Tyme Bank Holdings Limited[293]	700	700	✓	✓	X	N.A
Discovery Bank Limited	Online bank	-	✓	✓	X	N.A

Source: Various bank websites, 2020

According to the SARB, South Africa's banking sector is dominated by the five largest banks, which collectively held 89.4% of the total banking sector assets as of 2020. These banks are Standard Bank, FNB, Absa, Nedbank and Investec.

Standard bank and Absa have the largest distribution channels of all banks in South Africa. Agency banking is not an established distribution channel mechanism in South Africa. Ubank is the only bank which has disclosed in their financial statements about the existence of an agency banking network.

7.5.2.2 Mobile money sector

The two incumbent players in the mobile money market are MTN (MoMo Money) and Vodacom (M-pesa). There are an estimated 1 million active mobile money subscribers in South Africa, which is substantially less as a portion of total population than the other countries in the analysis. The traditional mobile money proposition faces intense competition from an increasingly competitive market for digital financial services. Since its introduction in 2007, mobile money has faced regulatory, technical and commercial challenges. Especially in the early days, mobile money struggled with the necessary regulation to facilitate its growth.

7.5.2.3 Non-life insurance sector

Table 139: Insurance market overview

Insurance	Market Share (%) 2018	Premiums (USD thousands) 2018	Brokers	Agents
Santam	19.7%	1,850,040	-	-
Hollard insurance	8.4%	788,849	-	-
Old Mutual insure	7.0%	657,375	-	-
Guardrisk	6.8%	638,592	-	-
Outsurance	5.9%	554,073	-	-
Bryte Insurance	3.3%	309,905	-	-
Auto & General	2.6%	244,168	-	-
Centriq	2.3%	215,994	-	-
Escap Limited	2.4%	225,386	-	-
Mutual & Federal	2.1%	197,212	-	-
Standard Insurance	2.0%	187,821	-	-
Rand Mutual	2.0%	187,821	-	-
Other	35.5%	3,333,828	-	-

Source: SARB Prudential Authority 2018

The South African short-term insurance market is fairly competitive. Santam is the market leader obtaining 19.7% of total market share. Other large players are Hollard, Old mutual insurance, Gaurdrisk, Outsurance and Auto and General.

7.6 Zimbabwe

7.6.1 International Trade Flows

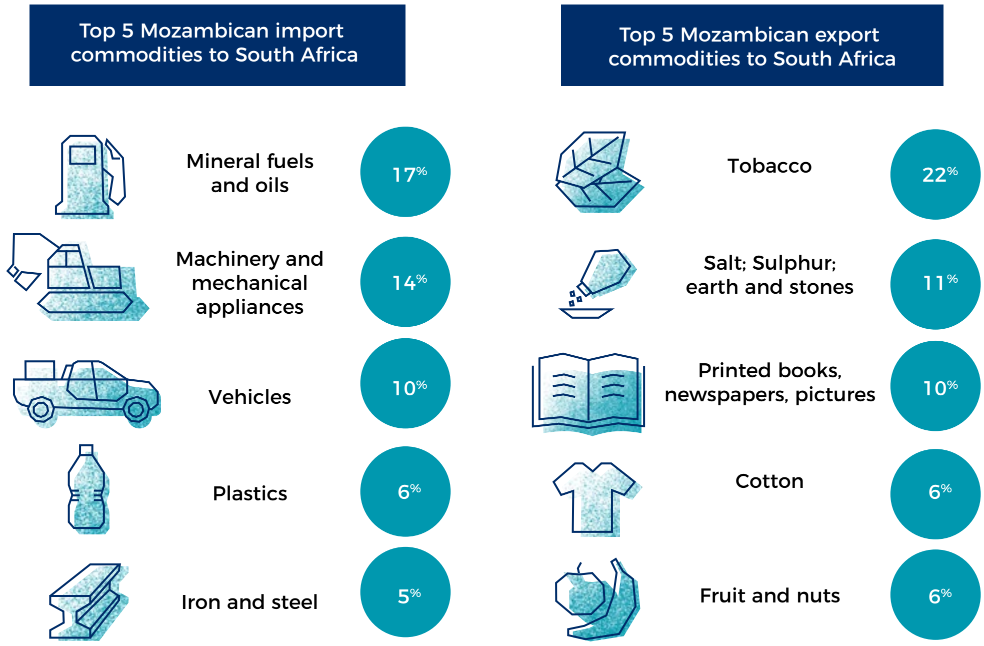
Table 140: Zimbabwe international trade in products statistics

