



ECOWAS Commission

**ECOWAS Informal Trade  
Regulation Support  
Programme  
(ITRSP/PARCI)**

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## **DEFINITION OF ACRONYMS**

ALCO: Abidjan-Lagos Corridor Organization  
EPA: Economic Partnership Agreement  
WA: West Africa  
ATP: Agreement relating to the international transport of perishable foodstuffs and the machinery to be used for transport.  
ECOWAS: Economic Community of West African States  
CNC: National Coordination Committee  
CILSS: The Permanent Interstate Committee for Drought Control in the Sahel  
ECOWAP: West African Agricultural Policy  
DPIR: Regional Intellectual Property Law  
FEWACCI: Federation of West African Chambers of Commerce and Industry  
FEWEB: Federation of ECOWAS Women Entrepreneurs and Businesswomen  
MISTOWA: Market Information Systems and Trader's Organization in West Africa  
NAQAM: Standardization, Certification, Accreditation, Metrology and Quality Promotion Program  
PAPED: EPA Development Program  
PARSTAT: Regional Statistical Support Program  
ITRSP/ PARCI: Informal Trade Regulation Support Program  
WACIP: Common Industrial Policy for West Africa  
PCD: Community Development Program  
SME/SMI: Small and Medium Enterprise/Small and Medium Industry  
RESIMAO: Market Information Systems Network  
SPS: Sanitary and phytosanitary measures  
SPS: Sanitary and phytosanitary  
TEC: Common External Tariff  
EU: European Union  
WAEMU: West African Economic and Monetary Union  
PMU: Project Management Unit  
USAID: United States Agency for International Development

## **SUMMARY**

### **a. Background**

- 1- The growing importance of the informal trade in the economic and social activities of ECOWAS States motivated the ECOWAS Commission to formulate the Regional Support Programme for Regulating Informal Trade (PARCI). This programme which is within the framework of operationalising the strategy for the rationalization of the informal trade in the ECOWAS region was adopted in March 2012 after it provided a diagnosis of the informal trade in the region and proposed the major intervention areas for the PARCI.
- 2- This Regional Programme which is designed to cover a five-year period focuses on some strategic priorities. It will be followed by other regional programmes based on the evaluation of activities implemented and newly identified needs. It will be complemented by national programmes formulated by the States with the technical support of the ECOWAS Commission.
- 3- The programme was designed through a participatory and inclusive process led by the ECOWAS Commission together with the Member States. Contributions were also made by the private sector and professional organisations in the trade sector at the regional and national levels. Non Governmental Organisations and some trade-related technical and financial partners, particularly at the cross-border level, also contributed to its preparation
- 4- The PARCI is happening at a time when West Africa is confronted with major economic challenges in spite of efforts made by the countries in the sub-region over the years. The growth rate of 6.36% recorded between 2010 and 2012 is below the 7% minimum required to give greater impetus to the development of the Member States. The trade among countries in the region accounts for only 10%.
- 5- However, several studies have shown that this rate of intra-regional trade does not reflect the reality in view of the fact that the informal trade, which is not captured in official records, represents a sizeable proportion of national economies. According to these studies, its contribution varies between 20% and 75% depending on the countries.
- 6- Under these conditions and by following the same train of thought of Member States in their desire not to demonise the informal trade but rather improve productivity and increase revenue in this sector, the ECOWAS Commission committed itself to regulating the informal trade with the aim of strengthening the regional integration process.

## **b. Situational Analysis**

- 7- In an attempt to simplify and facilitate the implementation of the PARCI, the concept of informal trade in this programme is limited to the lack of records on a commercial activity regarding legal products and services, the exclusion of criminal or clandestine activities related to illegal products and services.
- 8- The informal trade which is booming rapidly in West Africa is the appropriate response found by the population, particularly by women as an antidote to the economic challenges in the West African States as well as to problems of low level of education of the population.
- 9- However, this practice has negative consequences related particularly to the distortion of competitiveness, the non-compliance with rules and standards especially in the area of health; nonexistence of insurance and shortfall in States' budgets.
- 10- The causes of the existence and development of this trade in the region stem from a combination of a number of factors, among others, the distortion and shortcomings in public policies in terms of business promotion, tariff and non-tariff barriers as well as worsening of living conditions of the population.
- 11- In the light of this situation, the PARCI will mainly address the issue of low capacity of the region in stemming the negative effects of informal trade and also capitalise on its potentials for the development of trade in the region.

## **c. Lessons learned from ongoing interventions in the sector**

- 12- Several programmes are ongoing at both regional and national level to provide solutions to problems faced by the informal trade sector. But many of these programmes have limited impact in terms of their scope. These initiatives have not been embodied into any real informal trade policy linking the regional to the national levels.
- 13- The PARCI will assist in putting in place an overall coherent framework at the community level aimed at optimising the results to ensure sustainability of the achievements. It will also focus essentially on the issue of constant availability of statistical data which was not sufficiently taken into consideration in the ongoing projects. Furthermore, the success of the PARCI will depend on the identification and painstaking attempts to meet the priorities of the beneficiaries. To this end, it will be quite pertinent to establish dialogue between the actors and enhance complementarities with existing initiatives.

## **d. Strategic guidelines**

14. One of the objectives of the PARCI is to factor the informal trade into regional integration strategies and contribute to the implementation of the ECOWAS trade policy. Thus, the programme is consistent with the ECOWAS Vision 2020 and the Regional Poverty Reduction Strategy, particularly with the ECOWAS 2010-2014 Strategic Plan. The Programme also addresses the needs of sectoral policies of the region in the fields of agriculture, industry, gender etc. Including specific initiatives such as the EPA Development Programme adopted by the region as part of the EPA negotiations with the EU, the Common External Tariff within the framework of the ECOWAS Customs Union etc.
15. The PARCI seeks to establish the linkage between activities at the regional level and the ones at the country level. Thus, the regional programmes will focus on regional informal trade dimensions and ensure interdependence between the countries; it will also offer a joint platform for intervention on issues of common interest. The national programmes will reflect the specific priorities of the States. The realisation of the projected linkage depends on key principles such as subsidiarity, regional synergy and regional solidarity.
16. The PARCI does not seek to cover all the needs of the informal trade. In the first place, it will focus on institutional, organisational and regulatory issues by targeting some sectors of activities. They will be complemented by carrying out some necessary infrastructural activities to motivate the enterprises to regularise their operations. The programme will place a lot of emphasis on cross border informal trade as the greater part of the solutions to address persistent problems along the borders are mainly of regional dimension. The key sectors touch on priority services and sectors identified by the region as part of regional integration initiatives, notably the agro-food value chains, agro-industry, cotton/textile/garment and telecommunication services, construction, distribution, environment, financial sector (Insurance, Banking), travel and tours, leisure, culture, sports and transport.

#### **e. Beneficiaries**

17. The main beneficiaries targeted by the PARCI are :
- The actors and businesses in the informal sector, in particular women and the youth engaged in cross border informal trade activities and facilitation of border crossings, especially people from families in the border areas ;
  - Private sector dialogue bodies : Chambers of Commerce and Industry, Employers' Association and professional organisations ;
  - The public authorities whose actions are necessary to reduce the negative effects of the informal trade and in particular their officials posted to the border stations.

#### **f. Basis for intervention**

18. The general objective of the programme is to contribute to the enhancement of intra-regional trade as part of the development of a common market and the determination to reduce poverty in the ECOWAS region.
19. The specific objective is to implement strategies and mechanisms to develop the dynamism of stakeholders in the informal sector trade and to adequately regulate their business practices.
20. Four main outcomes expected from the implementation of the programme are the following :
- Outcome 1: Reliable and updated information on informal trade are available.
  - Outcome 2: The institutional capacities of the stakeholders in the informal sector are strengthened and the same will apply to their participation in the formulation, implementation and monitoring of policies relating to the development of intra-regional trade.
  - Outcome 3: Important reforms are carried out for the elimination of obstacles to the development of formal trade.
  - Outcome 4: Incentives are provided to facilitate the migration of stakeholders from the informal sector to the formal sector.
21. Each outcome is covered by a component, which is also broken down into sub-components within which the activities are structured.

Component 1: Improving the information system in the informal sector

Sub-components:

- ✓ Improving data collection and processing system on the cross border informal sector ;
- ✓ Establishing a monitoring mechanism on informal trade.

Component 2: Institutional capacity strengthening of stakeholders in the informal trade and their participation in the formulation, implementation and monitoring of policies relating to the development of intra-regional trade.

Sub-components:

- ✓ Creating a platform of professional organisations in the informal trade and developing partnerships ;
- ✓ Capacity strengthening of professional organisations in the informal trade ;

Component 3: Carrying out the necessary reforms in order to eliminate obstacles to the development of formal trade

Sub-components:

- ✓ Simplification of procedures
- ✓ Communication and advocacy

Component 4 : Providing incentives to facilitate the migration of stakeholders in the informal sector to the formal sector.

Sub components :

- ✓ Incentives towards registration of stakeholders in the informal trade
- ✓ Adoption of regional directives on informal trade activities
- ✓ Training and sensitisation of operators in the informal trade
- ✓ Improvement of supporting infrastructure for the regulation of informal trade

#### **g. Complementary Interventions**

22. Beyond the above-mentioned interventions, other actions will be taken to ensure successful outcome of the programme, notably :

- ✓ Linking sector policies with productive sectors ;
- ✓ Linking programmes with standardisation;
- ✓ Introducing tax and customs reforms ;
- ✓ Introducing reforms on the functioning of public utilities and agencies and the development of trade infrastructure ;
- ✓ Linking the programme with the promotion of peace, security and tolerance ;

#### **h. Risks and assumptions related to programme implementation**

23. The implementation of the PARCI is related to key success factors outside the sector. The risk of not achieving the objectives is high in the event where the necessary developments are not carried out on some structuring elements pertaining to regulation of the informal trade. The risks and assumptions mainly concern the following points :

- ✓ Common regional trade policy and implementation of other sector programmes
- ✓ Support for stakeholders in the informal sector in fulfilment of the objectives of the programme.
- ✓ Representation of professional organisations
- ✓ Ownership by institutional beneficiaries
- ✓ Coordination between the two regional integration Organisations
- ✓ Political stability and improvement in governance

#### **i. Implementation and monitoring**

24. The implementation of the Programme requires that stakeholders at all levels are brought on board: ECOWAS Commission, States, Chambers of Commerce and Industry, Employers' Associations and professional Groups in the formal and informal sectors as well as technical and financial partners.

25. At the regional level, it is projected that a Steering Committee will be put in place to define the strategic guidelines and ensure programme supervision; a Programme Management Unit (PMU) will also be responsible for programming and implementing the programme of activities at the technical level.

26. The implementation of the programme at the national level will be carried out by the National Coordinating Committees (NCCs) which will help in extending regional action to the Member States.

**j. Financing and communication strategy**

27. The cost of the Programme, covering a period of five years, is estimated at 65 000 000 dollars. The detailed cost per component is presented below :

- ✓ Component 1 : 15 000 000 \$
- ✓ Component 2 : 15 000 000 \$
- ✓ Component 3 : 5 000 000 \$
- ✓ Component 4 : 25 000 000 \$
- ✓ Steering and managing the programme : 5 000 000 \$

28. The ECOWAS Commission and the Member States shall contribute to the financing of the programme. The development partners will also be called upon to provide financial support.

29. The implementation of the PARCI requires effective ownership by the region, the Member States and all the stakeholders involved in the programme. In this regard, it is projected that a communication plan will be designed and implemented in collaboration with the Department of Communication at the ECOWAS Commission.

## **INTRODUCTION**

- 1- Informal trade plays a major role in the economic activities of the West African region. It contributes to wealth creation, economic growth and employment and fosters relations among the people, zones and territories. It constitutes a sizeable component of cross-border trade.
- 2- However, in the long term, informal trade may have a negative effect on economic growth as it does not promote investment, but causes distortions to competitiveness and does not help national budgets to fully derive benefits from activities in this sector. In some cases, it poses health and security risks to the population by not complying with sanitary and phyto-sanitary (SPS) measures and standards.
- 3- Thus, informal trade must be taken into account when policies are being formulated for the enhancement of regional integration in West Africa because it offers real potential for economic growth and poverty reduction in the region.
- 4- It is against this background that ECOWAS Member States adopted the Strategy for Regulating Informal Trade in West Africa at a regional meeting held from 26<sup>th</sup> to 27<sup>th</sup> March, 2012 in Abuja. The strategy analysed informal trade in the region

and identified the major areas of intervention of a regional programme for informal trade.

- 5- The Strategy for Regulating Informal Trade highlights i) policy reforms in the fields of trade, taxation and regulatory frameworks; ii) measures for improving information and also iii) support measures for enterprises. The strategy centres on the following four areas:
  - a. Optimising informal trade information systems;
  - b. Officialising the existing commercial sectors by simplifying and predicting deadlines and taxes;
  - c. Reforming the ECOWAS administrative and institutional framework; and
  - d. Enhancing the benefits and advantages of formal trade.
- 6- The adoption of the informal trade regulatory strategy in West Africa would provide the ECOWAS Commission and Member States with a coherent programming and intervention framework for the informal sector.
- 7- In order to make this strategy operational, it is necessary to prepare national and regional programmes which are complementary. The national programmes would reflect the specific priorities of Member States, while the regional programmes would focus on the regional dimensions to informal trade, ensure interrelationships among countries and provide a common platform for interventions on issues of common interests.
- 8- The national programmes would be prepared by Member States with the technical support of the ECOWAS Commission. The Commission would also assist with the implementation of the programmes by facilitating the mobilization of financial resources from partners.
- 9- This paper is the first regional programme for a five-year period and it comprises four areas of intervention in order to contribute to the implementation of the adopted strategic guidelines. This initial programme would be followed by others based on the evaluation of the activities implemented and other identified needs.
- 10- The programme focuses on some strategic priorities for taking due account of the current management capacity of the ECOWAS Commission and financial constraints, and also for facilitating the participation of partners.
- 11- The paper is the product of a participatory process conducted by the ECOWAS Commission with the involvement of Member States. The private sector, national and regional trade professional organisations, seasoned experts on economic and trade matters were also involved in the process. The programme was validated by ECOWAS States at the regional meeting held on.....

## I. BACKGROUND

### 1.1 Sustained medium-term economic growth

12- The Economic Community of West African States (ECOWAS) which comprises fifteen countries <sup>1</sup> in West Africa is confronted with major economic and social challenges. Despite the achievements in the last few years, the progress made in major sectors, especially industry, agriculture and trade has not reached the required level to make any decisive impact on poverty reduction and generate real development.

13-Indeed, between 2010 and 2012, the real average GDP growth rate in the ECOWAS region was estimated at 6.36%<sup>2</sup> whereas the minimum rate of 7% is required to foster sustained growth and effectively address poverty.

14-At the sectoral level, during the 2005/2011 period, average contributions to the GDP by the primary sector (dominated by agriculture), secondary sector (mines and quarry) the tertiary sector (trade and transport) were 30%, 35% and 35% respectively.

15-There has been low productivity in the agriculture sector. It has derived less benefit from the upstream and downstream industrial sector. Activities under this sector are limited to only few products such as some basic consumer goods, agro-industrial products and construction materials.

16-With regard to trade, intra-Community trade was poor. According to ECOWAS statistics, the share of this trade was estimated at 10% of the total value of regional trade for the 2010-2012 period. The region is seeking to integrate itself into international trade through various support programmes in order to achieve increased production, product diversification and improved market access. Unfortunately, the exports continue to be only a few hardly processed primary products in the mining and agriculture sectors. In 2010, the value of exports from

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<sup>1</sup> Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Nigeria, Niger, Sierra Leone, Senegal, Togo.

<sup>2</sup> ECOWAS Commission Statistics

the region stood at 104.149 billion dollars, representing a trade surplus of 31.826 billion US dollars.

17-The European Union remains the major trading partner of the region. Between 2005/2010, the value of ECOWAS exports to the European Union ranged between 24% and 28% of total exports of the Community. During the same period, ECOWAS imports from the EU dropped from 43% to 29.5% of total Community imports.

## **1.2 Informal trade: an essential component of Member States' economy**

18-Most of the economies of ECOWAS countries are characterised by a small formal sector against a predominant informal sector. The results of surveys conducted in seven West African countries between 2001 and 2003 within the framework of the Regional Statistical Support Programme for multilateral surveillance of the UEMOA countries (PARSTAT), informal trading activities were in sectors related to the movement of goods (45% of production units) operating in the "trade" sector, the remaining balance was shared between the other two sectors, that is 28% and 26% for industrial and services production units respectively. The importance of the informal sector is growing not only because of the number of people it employs, but also the high income generated by it, thus increasing its contribution to the economies of the various countries. The contribution of informal trade to the national economy is estimated to range between 20% in the case of Nigeria and 75% for Benin.

19- Informal trade enterprises present the following general characteristics that tend to be country-specific:

- a. Unregistered enterprises or discontinuation of such registration;
- b. Virtual inaccessibility of their activities by the tax authorities;
- c. Unavailability of regular accounting records;
- d. Improvisation of business organization;
- e. Low professional qualification of staff.

## **1.3 The Region's approach**

20-The attitude of governments and institutional actors to informal trade has evolved. The primary objective of slowing down its expansion or even cracking down on it has been replaced by some degree of tolerance and even a desire of supporting it. Today, the general consensus is on the need to improve the productivity and income of operators of the informal sector so as to reduce poverty and bring the

economic and employment conditions of the informal sector in line with the formal sector.