Indicators	2016	2017	2018	2019
Zimbabwe exports				
Total Zimbabwe export, USD billion	3.3	3.5	4	4.3
of which is to SADC, %	79.4%	75.8%	64%	61%
of which is to South Africa, %	68%	62.7%	51.5%	49.2%
Zimbabwe imports				
Total Zimbabwe imports, USD billion	5.3	5	6.5	4.8
of which is from SADC, %	51.7%	49.9%	48.7%	47.4%
of which is from South Africa, %	40.8%	40.6%	38.7%	38.7%

Source: TradeMap Statistics, 2020

In 2019, Zimbabwe recorded total exports of USD 4.3 billion,[294] reflecting a CAGR of 8.6% since 2016. Of these exports, 61% were to SADC and 49% to SA[295]. Exports to SA declined by 2.5% likely as a result of the shortage of energy which reduced the country's productivity[296]. Total imports from the world accounted for USD 4.8 billion, reflecting a 3.5% drop since 2016. This decline is likely a result of the macroeconomic challenges mentioned above[297]. Of these imports, 47% were from SADC; and ~39% from SA. As with exports, this reflected a decline of 5.3% since 2016[298].

Figure 21: Key trade commodities



Source: Source: ITC TradeMap, 2020

The top five exported goods to SA are tobacco, salt, sulphur, earth and stone; printed books; newspapers, and pictures; cotton and fruits and nuts. These goods amounted to a little more than USD 96 million, and made up to 55% of total exports to SA in 2019. 34% of the country's exports to SA are derived from agriculture, especially cotton, tobacco and the horticultural crops. The major crops grown in Zimbabwe are: maize, cotton, soybeans, wheat, tobacco and horticultural crops such as roses, cut flowers and vegetables.

The top five imported goods from SA are mineral fuels and oils, machinery and mechanical appliances, vehicles, plastics, iron and steel. These goods amounted to USD 1 billion, and made up to 52% of total imports from SA in 2019.

7.6.2 Structure of Financial Sector

Table 141: Number of financial sector institutions in Zimbabwe

	Commercial banks	Savings bank	Building societies	MFIs	DFIs	MMOs	Non- life insurance	ADLAs	CRBs
Zimbabwe	13	1	5	220	2	4	19	45	3

Source: Reserve Bank of Zimbabwe Bank supervision report 2019, Postal and Telecommunications Regulatory Authority of Zimbabwe 2019 third quarter report | Zimbabwe Insurance and Pension Commission website 2020 [299]

The Zimbabwe financial sector serving CBTs is made up of 13 banks; one saving bank; five building societies[300]; 220 MFIs registered with the Reserve Bank of Zimbabwe (RBZ)[301]; two DFIs; four MMOs; 19 non-life insurers; 45 ADLAs; and one public credit registry and two private CRBs.

Table 142: Summary of financial services in Zimbabwe

Service provider	Vanilla loans	Trade finance	Remittances	Foreign exchange	Savings	Insurance
Bank						
Savings banks						
Building society						
MFI						
DFI						
MMO						
Non- life insurer						
ADLA						

Source: Stakeholder interviews, 2020 | Mystery shopping

Banking sector dominates the financial sector, with banking institution's assets accounting for 88.5% of total financial sector's assets in 2019. , with five banks accounting for 57.9% of the sectors assets[302]. Performance of the banking sector has been mainly constrained by poor economic activity, with a number of bank failures as a result of exacerbated cash and foreign currency shortages[303]. The banking sector continues to partner with MMOs (discussed below) to offer a range of digital financial services such as digital account opening, card based mobile payments and nano loans[304]. Banks offer a full suite of services to CBTS.

Zimbabwe has one savings bank. The People's Own Savings Banks offers vanilla loans, savings products, foreign exchange and trade finance services. Their trade finance products are targeted at corporate and larger businesses with no specific SME product. The bank offers microfinance loans focused on individuals.

There are five building societies in Zimbabwe. They mainly offer savings, vanilla loans products and one building society (National Building Society) offering insurance and remittances products. They offer home cover as well as funeral plan insurance. They also offer an account which allows you to receive remittance products, this is done through partnership with WorldRemit[305]. Some building societies offer products directed at SMEs.

There are 212 credit-only MFIs and eight deposit-taking MFIs (DTMFIs). MFIs offer mainly vanilla loans and savings products. Some business vanilla loans are focused on women business owners. Some MFIs, as agents of non-life insurers, offer CBT related insurance products in addition.