21-The ECOWAS Commission subscribes to this policy by adopting, in March 2012, the Informal Trade Regulatory Strategy within the Community and formulating the Support Programme for Informal Trade Regulation. The stated objective is to encourage the informal sector to become formal, thereby promoting regional integration.

## **II. SITUATIONAL ANALYSIS**

### **2.1. Definition of informal trade**

22-There are various definitions of informal trade relating to factors such as the size of and the property of the enterprises, the nature of their activities, the form of enterprise, its status as an unregistered business, evasion of formal control by the State, of the laws and regulations of the country etc.

23- Within the context of this programme, the definition of informal trade is based essentially on failure to register a specific activity. The concept of informal trade is also limited to legal products and services, exclusion of criminal or clandestine activities related to illegal products and services (arms, narcotics, human trafficking, etc).

### **2.2 Issue of Informal Trade**

24- The informal sector is a many-sided phenomenon in West Africa. Its impact on the economies of West African States is ambivalent. Most studies credit it with having positive impacts in terms of meeting the needs of the population, creating employment, empowering women, promoting intra-regional trade and creating informal financial flow networks. However, over the medium and long-term, informal trade is considered to be a destructive phenomenon in national economies because of its negative impacts. The adverse effects of informal trade include the distortion of competitiveness, non compliance with norms and standards especially regarding health issues, lack of insurance, etc.

25-The level of informal trade grew over the last few decades of the 20th century, in terms of the volume of trade flows and the number of actors involved in the sector. This trend may hinder the development efforts and strategies pursued by the Member States of the region.

### **2.3 Causes**

26- A combination of factors account for the existence and exponential growth of the informal sector in recent years. The factors include:

**a. Distorted and weak public policies:**

- i. Limited access to credit and the need to rely on modest family support and inadequate capital;
- ii. Strict regulations and bureaucratic criteria applied on goods and services, including the ban on imports in some countries like Nigeria;
- iii. Existence of multiple controls at borders with the attendant consequence of promoting movement across the borders through illegal routes or increasing cost price of products;
- iv. Prohibitive tariffs and import/export duties as well as multiple taxation of goods and services;
- v. Existence of embargoes and import/export controls on some products;
- vi. Price differentials and exchange rate disparity, as well as the lack of an appropriate arbitration mechanism;
- vii. Cumbersome procedures and high cost of formalisation;
- viii. Several corrupt practices in administration, which acts as a disincentive to private investment; and
- ix. Non existence or inadequate fiscal incentive measures for private operators.

**b. Deterioration of living conditions of people**

- i. Worsening poverty in the region and the survival obligation for small family units;
- ii. Deepening unemployment which compels the youth and women to find a sort of temporary refuge in this sector, but this development tends to become a permanent feature.

**c. Other factors**

- i. Insecurity and high cost of transport and communication; and
- ii. Inadequate information on the problems and procedures existing at the countries' borders.

## **2.4 Issues**

27- In this domain, there are four main issues before the Economic Community of West African States. These are:

- i. Creating an integrated regional and functioning market based on harnessing the region's potentials and the complementarity among the economies and national productive sectors, in keeping with the guidelines of the regional trade policy and sectoral policies;
- ii. Harmonious integration of actors and enterprises in the informal trade sector into this regional market being created;
- iii. Establishment of governance mechanisms and provisions guaranteeing the involvement of actors, consultation, enacting rules that are known and complied with, and a better knowledge of markets and informal trade sector operations; and
- iv. Provision of an adequate and encouraging regulatory framework with the aim of promoting business competitiveness and economic growth.

## **2.5 Major problems and challenges to be addressed by the programme**

28- In the light of the foregoing, the major issue to be resolved by the Programme is the poor capacity of the ECOWAS region to handle the negative effects of informal trade while exploiting its potentials for developing trade in the region.

29- In particular, the programme should be capable of tackling the following major challenges:

- i. Have a good knowledge of the informal trade sector (actors, practices, impacts) in order to identify the rules and incentives for its regulation;
- ii. Develop mechanisms and measures for promoting dialogue and consultation among national and regional public institutions and actors and enterprises from the informal trade sector, while contributing to capacity building and re-structuring of these institutions;

- iii. Correct the shortcomings policies (fiscal, customs, regulatory, security, etc) which encourage distortions and informal trade practices that negatively affect the economies of the region; and;
- iv. Introduce incentives that will promote standardisation of informal trade practices.

### **III. CURRENT INTERVENTIONS IN THE SECTOR**

#### **3.1 Current Programmes in West Africa**

30-Several projects/programmes have been launched in the ECOWAS region for the private sector in general and the promotion of trade activities in particular.

**31-The following have been initiated at the regional level:**

- a. The USAID-sponsored programme « Observatory of Abnormal Practices » is a mechanism established to monitor administrative harassment of economic operators along the trade corridors of the region. Under the Transport Facilitation and Abidjan-Lagos Trade Corridor Project financed by the World Bank, a component on performance monitoring of the Corridor dubbed Abidjan-Lagos Corridor Organisation (ALCO) is also in the process of being implemented. This Organisation collects data and prepares reports on national performance in the area of trade facilitation and transportation in the five countries in the corridor. Administrative measures are being taken to institutionalize the mechanism within ECOWAS and UEMOA.
- b. The CILSS programme « Market Access » is aimed at promoting free flow of trade in agro-food products in the region. The programme is centred around (i) a market information system managed by the West African Market Information System Network (RESIMAO); (ii) a cross-border trade monitoring mechanism, including informal trade in cereal products.
- c. The USAID-sponsored Agri-business and Trade Promotion (ATP programme). An off-shoot of the MISTOWA programme, this programme is aimed at creating a discussion platform among economic operators for promoting some value chains, particularly maize, millet/sorghum, rice, onion and livestock.

- d. The ECOWAS and UEMOA Joint Border Posts programme. ECOWAS and UEMOA Commissions have planned to build seven Joint Border Posts as part of the Transport Facilitation Programme financed under the 9th EDF. The construction of three border posts is underway at Seme (Nigeria/Benin), Noepe (Togo/Ghana) and Malanville (Benin/Niger). The completion of these projects is scheduled for the last quarter of 2013. The operations of these posts comprise a sensitisation component of all actors involved including cross-border passenger transport operators, clearing agents and traders in the informal sector.
- e. Capacity building project of statistical processing, currently handled by the Directorate of Statistics at the ECOWAS Commission. This project is a sequel to the ECOWAS Commission study for enhanced incorporation of informal trade in intra-Community statistics. The recommendations of the study stressed the need to carry out a survey of cross-border trade routes of Member States. Such a study will ensure improvement of methods of evaluating intra-regional trade. It is envisaged that this study would be undertaken simultaneously with sensitization campaigns for customs administrations and actors in that sector in order to improve significantly the quality and scope of customs declarations. The current programme will support this initiative on the mobilisation of necessary complementary resources for the enhancement of this activity and its extension beyond cross-border trade.
- f. The cross-border cooperation programme currently being prepared in the Directorate of Free Movement of Persons, Goods and Tourism;
- g. The revitalization of Regional Business Associations by the ECOWAS Commission, including, among others, the Federation of West African Chambers of Commerce and Industry (FCCIAO) and the Federation of ECOWAS Women Entrepreneurs and Business Women (FEFA). By their structuring and operations, these Associations are in constant touch with actors in the informal sector. They would play a major role in implementing and monitoring actions on capacity building and organisation of the informal sector.
- h. Other programmes are currently being developed, particularly the regional exchange market for agricultural products.

### **32- In Member States**

- a. These include the private sector stimulus programme (in Benin, Mali, and Senegal), export development programme, trade facilitation projects

initiated in most Member States of the community and some of which are still ongoing. These projects and programmes are focused on the following:

- Enhancement of trade and business regulatory environment ;
- Strengthening private sector institutions for dialogue ;
- Boosting business support to stimulate trade ;
- Enhancement of self-development abilities of private sector activities;
- Enhancement of the legal and judicial environment of the private sector.
- Development and export diversification ;
- Supporting the development of SMEs and micro-enterprises ;
- Organization of suitable training for beneficiaries and on globalization of trade.
- Establishment of an information structure with sub-contracting and partnership exchange ;
- Market promotion to inform promoters about business opportunities and the consumers about the products.
- Facilitation of access to funding from specialised structures, through SME/SMLs promotion funds ;
- Providing technical support to producers and processors for quality enhancement ;
- Providing trade information to operators.

33-The projects initiated in these countries aimed at sanitizing the business environment should also help to reduce informal trade and take advantage of the opportunities it offers.

34-There are also projects which are specific to informal trade in some countries of the region. In Mali, for example, the Retail Traders Support Project (PACD) was launched in 2005. Many women are involved in the informal trade, especially in the area of food. The aim of the project is to formalize the activities of this group of economic operators recognized for its dynamism in contributing to the achievement of a robust economy. This initiative, thus, contributes to combating poverty by choosing the poorer sections of the society as beneficiaries, especially women and the youth.

35-Some activities were carried out in the course of the second phase of PACD, launched in 2009, including training of several traders in simple book-keeping, hygiene, food safety and business management. Other major activities conducted include, the construction of modern stalls in some markets in Bamako and in the countryside to enhance conditions for the sale of foodstuffs and funding of the activities of retail traders. .

### **3.2 Experiences in other regions**

36-The study on the regulatory strategy of informal trade in West Africa revealed that informal trade is not a preserve of the region. This kind of trade has also been developed in other regions of the world in varying proportions ranging from 40% in Central and Eastern Europe, and the old Soviet Union and 43% in Africa and Latin America. This kind of trade is also very active in South Asia.

37- This study noted strong similarities of causes and sources of informal trade as well as channels that sustain it, when prevailing situations in West Africa are compared with those of other regions of the world.

38- Regulatory and institutional solutions were applied in most of the affected countries with a special focus on reducing regulations, simplifying procedures – especially customs – as well as reducing tariffs that have promoted the formalization of some businesses.

39- However, these measures have been applied selectively in some countries that have chosen to maintain the dynamism by preserving the creation of many jobs in some sectors through informal trade. For example, South Asian countries have acknowledged that the formal system is not always ideal for the supervision of some sectors. For instance, the introduction of more stringent administrative procedures in clothing sector would be detrimental to the sector's competitiveness with serious social consequences.

40- To regulate informal trade in Africa, some initiatives have been taken at the national level. One example is the Project for the Reduction of illegal timber trade within the informal sector introduced in Cameroon. This project builds on the observation that some traders engage in timber trafficking without prior approval from the authorities. Most neighboring populations who should reap the benefits of logging are oblivious of the laws and regulations that govern the operation. The project has helped to regulate informal timber trade and enhance the contribution of the formal timber trade to Cameroonian economy.

### **3.3 Lessons from completed or ongoing interventions**

41-In West Africa, most initiatives on informal trade have limited impacts due to their scope. They deal with the realities of each Member State without taking in to account measures taken by neighboring Member States. These initiatives are

not embedded in real informal trade policy at both the regional and national levels. The informal sector regulation programme will help to establish a coherent global framework at the community level in order to maximize outcomes and make achievements more sustainable.

42-In addition, these interventions do not resolve or resolve only secondarily the problem of lack of information or coherent statistical data on the informal trade sector. The originality of the ECOWAS programme consists in the consideration of this aspect.

43-Lack of a regional intervention coordination framework has neither helped to identify the priorities of the beneficiaries nor to establish necessary dialogues for the attainment of set objectives.

44-The implementation and monitoring of the informal trade regulation Support Programme must be sustained and complementarities sought for with existing initiatives in order to capitalize on opportunities offered by this kind of trade and deploy them in the fight against poverty.

## **IV. STRATEGIC GUIDELINES**

### **4.1 Link with regional and sectoral strategies and policies**

45-The Treaty establishing ECOWAS signed on May 28 1975 and revised on 24 July, 1993, in particular Chapter VIII of the afore-mentioned Treaty as well as strategies for the implementation of set objectives provides for the creation of a common market, through : (i) trade liberalization and the elimination of import and export duties among Member States and the removal of non-tariff barriers with a view to establishing a free trade zone ; (ii) the establishment of an external tariff and a common trade policy for third countries ; (iii) the removal of obstacles to free movement of persons, goods, services, capital and the right of residence and establishment among Member States.

46- The Treaty also provides for the establishment of an economic union through the adoption of common policies in the area of economic, financial, social and cultural affairs, as well as the establishment of a monetary union.

47-To undertake the mission assigned by the said Treaty, ECOWAS has adopted Vision 2020, which aims at « Creating a borderless and prosperous region, where peace and harmony shall reign, based on good governance, and where the people can access and develop the enormous resources, through the creation of opportunities for a sustainable development and the protection of the environment.

48-This vision is operationalized through the ECOWAS strategic plan and the Community Development Programme being developed. It is worth recalling, some of the ongoing initiatives to achieve the vision.

- ✓ Operationalization of the ECOWAS Trade Liberalization Programme, launched in 2000,
- ✓ Establishment of the ECOWAS Common External Tariff,
- ✓ Establishment of a monetary union in preparation for a common market
- ✓ Establishment of a community preferential tariff,
- ✓ Promotion of intra-community trade,
- ✓ Convention on cross border road transit,
- ✓ Harmonization of national laws on indirect taxation
- ✓ Promotion of the private sector and the regulation of informal trade,
- ✓ Adoption of a common competition policy within ECOWAS
- ✓ Negotiation of Economic Partnership Agreement (EPA) with the European Union.
- ✓ Adoption of a Community investment policy and investment code

49-The informal trade regulatory strategy adopted by ECOWAS in March 2012 focused on the need to consider this kind of trade in developing the regional integration strategies and thus, contribute to the implementation of the region's trade policy. This programme helps to give substance to this commitment and contribute to the achievement of priority No.2 of the ECOWAS 2012-2014 Strategic Plan, which is to « Promote a competitive business environment ».

50-In addition, the programme will focus on the Strategy of Aid for Trade, which is being developed and may benefit from the support provided within the framework of this aid.

51-Within the framework of the Economic Partnership Agreement negotiations with the European Union, West Africa adopted the EPA Development Programme (EPADP), which has the general objective of building a competitive regional economy, seamlessly integrated into the world economy that stimulates sustainable growth and development. The ECOWAS informal trade regulation Programme is in line with some components of EPADP, notably, in the areas of production diversification and expansion, and enhancement of intra-regional trade.

52-The programme is also designed against the background of existing policies and strategies in the West African region, to promote trade among Member States,

facilitate the integration of the region into the global market, and thus, support economic growth and poverty reduction.

53-In the area of agriculture, the adoption of the Regional Agricultural Policy (ECOWAP) seeks to « contribute in a sustainable manner to meeting the food needs of the population, economic and social development, poverty reduction in Member States, as well as addressing inequalities among territories, zones and countries ».

54-Furthermore, ECOWAS adopted the West African Common Industrial Policy (WACIP) which has the general objective of contributing to the acceleration of industrialization in West Africa through the promotion of endogenous industrial processing of local raw materials, development and diversification of industrial productive capacity, and strengthening regional integration and exports of manufactured goods.

55-ECOWAP and WACIP, support the trade policy of the region through the facilitation of access to financing, development of value chains, promotion of markets, institutional strengthening etc. This programme complements and strengthens the measures with a view to supporting informal trade to better contribute to the deepening of regional integration.

56-In addition, ECOWAS has commenced the implementation of the Common External Tariff (CET) within the framework of the ECOWAS Customs Union and WA-EU Economic Partnership Agreement negotiations. The informal trade regulation support programme is part of the expected outcomes of these initiatives in terms of trade development, intra-community trade expansion and the integration of the region's economy into the world trade.

## **4.2 Interplay between regional and national levels**

57-The success of the Informal Trade Regulation Support Programme at the regional level is attributed to the momentum generated in this area by each ECOWAS Member State.

58-In this regard, it is necessary to ensure that actions undertaken in various Member States are in synergy with those to be embarked upon at the regional level.

59-Towards this end, the implementation of the programme requires several guiding principles :

## **4.3 Subsidiarity**

60-This principle recommends that major issues on the regulation of informal trade be handled at the community level when policies, strategies and actions at

national level do not proffer effective solutions. The principle recognizes the competences of Member States in the regulation of informal trade and strengthens them in tandem with those of the Community, which are applied in areas where regional action is supposed to be more effective than isolated national actions.

#### **4.4 Regional approach**

61-In accordance with this principle, the Commission will focus its intervention on cross border actions and cooperation initiated within the framework of the programme implementation. Beyond the Commission's scope of intervention, the regional approach encourages various Member States to develop more synergies to foster informal trade regulation.

#### **4.5 Solidarity**

62-It is an important factor to enable Member States to support one another in the regulation of informal trade within the ECOWAS region. This principle should guide and motivate the process of experience, information and data sharing within the sub-region.

#### **4.6 Strategic choices**

63- Informal trade has wide and diverse areas of activity, which involves several stakeholders. A substantial part of the identified problems, such as the limited access to credit facilities, the existence of multiple border controls, increase in tariff and multiple taxation of goods and services, existence of embargos and abusive import controls, insecurity and high cost of transportation and communication etc., is supported by other ECOWAS programmes/projects.

64-The informal trade streamlining support programme is not designed to cover all the needs of this kind of trade. The choice made is to first of all focus on institutional, organizational and regulatory issues while targeting some sectors of activities. They will be complemented by the provision of some infrastructure necessary to encourage enterprises to formalize their operations.

65-The programme seeks to combine institutional, regulatory and infrastructural measures. Given that the provision of infrastructure demands considerable investments, focus will be on private-public partnership for funding.