Zimbabwe has four MMOs; namely EcoCash, Telecash, OneMoney and Mycash. Ecocash, launched in 2011, has the largest market share of close to 90% of all adults. Mobile money dominates transactions in Zimbabwe due to large cash shortages[306]. The RBZ raised concerns around sufficient know your customer (KYC) practices and rising cases of fraud in the industry. To address this the RBZ restricted each mobile wallet account to per person and a daily transfer limit of ZWL 5,000 (USD 50).[307] MMOs offer micro/ nano loans, cross border remittances and savings products.

Zimbabwe also has a public credit registry housed at the RBZ. It serves as a databank for the banking institution as well as other licensed CRBs. Zimbabwe has two CRBs; The Financial Clearing Bureau (FCB) and FinCheck Zimbabwe. The CRB market in Zimbabwe is fairly nascent, with the RBZ only starting to regulate them in 2016. The FCB launched a SME Ratings Programme, which focuses on qualitative measures regarding of creditworthiness, relying on only on financial information on borrowed but also information of the business owner/ managers[308].

The country also has ADLA institutions that are licensed by RBZ to buy and sell foreign currency as Bureau De Change in terms of Section 5 of the Exchange Control.[309] The RBZ encourages the public to use these licenced institutions as well as banks, for buying and selling foreign exchange through formal channels. ADLAs in addition can receive and send remittances across borders.

Table 143: Size of financial services and network of financial infrastructure

Country	Total bank assets to GDP (%) 2019	Private sector credit to GDP (%) 2019	Non-life insurance premiums to GDP (%)
Zimbabwe	25.63%	51.8%	-

Source: World Bank database 2020

In terms of total assets held by deposit money banks to GDP, Zimbabwe is a relatively similar size to eSwatini and much smaller than SA and Mozambique. Zimbabwe ranks second in terms of domestic credit lent to the private sector but still much smaller relative to SA.

Table 144: Access points per 100,000 (>18 years)

	Bank Branches	Banking Agencies	ATM	POS	Mobile Money Agents
2015	6.0	-	7.2	177.2	-
2019	3.0	-	6.0	829.4	34.7

Source: IMF Financial Access Survey 2019

Zimbabwe has the lowest number of ATMs and bank branches per 100,000 people of the four countries, but it has the second highest number of POS devices per 100,000. The country has experienced a decline in bank branches and ATMs from 2015 to 2019, while POS devices increased in the same period. This can be explained by cash shortages in the country lowering the demand for ATMs and bank branches.

7.6.2.1 Banking sector

Table 145: Assets, loans, customer deposits and market share (USD thousands, % - 2019)

Bank	Total Assets	Gross Loans & Advances	Total customer deposits	Market share (%)
Cbz Bank Limited	913,959	154,491	704,076	29.86%
Ecobank Zimbabwe Limited	485,719	38,108	339,406	14.39%
Stanbic Bank Zimbabwe Limited	465,952	57,684	325,893	13.82%
Fbc Bank Limited	319,652	148,358	122,020	5.18%
Central Africa Building Society	303,624	91,837	126,266	5.36%
Metbank Limited	243,979	11,712	16,318	0.69%
Zb Financial Holdings Limited	210,600	30,855	80,883	3.43%
Steward Bank Limited	200,667	15,055	136,372	5.78%
First Capital Bank Ltd	182,456	43,913	122,028	5.18%
Standard Chartered Bank Zimbabwe Ltd	174,365	38,735	127,659	5.41%
Nedbank Zimbabwe Limited	160,310	27,476	122,427	5.19%
African Banking Corporation Zimbabwe Ltd	159,041	25,250	59,043	2.50%
Nmb Bank Limited	124,410	50,677	75,453	3.20%

Source: Bankscope 2020|

Table 146: Distribution channels by bank

	No. of Branches	No. of ATMS	Internet Banking	Mobile banking	Agency banking	No. of agents
Cbz Bank Limited	66	68	√	√	√	113
Ecobank Zimbabwe Limited	12	8	√	√	√	n.a
Stanbic Bank Zimbabwe Limited	22	22	√	√	n.a	n.a
Fbc Bank Limited	19	22	√	√	√	n.a
Central Africa Building Society	54	n.a	√	√	√	400
Metbank Limited	8	n.a	√	√	√	n.a
Zb Financial Holdings Limited	43	n.a	√	√	√	91
Steward Bank Limited	7	n.a	√	√	√	20
First Capital Bank Ltd	24	37	√	√	n.a	n.a
Standard Chartered Bank Zimbabwe Ltd	22	24	√	√	n.a	n.a
Nedbank Zimbabwe Limited	11	n.a	√	n.a	n.a	n.a
African Banking Corporation Zimbabwe Ltd	19	n.a	√	√	n.a	n.a
Nmb Bank Limited	19	n.a	√	√	n.a	n.a
Total						

Source: Various bank websites, 2020

The banking sector in Zimbabwe is composed of the Commercial banks, Building Societies, and the Savings Bank. In total there are 19 operating banks as of October 2019. The Banking sector is governed under the Banking Act and falls under the direct supervision of the Reserve Bank of Zimbabwe. CBZ is the largest commercial bank in Zimbabwe with the largest market share and the most ATMs and number of branches.