66-Cross-border trade occupies a significant place in West African sectoral policies and strategies. Thus, several initiatives are taken in the area of infrastructure, trade facilitation, free movement, monitoring of inappropriate practices etc. The programme seeks to enhance these initiatives and at the same time benefit from complementarities necessary to achieve set objectives. In this regard, the programme specifically focuses on cross border informal trade to the extent that

most of the solutions to the persistent problems along the borders are primarily within the purview of the region.

67-The programme also focuses on the coordination among the departments of the ECOWAS Commission to optimize the initiatives. The institutional framework identified for the coordination and monitoring of the programme implementation takes this requirement into account.

68-Finally, the sectors targeted by this programme are those already identified by ECOWAS within the framework of the regional integration initiatives. They include priority sectors and services :

- Services : Telecommunications, Construction, Distribution, Environment, Financial sector (Insurance, Banking), Tourism and Travels, leisure, culture and sports and transport ;
- Sectors : Agro-food and agro-industry, Cotton/textile/clothing

#### **4.7 Programme Duration**

69- Due to the nature and scope of problems related to informal trade, long-ranging action is required. However, given the programme management capacities of the ECOWAS Commission and potentially available human resources, the Regional Support Programme for Informal Trade Regulation was prepared in successive 5-year phases. At the end of each implementation phase, a new programme will be prepared based on the achievements of the previous phase and the provision for needs not hitherto taken into account.

## **V. ACTORS AND BENEFICIARIES**

70- Informal trade primarily concerns women, young people (particularly the unemployed) and children. This situation is linked, among others, to the illiteracy and lack of information existing within this class of society. Inadequate access to loans and funding also constitutes a barrier to the effective participation of women in formal trade. The requirements of formal trade prevent many women from being able to obtain loans as they have limited access to and control over property.

71- Young people are employed particularly in conditional jobs (search for sales outlets, domestic helps). This primarily concerns young people who were unsuccessful in their studies and seek to enter the working world.

72-School leavers without jobs are greatly affected by these problems because in their quest for stable employment, they accept job offers from companies in the informal trade sector. These unstable jobs not only provide initial job experience, but are also a means of livelihood to mitigate the effects of the precariousness and vulnerability to which they are exposed.

73-For young children, the lack of social protection in countries of the region has led to exploitation by some traders who take advantage of the precariousness of their situation.

74-Other stakeholders are public administration (ministries, customs, tax offices, etc.) and the private sector through professional organisations at the national and regional levels and non governmental organisations..

75-Programme beneficiaries vary based on the type of activity. Stakeholders do not have the same level of responsibility in the rationalisation of informal trade. Consequently, in order to achieve the goals of the programme, some stakeholders must receive special attention and be accorded priority status as beneficiaries. Furthermore, due to specific conditions for implementation of economic and legal activities relating to employment, some categories of persons have been excluded from benefitting from the programme. This, for example, is the case for children.

**76- *The PARCI will target in particular:***

- informal sector stakeholders and companies, particularly women and young people involved in cross-border informal trade and craft activities as well as those engaged in facilitating border crossings including persons from families residing in the border communities;
- private sector dialogue agencies – chambers of commerce and industry, employers, professional groups and associations,
- public administrations whose work is required to reduce the negative effects of informal trade, in particular, the officials of these institutions working in the border posts.

## **VI. BASIS FOR INTERVENTION**

### **6.1 Objectives**

#### **6.1.1 General objective**

77-The general objective of the programme is to contribute to the growth of intra-regional trade within the framework of creating a common market and reducing poverty within the ECOWAS region.

### **6.1.2 Specific objective**

78-Specifically, PARCI aims at implementing strategies and mechanisms to develop the dynamism of stakeholders in the informal trade sector and adequately regulate its trade practices.

## **6.2 Expected Outcomes**

79-It is expected that the programme will lead to the following four major outcomes:

**Outcome 1:** Reliable and up-to-date information on informal trade is available.

**Outcome 2:** Institutional capacities of informal trade actors and their participation in policy formulation, implementation and monitoring on the development of intra-regional trade are enhanced.

**Outcome 3:** Reforms essential to the elimination of obstacles to the development of formal trade are carried out.

**Outcome 4:** Incentives are provided to facilitate the migration of informal sector stakeholders to the formal sector,

## **6.3 Components**

80-Each outcome consists of a component which is further broken into sub-components within which activities are structured.

### **6.3.1 Component 1: Enhancing the Informal trade information system**

81- Informal trade initiatives of any kind depend on the availability of up-to-date and reliable data and facilitation of access to trade information.

82-Meanwhile, one of the major problems of informal trade in West Africa is inadequate or lack of data to facilitate the understanding of the different aspects of this trade.

83-Indeed, evaluation methods often use estimates from old sources, relatively recent surveys which do not specifically apply to informal trade or surveys which, though concerning the informal sector, are limited in terms of geographical or sectoral coverage. In some cases, selective surveys are carried out and only seek to address the specific needs of the study.

84-The lack of reliable and up-to-date data leads to under-estimation of intra-community trade and has negative impact on training, implementation and monitoring of national and regional trade policies and at the same time, undermines regional integration efforts.

85-To address this problem and bridge the gaps, it is necessary to put in place an efficient mechanism for data collection as well as a tool for centralising, updating and disseminating the data thus gathered.

86-Furthermore, the region does not have a specific monitoring mechanism for informal trade practices. This situation has hampered the availability of quality and sufficient quantity of information for adapting regulatory measures to informal trade and also measuring the effect of implemented policies on regional integration. The establishment of a mechanism for the observation of trends in informal trade will provide strategic oversight. The mechanism will also facilitate the evaluation of the compliance of informal trade products with standards and technical and health regulations, in order to detect the origin of diseases and parasites and take measures to protect consumers.

87-In order to meet these requirements, the component « enhancing the informal trade information system” is based on two priority sub-components. They include:

- ✓ improving the data collection system for trans-border informal trade,
- ✓ creating an oversight system for informal trade.

***6.3.1.1 Sub-component 11: Improving the cross-border informal trade data collection and processing mechanism***

88-This first sub-component seeks to make available reliable and up-to-date data on informal trade within the Community. This will address the information needs of policy-makers, investors and development partners.

89-Three activities have been identified under this sub-component:

- ✓ preparation and adoption of a statistical method and action plans for the establishment of specific data on intra-regional informal trade;

- ✓ support to Member States and the ECOWAS Commission for periodic collection of data relevant to informal trade;
- ✓ support for the preparation of documents containing data on informal trade and publication.
- ✓ creation of a database, a portal and websites devoted exclusively to regional initiatives on informal trade.

**6.3.1.2 Sub-component 12: Putting in place the informal trade monitoring mechanism**

90-The creation of an informal trade monitoring mechanism is aimed at improving knowledge of informal trade and the predictability of measures implemented for its formalisation. Rather than create a new observatory, this involves the incorporation of informal trade modules into existing observatories as part of a negotiated partnership.

91-The main activities under this sub-component include:

- ✓ conduct of study on informal trade practices and impact of the different activities for its formalisation,
- ✓ support for the institutionalisation of activities of the observatory for abnormal activities and other initiatives in this area,
- ✓ preparation of the specification needed to guarantee the traceability of informal and formal trade products,
- ✓ supervision of measures taken by countries and evaluation of their effects on neighbouring countries.

**6.3.2 Component 2: Institutional capacity building for informal trade stakeholders and their involvement in policy formulation, implementation and monitoring on developing intra-regional trade**

92-The strategy for the regulation of informal trade considered capacity building for stakeholders in this trade sector as one of the major priorities in attaining set goals. In spite of the dynamism of the actors in this activity area, particularly women and young people, there is no structured framework at the regional level

to facilitate the definition, implementation and monitoring of policies and strategies in the informal trade sector.

93-The regulation of informal trade therefore requires capacity building for the stakeholders in order to facilitate dialogue on issues of common interest, assist in appropriate decision-making and ensure that relevant activities are identified for the benefit of the sector and the monitoring of their implementation.

94-For the institutional framework to be operational, it is necessary to build its technical, organisational, material and human capacities. The major stakeholders should be trained, for example, in negotiation and decision-making skills.

95-Another major difficulty in monitoring sector stakeholders is the lack of official statistics on their numbers and professional identity.

96-In addition, the success of the goals to eliminate the negative effects of informal trade and derive benefit from it depends largely on the existence of a partnership with on-going initiatives in the areas of the economy such as industry, agriculture and infrastructure.

97-The scope of the Support Programme for Informal trade regulation, including professional organisations of informal trade is limited if there is no connection with other initiatives in the region. As a result, the synergy and complementarity between the different initiatives should be constantly sought out in order to optimise efforts.

98-To meet these requirements, three (3) sub-components have been identified:

- ✓ establishment of a platform for professional organisations in informal trade,
- ✓ capacity building for professional organisations in informal trade,
- ✓ development of partnerships with existing regional initiatives.

**6.3.2.1 Sub-component 21: Establishment of a regional network of professional organisations in informal trade and development of partnerships**

99-The objective of this sub-component is to optimally organise professional associations in the informal trade sector. The creation of a regional platform for informal trade professionals will make it possible to coordinate assistance from technical and financial partners, monitor changes in the sector and optimally guide the regulation of informal trade. Furthermore, it will consist of promoting partnership with existing regional initiatives. This partnership will help broaden consultations in the entire region and enhance knowledge sharing. Thus, it will

serve as an official platform for exchanges and provide recommendations on every issue concerning regional initiatives on informal trade.

100- The main activities selected are:

- ✓ awareness creation sessions to identify informal traders,
- ✓ enumeration of the organizations representing stakeholders in the informal trade,
- ✓ organization of stakeholders in the informal sector into professional groups and associations;
- ✓ creation of a regional platform for professional organisations in informal trade.
- ✓ networking of institutions whose activities have an impact on informal trade,
- ✓ support for cooperation and experience sharing between the ECOWAS and UEMOA Commissions on issues linked to informal trade.

#### **6.3.2.2 Sub-component 22 : Capacity Building for Professional Organisations in the Informal Trade Sector**

101- The goal of this sub-component is to improve the technical and human capacities of professional informal trade organisations in order to optimise their role in the regulation of informal trade.

102- To achieve this goal, the main activities below have been selected :

- ✓ awareness creation for professional organizations in informal trade on their role vis-a-vis stakeholders and partners in the dialogue,
- ✓ support for skills identification in the informal trade sector,
- ✓ support for enhancing the skills of organisations to provide support services to member entrepreneurs,
- ✓ training on negotiation techniques and themes submitted for dialogue,
- ✓ conduct of studies on the themes which will promote the regulation of informal trade.
- ✓ support for dialogue negotiations and meetings within professional organisations and with partners on the major problems of informal trade,
- ✓ facilitation of the implementation of agreements with partners,

### **6.3.3 Component 3: Essential Reforms for the Elimination of Obstacles to the Development of formal Trade**

103- The lack of a formal framework for activity management and the proliferation of taxes and duties are the major causes of the existence and persistence of informal trade. The majority of informal traders within ECOWAS have avoided taxation due to the lack of incentives.

104- In addition, the waiting times at the borders attributable to the numerous control points and statutory agencies working along trade routes are negative factors which discourage informal traders from formalising their activities.

105- Informal trade products are not subject to control, that is, to the regulatory system on quality standards, sanitary and phytosanitary measures and the rules of origin. Due to the lack of regulatory and guidance policy, the people are exposed to possible danger on consumption of some of these products. The creation of a harmonised regulatory framework at the regional level will contribute to the formalisation of informal trade activities.

106- Two sub-components have been identified in order to achieve the objectives of the component. They are:

- ✓ simplification of procedures
- ✓ communication and advocacy

#### **6.3.3.1 Sub-component 31: Simplification of procedures**

107- The objective here is to encourage informal trade operators to register their activities by simplifying registration procedures and putting in place support policies for informal trade operators.

108- The activities involve:

- ✓ support to national and regional administrations in the process of simplifying administrative procedures and formalities linked to trade and the preparation of related specifications,
- ✓ evaluation of the skills of the ECOWAS Commission and recommendations on relevant institutional changes.

#### **6.3.3.2 Sub-component 32: Communication and advocacy**

109- The objective of this sub-component is to work with the various stakeholders: the informal trade actors on one hand, and on the other hand, the national and decentralized administrations with a view to enhancing the

regulatory reforms and their implementation, and improving the knowledge of the simplified rules and formalities that will be developed to ensure the effective implementation of the programme.

110- Two main activities have been identified under this sub-component:

- ✓ Development of a communication strategy to explain the laws and regulations much more clearly;
- ✓ Organization of advocacy and lobbying for the effective application of the legislative and regulatory texts.

#### **6.3.4 Component 4: Introduction of incentive measures to facilitate the transition from the informal to the formal sector**

111- The simplification of procedures and arrangements aims at encouraging the informal trade actors to legalize their activities. However, simplification alone will not be enough to persuade all these actors to review their businesses. There is therefore the need to introduce a set of accompanying measures.

112- Trade-related training focuses mainly on the formal sector, thereby affecting capacity building in the entire sector. Indeed, the lack of training, information and awareness on trade regulations and the benefits of the formal sector explain the increased informal trade activities.

113- The variety of products and the transport of perishable goods expose traders to the blackmail of customs and health officials, the police as well as tax collectors. The health of populations is at risk due to the consumption of products from the informal trade since they do not comply with phytosanitary standards. Storage facilities that could lessen the burden of the informal trade actors are generally inadequate at borders.

114- The study conducted, within the framework of the Regional Informal Trade Regulation Strategy in West Africa, showed that the lack of storage facilities is a key factor in the growing cross-border trade along Nigerian corridors. This is the case at Seme border between Nigeria and Benin where the lack of functional warehouses for goods on the Nigerian side adversely affects businesses compared to the Beninese side which has a functional storage complex.

115- In view of the negative effects and the benefits of the informal trade, there is the need to gradually make the population aware of the danger they face in

the informal sector and then encourage them to formalise their business activities.

116- Four sub-components have been identified for that purpose:

- ✓ Encouraging the informal trade actors to register their businesses
- ✓ Adopting regional directives/guidelines on informal trade activities
- ✓ Training and information for the informal sector operators
- ✓ Developing infrastructure to support informal trade regulation

**6.3.4.1.1 Sub-component 41: Encouraging informal trade actors to register their businesses**

117- The encouragement will focus on the application of simplified rules for business registration and rolling out commercial operations on one hand, and on the other hand, promoting or showcasing success stories and examples.

118- In that regard, six main activities have been identified under this sub-component:

- ✓ Assistance to pilot informal enterprises to ensure the completion of the procedures for transition to the formal sector;
- ✓ Development of communication/media campaigns to illustrate success stories, raise awareness on the benefits of best practices and encourage other enterprises to join the formal sector;
- ✓ Facilitating access to financial services for enterprises that are regularizing their activities;
- ✓ Establishing subcontracting exchanges between large companies and small service providers;
- ✓ Support the establishment of an appropriate taxation for informal trade within the framework of the tax reform programme in West Africa (in preparation).

**6.3.4.2 Sub-component 42: Adopting regional directives/guidelines on informal trade activities**

119- The objective of this sub-component is to gradually regulate informal trade practices in the region by defining a set of negotiated principles with professional

organizations. It will include the practices of informal business sector actors and those of the public service.

120- Three main activities have been identified under this sub-component:

- ✓ Preparation of regional directives/guidelines on informal trade activities
- ✓ Promotion and dissemination of the directives/guidelines on informal trade activities
- ✓ Review of the implementation of the directives/guidelines.

#### **6.3.4.3 Sub-component 43: Training and information for informal sector operators**

121- The objective is to build capacity through training and sensitization of the informal trade operators.

122- The activities will centre on the following points:

- ✓ Training for informal trade operators on business management, bookkeeping, marketing techniques, production management, compliance with hygiene and safety standards etc.;
- ✓ Sensitization of economic operators on the importance of control systems to ensure product conformity in line with technical and sanitary standards and regulations.

#### **6.3.4.4 Sub-component 44: Developing infrastructure to support informal trade regulation**

123- The objective of this sub-component is to equip certain borders with a number of required structures to complement the institutional and regulatory support. The construction of these facilities should be in line with ongoing initiatives in these areas, namely the construction of joint border control posts and the establishment of single window customs points.

124- This sub-component will centre on the following activities:

- ✓ Construction/development of storage facilities/warehouses along the borders;
- ✓ Construction/development of modern community markets/commercial hubs of regional dimension at border areas in order to improve sales conditions and better control trade in these areas;

- ✓ Promotion of support hubs and facilitation of cross-border trade operations.
- ✓ Construction/development of resting points for transport operators.

## **VII. COMPLEMENTARY INTERVENTIONS FOR THE PARCI**

125- The success of the Informal Trade Regulation Support Programme requires the combination of a number of actions from other sectors of activity. Hence, the need to highlight the various sectors involved in the initiative to support the regularization of informal trade. Some of the measures or actions of PARCI require the participation of several actors in various sectors. They include industry, agriculture, transport, education, craft etc.