7.6.2.2 Mobile money sector

The total number of active mobile money subscriptions was 7,334,639 as at 31 December 2019. This represents a 15.5% growth from 6,352,552 recorded in 2018. OneMoney recorded the biggest growth in active subscriptions in 2019; as a result, their market share grew by 2.6% to reach 6.4% over the course of 2019 from 3.8% recorded in 2018. Telecel lost 0.1% market share in line with the decline in subscriptions. Econet`s market share also declined by 3.5%.

Ecocash is the major player in this sector, with 91.9% of the market share as at 2019.

The adoption of mobile money has been continuously improving as mobile money provides an effective alternative to making payments given the current cash shortages in Zimbabwe.

Table 147: Market share and active mobile subscriptions

MMO	Market share (%) 2019	Active Mobile Money Subscriptions 2019
Ecocash	91.9%	6,812,368
One Money	6.4%	468,960
Telecash	0.7%	53,311

Source: Postal and Telecommunications Regulatory Authority of Zimbabwe 2019 fourth quarter report[310]

7.6.2.3 Non-life insurance sector

Table 148: Market share, premiums, brokers and agents 2020

Insurance	Market share based on total assets (%)	Premiums (ZWL$)
Zimnat Lion Insurance Company	10.34%	152,873,505
Old Mutual Insurance Company	14.31%	141,691,653
Nicoz Diamond Insurance Company	12.94%	121,057,034
Cell Insurance Company	7.83%	75,431,104
Alliance Insurance Company	9.71%	70,564,040
C.B.Z Insurance Company	5.79%	50,687,194
Econet Insurance Company	5.97%	47,996,371
FBC Insurance Company	4.65%	45,566,465
Clarion Insurance Company	1.41%	34,168,659
Credit Insurance Zimbabwe	2.75%	21,475,547
Champions Insurance Company	2.31%	14,109,882
Evolution Insurance Company	6.59%	11,158,405
ECGC	2.17%	6,489,396
Allied Insurance Company	2.09%	6,304,763
Hamilton Insurance Company	5.01%	5,565,163
Sanctuary Insurance Company	1.71%	4,468,420
Safel Insurance Company	2.87%	4,262,770
Quality Insurance Company	1.53%	4,056,000
Total	100%	817,926,367

Source: Zimbabwe Insurance and Pensions Commission 2020 first quarter non-life industry report[311]