126- The main complementary actions are:

- ✓ Sectoral policies of productive sectors:
  - Growth based on appropriate agricultural, craft and industrial strategy, added value of unprocessed products, through more productive sectors;
  - Industrial and Research Development Programme (IRD).
- ✓ Standardization programmes:
  - Operationalization of the Standardization, Certification, Accreditation, Metrology and Quality Promotion Programme (NAQAM);
  - Development of sanitary and phytosanitary control measures;
  - Development of the Regional Intellectual Property Rights (RIPR) ;
  - Capacity building of national and regional standardization and quality structures;
  - Development of required specifications to ensure the traceability of products.
- ✓ Tax and customs reforms
  - Establishment of transparent tax regulations accessible to economic operators, and simplification of the tax structure and cross-border procedures;

- Harmonization and reduction of customs duties and taxes on essential goods;
  - Improvement of administrative procedures and registration of traders or economic operators.
- ✓ Reforms in the public service and trade infrastructure development:
- Improvement of the coordination between customs actors and establishment of single windows and joint border posts along the most frequently used trade corridors;
  - Improvement of cross-border (tele) communication facilities and promotion of easy and formal access to financing, credit and insurance;
  - Capacity building of regional projects relating to (tele)communication facilities;
  - Harmonization and simplification of cross-border procedures in ECOWAS Member States using the Ghanaian experience;
  - Implementation of the competition policy in the transport sector and provision of business services, and simplification of formalities.
- ✓ The promotion of peace, security and tolerance:
- Support for security at ECOWAS member States' borders;
  - Promotion of core values such as ethics, integrity, common interest, and the sense of responsibility.

## **VIII. RISKS AND ASSUMPTIONS RELATED TO THE IMPLEMENTATION OF PARCI**

127- The implementation of the ECOWAS Informal Trade Regulation Support Programme is a complex process, which depends on several key success

factors outside the sector. The risks of not achieving the objectives are high if the necessary changes did not take place with regard to some fundamental elements of the informal trade regulation. The risks and assumptions concern mainly the following points:

### **8.1 Common Regional Trade Policy and implementation of other sectoral programmes**

128- PARCI alone will not be enough to negate the adverse impacts of informal trade and make the most of the opportunities provided by this type of trade for the region. A major assumption will be the adoption of the ECOWAS Common Trade Policy which would take into account the informal dimension in much of the region's trade. In addition, the impacts of PARCI will be felt only if other ongoing or planned programmes in the region are implemented diligently. Similarly, structural reforms are needed in areas such as customs, taxation, free movement etc. The programme will build on coordination mechanisms existing within the Commission.

### **8.2 Informal sector actors' ownership of the programme objectives.**

129- In view of the sensitivity of the benefits the informal trade actors derive from their activities in terms of employment and income, they may not show interest in the programme. To mitigate this risk, it is important that the programme focuses on the real needs of beneficiaries and strengthens the roles and responsibilities of actors in order to make positive impacts on their businesses as quickly as possible. The programme has also made provision for communication activities for wide information and sensitization of the actors. The programme will capitalize on the achievements of similar programmes in the region.

### **8.3 Representation of professional organizations**

130- With a view to facilitating dialogue between informal sector operators and institutions, the effective presence of professional organizations is a prerequisite. The programme has a set of activities targeting the structuring of actors and strengthening the representation of these organizations.

### **8.4. Ownership by beneficiary institutions**

131- To avoid the risk of low ownership by beneficiary institutions, it is necessary to adopt a highly participatory approach right from the development of the programme, build their capacity and ensure their coordination.

## **8.5 Coordination between the two Regional Integration Organizations**

132- The UEMOA Commission is currently implementing some initiatives in several areas affecting informal trade. The lack of coordination between the two regional integration Organizations could negatively impact the implementation of PARCI. In that regard, the consultation mechanisms between the two regional organizations should continue to be strengthened.

## **8.6 Political stability and improved governance**

133- Just like any other economic activity, informal trade is affected by political crises. Indeed, these crises generally result in insecurity and population displacement thereby making it difficult for them to engage in commercial activities. These crises are likely to slow down or halt the implementation of measures for the benefit of these actors. The ECOWAS Commission and Member States should therefore continue their efforts to maintain peace and security. In addition, this programme will be implemented at an operational level while generating political interest for the success of the intervention.

# **IX. MANAGEMENT AND IMPLEMENTATION**

## **9.1 Institutional implementation mechanism**

134- The implementation of the Regional Informal Trade Regulation Support Programme calls for the full participation of stakeholders at all levels: ECOWAS Commission, States, Chambers of Commerce and Industry, Employers' Associations, Professional Groups and Organisations from both formal and informal private sector trade associations in Member States, technical and financial partners. In that regard, the institutional mechanism of the programme will include the following organs:

### **At the regional level**

135- Some organs will be created for the steering, coordination and technical execution of the programme.

#### **a. Steering Committee. (SC)**

136- It shall define the strategic guidelines and ensure the supervision of the programme. This Committee shall be responsible for the coordination, monitoring and evaluation of the Programme implementation. It shall meet twice

in the year, or exceptionally at the request of the ECOWAS Commission, the States or partners.

**b. Programme Technical Management Unit (PTMU)**

- 137- It shall be responsible for the programming and technical execution of the programme. It shall be established within the ECOWAS Directorate of Trade.
- 138- The composition, responsibilities and functioning of the Steering Committee and the Programme Management Unit shall be defined by the relevant texts of the ECOWAS Commission.

**At the national level**

- 139- The National Coordinating Committee (NCC) in each of the 15 ECOWAS member States shall be responsible for the implementation of the programme
- 140- The National Coordinating Committees are structures that will extend the regional action in Member States. They shall coordinate and monitor the implementation of activities in the States. Each National Committee is run by the relevant department in the Ministry of Trade and shall include the representatives of other departments of ministries involved in the implementation of the Informal Trade Regulation Support Programme. The National Committees should include the informal trade actors, who are the main targets of the programme.
- 141- The National Committee Coordinators shall represent the States on the Steering Committee in line with the provisions adopted by the ECOWAS Commission. The composition, responsibilities and functioning of the national committees are defined by the Member States based on a framework adopted by mutual agreement.
- 142- To ensure programme monitoring, some preliminary indicators were identified in the logical framework in the Annex. These indicators will continue to be fine-tuned and/or completed particularly in the light of additional or feasibility studies carried out on certain activities.
- 143- The implementation and monitoring plan will also incorporate specific arrangements with technical and financial partners by ensuring synergy with the overall implementation and monitoring framework.

## **X. BUDGET**

### **10.1 Budget estimates of components and activities**

144- The Programme shall last for five years and its total cost is estimated at US\$65 000 000. The estimated cost of each component is detailed as follows:

**Component 1:** Improving the informal sector information system: US\$15 000 000

**Component 2:** Institutional capacity building for the informal sector stakeholders and facilitation of their participation in the formulation, implementation and monitoring of intra-regional trade development policies: US\$15 000 000

**Component 3:** putting in place the reforms needed to remove the obstacles to formal trade development: US\$5 000 000

**Component 4:** putting in place incentives to encourage actors to migrate from the informal sector to the formal sector: US\$25 000 000

**Programme steering and management:** US\$5 000 000

145- The feasibility studies due to be carried out on some activities will help specify the costs of the components. The initial and indicative breakdown of the costs of all components and activities for the five-year period is presented in Annex 2. The following table presents a summary of the costs of each component and sub-component.

## **10.2 Funding**

146- The ECOWAS Commission and its development partners will be the main contributors to the programme financing. Member States and the private sector will also contribute to the programme's funding in line with their respective activities.

147- The ECOWAS Commission's contribution is estimated at US\$ 6 500 000. This amount is based on the costs of the informal trade activities included in the ECOWAS Commission's annual activities budget.

148- The Informal Trade Regulation Strategy and the Support Programme for Informal Trade Regulation in the ECOWAS Region have led to the development of a programming framework. They also give greater visibility to the activities due to be carried out in this area and will facilitate the mobilisation of additional resources from the ECOWAS Commission and the financial partners.

149- The programme will be presented to the region's financial and technical partners at various consultative meetings due to be held particularly on informal trade. It will also be presented at roundtable conferences under the framework of comprehensive programmes like the CDP and the EPADP.

## **XI. COMMUNICATION STRATEGY OF THE PROGRAMME**

- 150- Collaboration and cooperation with all stakeholders throughout the process is essential to informal trade regulation. Furthermore, the possibility of sharing or exchanging information, resources and experiences to ensure effective implementation of the programme is one of the key factors for successful cooperation.
- 151- The Support programme for Informal Trade Regulation requires effective ownership of the programme by the region, Member States and all actors involved in the process.
- 152- In that regard, Result 4 provides for the formulation of a Communication Plan. This plan will be prepared and implemented in close collaboration with the ECOWAS Commission's Communication Department. The plan will also use the communication mechanisms put in place by other programmes being implemented in the ECOWAS region.
- 153- The programme will provide support for the development of the appropriate communication tools at national level.