Notes from section 7

[229] Tralac, Informal cross-border trading - review of the simplified trade regimes in east and southern Africa, 2018
[230] Tralac, SADC Legal Texts and Policy Documents. Available here
[231] SADC, Protocol on Trade, 2019
[232] SADC, 40th SADC Summit, 2020. Available here
[233] NEPAD, One-Stop Border Post Source Book, 2016. Available here
[234] UNCTAD, Borderline: Women in informal cross-border trade in Malawi, Tanzania and Zambia, 2019
[235] SADC Protocol on Trade, 2019
[236] Ibid.
[237] UNCTAD, Borderline: Women in informal cross-border trade in Malawi, Tanzania and Zambia, 2019
[238] IMF, COMESA and SADC: Prospects and challenges for regional trade integration, 2004
[239] SADC website, 2018
[240] Ibid.
[241] SACU website, 2020
[242] Tralac, SACU's Trade Facilitation Programme: Talking Regional Customs Modernisation, 2018
[243] Genesis Analytics, Stakeholder consultations, 2020
[244] Tralac, South Africa: Intra-Africa trade and tariff profile, 2019
[245] Tralac, SACU trade and tariff profile, 2018
[246] Ibid.
[247] Tralac, Status of AfCFTA Ratification, 2020
[248] Tralac, Rules of origin key to success of AfCFTA, 2019
[249] UNCTAD, Economic Development in Africa Report, 2019
[250] Mail & Guardian, The African Continental Free Trade Area enters into force, 2019
[251] UN, The AfCFTA - what is expected of LDCs in terms of trade liberalization? 2019
[252] TRALAC, SADC-EAC-COMESA Tripartite Free Trade Area legal texts and policy documents, nd.
[253] eSwatini Ministry of Commerce, Industry & Trade, Revised Small, Micro & Medium Enterprise Policy of eSwatini, 2018. Available here
[254] COMESA, e-COMESA Newsletter n°638, 2019. Available here
[255] Note: These are merchandise products and do not include services
[256] TradeMap Statistics, 2020
[257] BankScope, 2020
[258] It should be noted banks' definition of trade finance is broader and includes products such as cash management. In addition trade finance products are offered for both domestic and cross border trade
[259] FMT, eSwatini SMME MAP Diagnostic, 2018
[260] UP TO E200 LOANS FOR MOMO SUBSCRIBERS, The Observer, 2020
[261] All banks are authorised dealers
[262] WBG Remittance TransUnion eSwatini website here | Prices. Available here
[263] Auto risk information includes vehicle manufacturers, financing and valuations records
[264] TransUnion eSwatini website here
[265] Stakeholder engagement 2020
[266] Financial Services Regulatory Authority (FSRA), Annual Report, 2018
[267] CBE, Financial Stability report 2019 | Genesis Analytics Team Analysis, 2020
[268] As reported by the WBG indicators
[269] BankScope, 2020
[270] FMT, eSwatini SMME MAP Diagnostic, 2018
[271] Ibid.
[272] UP TO E200 LOANS FOR MOMO SUBSCRIBERS, The Observer, 2020
[273] Stakeholder interviews conducted by Genesis Analytics, 2020
[274] Devex website 2020 https://www.devex.com/organizations/instituto-para-a-promocao-das-pequenas-e-medias-empresas-ipeme-123633
[275] Confederation of economic associations 2020 https://cta.org.mz/pronacer-2/
[276] TradeMap Statistics, 2020
[277] WTO trade policy review Mozambique 2017 here
[278] WTO trade policy review Mozambique 2017 here
[279] ROMPCO website 2020 here
[280] SARS Database 2020 here
[281] Bank of Mozambique website 2020 here

[282] Bayport finance services website here
[283] Bank of Mozambique 2019 here
[284] World Bank Remittance Prices. Available here
[285] Club of Mozambique news article 2018 here
[286] World Bank Financial inclusion project 2019 here
[287] Department of Trade and Industry (DTI), Update on South Africa's Trade Agreements, 2019
[288] Department of Trade and Industry, The South African Trade Policy Strategic Framework, 2010
[289] Ibid.
[290] DTI, Integrated National Export Strategy (INES) or Export 2030, 2016
[291] TradeMap Statistics, 2020
[292] TradeMap, International Trade Statistics, 2019
[293] Daily Maverick news article 2020. Available here
[294] FMT, Cross border remittances 2017. Available here
[295] CBE, Financial Stability report 2019 | Genesis Analytics Team Analysis, 2020
[296] Tymebank banks through kiosks
[297] Note: These are merchandise products and do not include services
[298] TradeMap Statistics, 2020
[299] Online article, Zimbabwe Independent: Energy crisis sinking Zim economy, 2019. Available here
[300] ZimTrade, 2019 eventful year for Zim exports, 2019. Available here
[301] Online article, Fin24: Zimbabwe can't pay for imports, narrows trade deficit, 2019. Available here
[302] Zimbabwe Insurance and Pension Commission 2020 first quarter non-life industry report here
[303] A building society is a financial institution owned by its members as a mutual organization. Building societies offer banking and related financial services, especially savings and mortgage lending
[304] RBZ Annual Bank Supervision report 2019 here
[305] Ibid.
[306] Kondongwe, S., The Root Causes of Bank Failures in Zimbabwe Since the Year 2008 to 2015, 2015.
[307] Reserve Bank of Zimbabwe, Bank Supervision Annual Report, 2019.
[308] National Building Society website 2020 here
[309] Global Press Journal news article 2020 here
[310] Online article, Mobile money web: Zimbabwe's restrictions on mobile money transfers are a blow to financial inclusion. Available here
[311] Financial Clearing Bureau website 2020 here
[312] RBZ website. Available here
[313] Postal and Telecommunications Regulatory Authority of Zimbabwe 2019 fourth quarter report here
[314] Zimbabwe Insurance and Pensions Commission 2020 first quarter non-life industry report here

FINMARK TRUST

Digitisation of Financial Products for Cross-Border Traders | Diagnostic Report

Sanofi House, Second Floor,
44 on Grand Central Office Park,
2 Bond Street, Grand Central
Ext 1, Midrand

Tel: +27 11 315 9197
Fax: +27 86 518 3579

info@finmark.org.za
www.finmark.org.za