## **XII. ANNEXES**

## **12.1 Logical Framework of the Programme ITRSP/PARCI**

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## Informal Trade Regularisation Support Programme ITRSP/PARCI

Overall Goal	Objectively verifiable Indicators	Verification Sources	
Contribute to the growth of intra-regional trade with a view to creating the single market and ensuring poverty reduction in the ECOWAS Region	Real intra-regional trade growth in the ECOWAS region from 10% during the last three years to 20% in 2017.	Statistics on Intra-regional trade (ECOWAS Commission, UEMOA, Member States, data supplied by the Central Banks, etc.).	
Specific Goal	Objectively verifiable Indicators	Verification Sources	Assumptions and Threats
Implementation of strategies and mechanisms with a view to enhancing the dynamism of actors in the informal trade sector and ensuring adequate regulation of informal trade practices.	<p>The share of formal intra-regional trade grows in the region in in the area of informal trade.</p> <p>Growth of investments in informal trade in value chains where the informal sector is dominant.</p>	<p>Statistics on intra-regional trade, data supplied by central banks.</p> <p>Results of a field survey.</p>	<p>The region successfully puts in place a climate of peace and security.</p> <p>Member States and regional integration Institutions establish cooperation with a view to ensuring joint and coordinated action</p>

Outcomes	Objectively verifiable Indicators	Verification Sources	Assumptions and Threats
<p><b>Outcome 1:</b></p> <p>Reliable and up-to-date information on informal trade is available</p>	<p>Statistical data on cross-border informal trade are available, complete and reliable.</p> <p>The region is fully aware, at any moment, of informal trade flows, the actors and sectors concerned.</p>	<p>Statistics on intra-regional trade.</p> <p>Specific statistical studies on informal trade.</p> <p>Specific qualitative studies on informal trade.</p> <p>Results of a field survey.</p>	<p>- All stakeholders, including the national and regional authorities, the private sector and civil society, will adhere to the project and will be involved to ensure achievement of the result.</p>
<p><b>Outcome 2:</b></p> <p>The institutional capacities of informal trade stakeholders and private actors, as well as their involvement in formulation of policies on development of intra-regional trade, are enhanced</p>	<p>Professional organisation representing the informal trade sector participate, at least two times a year, in regional meetings on informal trade and make recommendations</p>	<p>Number of professional organisations participating in regional meetings on informal trade.</p> <p>Number, agenda and reports of meetings held by the regional platforms on informal trade.</p> <p>Number of recommendations made by professional organisations involved in the formulation of informal trade policies.</p>	

<p><b>Outcome 3:</b></p> <p>Reforms needed are put in place to ensure removal of all obstacles to formal trade</p>	<p>Simplification of the procedures and reduction of the number of administrative formalities relating to intra-regional trade.</p> <p>Standard requirements for the ECOWAS Member States on this simplification.</p> <p>Not less than 50% reduction of practical obstacles encountered by the operators in the formal sector.</p>	<p>Regional and national regulations, directives, guidelines and decisions on intra-regional trade</p> <p>Results of a field survey.</p>	
<p><b>Outcome 4:</b></p> <p>Incentives are put in place to encourage actors to migrate from the informal sector to the formal sector</p>	<p>Growth of the number of traders registered in each ECOWAS Member State every year.</p> <p>Number of taxable enterprises.</p> <p>Increased tax revenue as a result of growing intra-regional trade activities.</p>	<p>Business registers or equivalent.</p> <p>Registers of taxable corporations.</p>	

Components/Activities	Resources	Cost	Assumptions and Threats
<p><b>Component 1:</b> Improving the informal sector information system</p> <p><b>Sub-component 11:</b></p> <p>Improving the cross-border informal trade data collection and processing mechanism</p> <p><b>Activities :</b></p> <ul style="list-style-type: none"> <li>- Development and adoption of a statistical methodology with action plans to capture specific data on intra-regional informal trade</li> <li>- Support to Member States and the ECOWAS Commission to ensure regular collection of relevant data on informal trade</li> <li>- Support for the production and publication of documents on data relating to informal trade.</li> </ul>			
<p><b>Sub-component 12 :</b></p> <p>Putting in place the informal trade monitoring mechanism</p> <p><b>Activities</b></p> <ul style="list-style-type: none"> <li>- Undertake surveys on informal trade practices and on the impact of the various actions carried out to ensure its formalisation</li> <li>- Support for institutionalisation of activities carried out by the Abnormal Practices Observatory and other initiatives on the subject</li> <li>- Formulation of the required specifications to ensure traceability of informal and formal trade products</li> <li>- Monitoring of measures taken by the States and evaluation of their impacts on the neighbouring countries</li> </ul>			

<p><b>Component 2:</b></p> <p>Institutional capacity building for the informal sector stakeholders and facilitation of their participation in the formulation, implementation and monitoring of intra-regional trade development policies</p> <p><b>Sub-component 21:</b></p> <p>Putting in place the regional network of professional organisations involved in informal trade</p> <p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>- Organisation of awareness sessions with a view to identifying the informal traders</li> <li>- Inventory of organisations representing informal trade actors</li> <li>- Creation and implementation of the regional network of professional organisations involved in informal trade</li> </ul>			
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<p><b>Sub-component 22:</b></p> <p>Capacity building for professional organisations in the informal trade sector</p> <p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>- Sensitisation of professional organisations in the informal trade sector on their role for dialogue with the actors and partners</li> <li>- Support for identification of the informal sector's competence needs</li> <li>- Support for capacity building of the organizations to facilitate delivery of support services to member entrepreneurs</li> <li>- Training on negotiation techniques and on the proposed dialogue thematics</li> <li>- Support for dialogue negotiations and meetings within the professional organisations and with partners on the key challenges relating to the informal sector</li> <li>- Facilitation for implementation of agreements signed with the partners</li> <li>- Realisation of surveys on the themes aimed at promoting informal trade regulation</li> </ul>		-	
<p><b>Sub-component 23:</b></p> <p>Establishing partnerships with the existing regional initiatives</p> <p><b>Activities</b></p> <ul style="list-style-type: none"> <li>- Putting in place a database and creation of special websites for the regional informal trade initiatives</li> <li>- Networking institutions that carry out activities with an impact on informal trade</li> <li>- Support for consultations and sharing of experiences between the ECOWAS and UEMOA Commissions on issues relating to informal trade</li> </ul>		-	

<p><b>Component 3:</b></p> <p>Putting in place the reforms needed to remove the obstacles to formal trade development</p> <p><b>Sub-component 31:</b></p> <p>Simplification of the procedures</p> <p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>- Support to the national and regional administrations in the simplification process of administrative procedures and formalities relating to trade and formulation of the related specifications</li> <li>- Support for the effective implementation of procedures and formalities</li> <li>- Assessment of the ECOWAS Commission's competences and recommendation for relevant institutional changes</li> </ul> <p><b>Sub-component 32:</b></p> <p>Communication and advocacy</p> <p><b>Activities</b></p> <ul style="list-style-type: none"> <li>- Developing a regional communication plan to explain the existing laws and regulations concretely</li> <li>- Holding of advocacy and lobbying activities to ensure effective implementation of the legislative texts and the regulation</li> </ul>			
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<p><b>Component 4:</b> putting in place incentives to encourage actors to migrate from the informal sector to the formal sector</p> <p><b>Sub-component 41:</b></p> <p>Encouraging informal trade actors to register their activities</p> <p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>- Providing support to a pilot sample of informal enterprises to complete the procedures for their transition to the formal regime</li> <li>- Undertaking a communication campaign to showcase the “success stories”, raise awareness on the benefit of adopting the best practices and motivate the other enterprises to integrate the formal regime</li> <li>- Simplification and harmonisation of the administrative and registration procedures for enterprises of the ECOWAS Member States</li> <li>- Facilitating access to financial products for enterprises willing to formalise their activities</li> <li>- Establishment of a subcontracting exchange mechanism between the larger companies and the smaller service providers.</li> <li>- Support for institution of appropriate taxation on informal trade within the framework of the West African Fiscal Reform Programme under preparation.</li> </ul>			
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<p><b>Sub-component 42:</b></p> <p>Adoption of regional directives on informal trade activities</p> <p><b>Activities:</b></p> <ul style="list-style-type: none"><li>- Drafting of regional directives on informal trade activities</li><li>- Promotion and dissemination of directives on informal trade activities</li><li>- Realisation of reviews on the status of implementation of the directives</li></ul> <p><b>Sub-component 43: Training and information for informal trade operators</b></p> <p><b>Activities:</b></p> <ul style="list-style-type: none"><li>- Holding information and training sessions for informal trade operators on enterprise management, accounting, marketing techniques, production management, compliance with hygiene and safety standards, etc.</li><li>- Raising economic operators' awareness on the importance of the products compliance control system relating to technical and sanitary standards and regulations</li></ul>			
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<p><b>Sub-component 44:</b> Improving support structures for informal trade regulation</p> <p><b>Activities:</b></p> <ul style="list-style-type: none"><li>- Building of storage centres along the borders</li><li>- Building of modern markets of regional scope in the border areas with a view to improving the marketing conditions and ensuring better control of trade in these areas</li><li>- Promoting the establishment of counselling and assistance centres and facilitation of cross-border trade activities</li></ul>			
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